

China Precision Steel, Inc.
Form 424B5
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PROSPECTUS SUPPLEMENT
(To Prospectus dated July 16, 2007)

7,100,000 Shares

1,420,000 Warrants

CHINA PRECISION STEEL, INC.

Common Stock and Warrants

We are offering 7,100,000 shares of our common stock, par value \$0.001 per share, and warrants to purchase 1,420,000 shares of our common stock. We are offering our common stock at a price of \$6.75 per share and warrants to purchase shares of common stock at an exercise price of \$8.45 per share.

Our common stock is listed on The NASDAQ Capital Market and traded under the symbol "CPSL."

On October 31, 2007, the closing price of our common stock on The NASDAQ Capital Market was \$8.45 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-4 of this prospectus supplement.

PRICE 6.75 A SHARE

	Per Share	Total
Price to Investors	\$ 6.7500	\$ 47,925,000
Placement Agency Fees	\$ 0.4725	\$ 3,354,750
Proceeds, before expenses but after deducting placement agency fees, to us	\$ 6.2775	\$ 44,570,250

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Roth Capital Partners, LLC is acting as our placement agent in connection with this offering and is using its best efforts to introduce us to investors. The placement agent is not purchasing or selling any shares pursuant to this prospectus supplement or the accompanying prospectus, nor is the placement agent required to purchase or sell any specific number or dollar amount of shares.

Roth Capital Partners

Prospectus Supplement dated November 1, 2007.

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You should rely only on the information provided or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus supplement and the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus supplement and any accompanying prospectus is delivered or securities sold on a later date. In this prospectus supplement and the accompanying prospectus, unless otherwise indicated, "CPSL," "the Company," "we," "us" and "our" refer to China Precision Steel, Inc. and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents we file or have filed with the SEC that are incorporated herein by reference include "forward-looking statements" within the meaning of Section 27A of the United States Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases like "anticipate," "estimate," "plans," "projects," "continuing," "ongoing," "target," "expects," "management believes," "we believe," "we intend," "we may," "we will," "we should," "we seek," "we plan," the negative of those terms, and similar words or phrases. We base these forward-looking statements on our expectations, assumptions, estimates and projections about our business and the industry in which we operate as of the date of this prospectus supplement. These forward-looking statements are subject to a number of risks and uncertainties that cannot be predicted, quantified or controlled and that could cause actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this prospectus supplement, the accompanying prospectus and in documents incorporated into this prospectus describe factors, among others, that could contribute to or cause these differences. Actual results may vary materially from those anticipated, estimated, projected or expected should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, including, but not limited to, our critical accounting policies and statements relating to, among others:

- plans to expand our exports outside of China;
- plans to increase our production capacity and the anticipated dates that facilities may commence operations;
- our ability to obtain additional funding for our continuing operations and to fund our expansion;
- our ability to meet our financial projections for any financial year;
- our ability to retain our key executives and to hire additional senior management;
- continued growth of the Chinese economy and industries demanding our products;
- our ability to produce and sell cold-rolled precision steel products at high margins;
- our ability to secure at acceptable prices the raw materials we need to produce our products;
- political changes in China that may impact our ability to produce and sell our products in our target markets;
- general business conditions and competitive factors, including pricing pressures and product development; and
- changes in our relationships with customers and suppliers.

Because the factors discussed in this prospectus supplement, the accompanying prospectus or documents incorporated by reference could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except as required

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by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the date of this prospectus supplement or the accompanying prospectus or the date of documents incorporated by reference in this prospectus supplement that include forward-looking statements. See the section entitled "Risk Factors" in this prospectus supplement and in our Annual Report on Form 10-K/A for the year ended June 30, 2007.

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PROSPECTUS SUPPLEMENT SUMMARY

The following is only a summary, and does not contain all of the information that you need to consider in making your investment decision. We urge you to read this entire prospectus supplement, the accompanying prospectus and the other information incorporated by reference herein and therein under "Where You Can Find More Information" and "Incorporation of Certain Information by Reference" from our other filings with the SEC. Investing in our securities involves a high degree of risk. Therefore, please carefully consider the information provided under the heading "Risk Factors" beginning on page S-4.

Our Company

We are a niche and high value-added steel processing company principally engaged in the manufacture and sale of high precision cold-rolled steel products and in the provision of heat treatment and cutting of medium and high carbon hot-rolled steel strips. We use commodity steel to create a specialty premium steel intended to yield gross margins above the industry average. Specialty precision steel pertains to the precision of measurements and tolerances of thickness, shape, width, surface finish and other special quality features of highly-engineered end-use applications.

We conduct our operations principally in China through our wholly-owned operating subsidiary, Shanghai Chengtong Precision Strip Co., Limited, or Chengtong. Most of our sales are made domestically in China; however, during fiscal 2007, we began exporting our cold-rolled steel products to Nigeria, Thailand, Indonesia and the Philippines. We intend to expand into additional overseas markets in the future, subject to suitable market conditions and favorable regulatory controls.

We produce and sell precision ultra-thin and high strength cold-rolled steel products with thicknesses ranging from 7.5 mm to 0.03 mm. We also provide heat treatment and cutting of medium and high carbon hot-rolled steel strips not exceeding 7.5 mm thickness. Our process puts hot-rolled de-scaled (pickled) steel coils through a cold-rolling mill, utilizing our patented systems and high technology reduction processing procedures, to make steel coils and sheets in customized thicknesses, according to customer specifications. Currently, our specialty precision products are mainly used in the manufacture of automobile parts and components, plane friction discs, appliances, food packaging materials, saw blades, textile needles, microelectronics, packing and containers.

As of June 30, 2007, we had an annual production capacity of approximately 115,000 metric tons. We have been increasing our production capacity for cold-rolled precision steel as demand in China outpaces domestic supply. We began production with our second cold-rolled mill, which has a production design capacity of 150,000 metric tons per annum, in October 2006, and we plan to commence construction of our third mill in 2008, which has an equivalent design capacity. Each mill takes approximately three to four years to reach full operating capacity. As of June 30, 2007, the second mill was operating at 30% capacity and is expected to reach 50% capacity by the end of calendar year 2007.

Our Directors believe that the increased annual production capacity of approximately 300,000 metric tons from the second and third mills will be fully utilized within three to four years after commencement of operation. These facilities will focus on the production of high carbon, high strength cold-rolled steel products and the production of more complex precision steel products that cannot be manufactured in our first rolling mill. Our first rolling mill, which has an operating capacity of 70,000 metric tons, will continue to primarily manufacture low carbon cold-rolled steel products.

During the fiscal years ended June 30, 2007, 2006 and 2005, we earned net income before discontinued operations of \$7,472,661, \$7,514,101 and \$6,366,411, respectively. The discontinued operations represent those of OraLabs, Inc. which was spun off from the Company in December of 2006. At June 30, 2007, we had total assets of \$82,157,566. Chengtong currently has approximately 280

employees, including 30 senior management and technical staff members, and leases 20,000 square meters of production facilities in Jiading District, Shanghai, on four acres of property.

Corporate History and Structure

We are a Colorado company and became a public company in May 1997 through a reverse merger with SSI Capital Corporation. At that time, we changed our name to OraLabs Holding Corp. and our principal business was the production and sale of consumer products relating to oral care and lip care and the distribution of nutritional supplements through our wholly-owned subsidiary, OraLabs, Inc. In December 2006, we merged with Partner Success Holdings Limited, or PSHL, a British Virgin Islands business company which owns Chengtong. In connection with that transaction, we subsequently redeemed all of the shares of our outstanding common stock owned by our former President, Gary Schlatter, in exchange for all of the issued shares of OraLabs, Inc. Thereafter, we renamed ourselves China Precision Steel, Inc. to reflect our continuing operations.

Our business is conducted principally through Chengtong, in Shanghai, China. Chengtong is a wholly foreign owned enterprise, or WFOE, under Chinese law.

Our corporate headquarters are located at 8th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong, and our telephone number is (011) 852-2543-8223. Our agent for service of process in the United States is The Corporation Company, 1675 Broadway, Suite 1200, Denver, Colorado 80202. Our common stock is listed on The NASDAQ Capital Market under the symbol "CPSL." Although we maintain a website at www.chinaprecisionsteelinc.com, we do not intend that information available on our website be incorporated into this filing. As used herein, the "Group" refers to the Company, PSHL and Chengtong on a consolidated basis.

Growth Strategy

We aim to maintain our position as a leading supplier of high strength and ultra-thin cold-rolled premium specialty steel products in China, while building brand awareness and demand for our products internationally. We have identified six factors critical to the achievement of this goal:

Focus on Rapidly Growing Niche Segment. We will continue to focus on niche markets. According to publicly available information, the demand for precision cold-rolled steel products has been growing at a rate of 20% annually over the past five years in China. Export demand, coupled with domestic Chinese demand for automobile parts and components, saw blades, textile needles, microelectronics, packing and containers, is expected to continue, thereby increasing demand for high precision steel products. Moreover, new applications of steel products are continually being developed. Our research and development efforts are focused on advancing processing techniques and production of high strength and ultra-thin, cold-rolled precision steel products to enhance our product offerings and expand our market share.

Leverage Our Strengths to Compete Effectively with Imports. Specialty precision steel is a relatively new industry in China with the majority of precision steel imported from Japan, Korea, the European Union and the United States. As a result, the average quality and standards of China's high precision steel industry lags behind the international norm. Our lower cost base allows us to sell our products at an average of 10% below our international competitors with shorter delivery time and in accordance with customer specifications. We intend to leverage our lower operating cost base, our state-of-the-art patented manufacturing system and process, and our strategic relationships with our major suppliers to produce cold-rolled steel products with quality similar to international standards at lower cost than international competitors.

Focus on High Margin Products. We intend to continue to manufacture products with high sustainable margins. We increased our gross margin from 5.8% in 2004 to 26.4% in 2007. The

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average gross margins of our high carbon steel products are 20-40% and 10-30% for our low carbon steel products. We will provide additional services such as heat treatment and cutting to further enhance our margins. We believe these high gross margins are sustainable despite fluctuations in steel prices because of the specialty of the end product which generally allow price increases of raw material to be passed directly to our customers.

Expand Manufacturing Capacity. We will increase our production capacity by adding a third cold-rolled mill with a design capacity of 150,000 metric tons in 2008. This will increase our total production design capacity to approximately 400,000 metric tons. The rolling mill installed in 2006, together with the third mill, will produce high carbon, high strength, cold-rolled steel products and more complex precision steel products.

Compete Internationally. We intend to expand our exports to compete in the international marketplace. We believe we are the only non-Japanese company able to compete in the global marketplace with low carbon precision cold-rolled steel products in the thickness range between 0.1 to 0.2 mm. In addition, we are not aware of any other company that currently manufactures high strength and ultra-thin cold-rolled steel with a width of 1400mm. These products provide us with a unique opportunity to compete in the global marketplace.

Retain Key Personnel. The Chinese market is highly competitive for experienced and talented executives and we will strive to retain our key executives, including our Chief Executive Officer, Wo Hing Li, and the General Manager of Chengtong, Hai Sheng Chen. Their experience in business operations and in Chinese steel manufacturing, respectively, is critical to our continued growth and success.

The Offering

Issuer	China Precision Steel, Inc., a Colorado corporation
Securities Offered by Us	7,100,000 shares of Common Stock and warrants to purchase 1,420,000 shares of Common Stock
Common Stock Outstanding After the Offering	45,896,288 shares
NASDAQ Symbol	CPSL
Use of Proceeds	Repayment of existing indebtedness, capital expenditures relating to the construction of a third reverse mill and general corporate purposes. See "Use of Proceeds" in this prospectus supplement.
Risk Factors	An investment in our common stock involves risks. Prospective investors should carefully consider the matters discussed upon the caption entitled "Risk Factors" beginning on page S-4 of this prospectus supplement before making a decision to invest in our common stock.

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RISK FACTORS

We operate in a highly competitive environment in which there are numerous factors that can influence our business, financial position or results of operations and that can also cause the market value of our common stock to decline. Many of these factors are beyond our control and therefore, are difficult to predict. The following section sets forth what we believe to be the principal risks that could affect us, our business or our industry, and which could result in a material adverse impact on our financial results or cause the market price of our common stock to fluctuate or decline.

Risks Relating to the Company's Business

Steel consumption is cyclical and worldwide overcapacity in the steel industry and the availability of alternative products has resulted in intense competition, which may have an adverse effect on our profitability and cash flow.

Steel consumption is highly cyclical and generally follows general economic and industrial conditions both worldwide and in various smaller geographic areas. The steel industry has historically been characterized by excess world supply. This has led to substantial price decreases during periods of economic weakness, which have not been offset by commensurate price increases during periods of economic strength. Substitute materials are increasingly available for many steel products, which may further reduce demand for steel. Additional overcapacity or the use of alternative products could have a material adverse effect upon our results of operations.

Rapidly growing demand and supply in China and other developing economies may result in additional excess worldwide capacity and falling steel prices, which could adversely impact our results.

Over the last several years steel consumption in China and other developing economies such as India has increased at a rapid pace. Steel companies have responded by developing plans to rapidly increase steel production capability in these countries and entered into long-term contracts with iron ore suppliers in Australia and Brazil. Steel production, especially in China, has been expanding rapidly and could be in excess of Chinese demand depending on continuing growth rates. Because China is now the largest worldwide steel producer, any significant excess in Chinese capacity could have a major impact on domestic and international steel trade and prices.

Environmental compliance and remediation could result in substantially increased capital requirements and operating costs.

Our operating subsidiary, Chengtong, is subject to numerous Chinese provincial and local laws and regulations relating to the protection of the environment. These laws continue to evolve and are becoming increasingly stringent. The ultimate impact of complying with such laws and regulations is not always clearly known or determinable because regulations under some of these laws have not yet been promulgated or are undergoing revision. Our consolidated business and operating results could be materially and adversely affected if Chengtong were required to increase expenditures to comply with any new environmental regulations affecting its operations.

We may require additional capital in the future and we cannot assure you that capital will be available on reasonable terms, if at all, or on terms that would not cause substantial dilution to stockholdings.

The development and expansion of our capacity to produce high quality specialty precision steel requires substantial funds. Sourcing external capital for product development and requisite capital expenditures are key factors that have and may in the future constrain our growth, production capability and profitability. To achieve the next phase of our corporate growth, increased production capacity, successful product development and additional external capital will be necessary. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us, if at

all. Any sale of a substantial number of additional shares of common stock or securities convertible into common stock will cause dilution to the holders of our common stock and could also cause the market price of our common stock to decline.

We face significant competition from competitors who have greater resources than we do, and we may not have the resources necessary to successfully compete with them.

We are one of a few manufacturers of specialty precision steel products in China. Differences in the type and nature of the specialty precision steel products in China's steel industry are relatively small and, coupled with intense competition from international and local suppliers, consumers' demand can be price sensitive. Competitors may increase their market share through pricing strategies that adversely impact our business. Our business is in an industry that is becoming increasingly competitive and capital intensive, and competition comes from manufacturers located in China as well as from international competition. Our competitors may have financial resources, staff and facilities substantially greater than ours and we may be at a competitive disadvantage compared with larger companies.

We produce a limited number of products and may not be able to respond quickly to significant changes in the market or new market entrants.

Cold-rolled specialty precision steel is a relatively new industry in China; Chinese manufacturers of durable goods previously relied solely on imports from Japan, Korea, the European Union and the United States. We believe the average quality and standards of products of China's high precision steel industry lags behind the international norm. During the last three years, we have developed a nationally recognizable brand, however, we are not yet an internationally recognizable brand for our specialty steel products. Although we offer more than 40 high precision steel products, there are many other specialty precision steel products of similar nature in the market. If there are significant changes in market demands and/or competitive forces, we may not be able to change our product mix or adapt our production equipment quickly enough to meet customers' needs. Under such circumstances, our narrow band of precision steel products and/or new market entrants may negatively impact our financial performance.

Increased imports of steel products into China could negatively affect domestic steel prices and demand levels and reduce profitability of domestic producers, including Chengtong.

Through June 2007, China's total production of cold-rolled steel sheets increased approximately 54% over the comparable period in 2006. However, domestic production continues to be insufficient to meet demand. As a result, China continues to import a significant portion of its steel products. Foreign competitors may have lower labor costs, and are often owned, controlled or subsidized by their governments, which allows their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions. Import levels may also be impacted by decisions of government agencies, under trade laws. Increases in future levels of imported steel could negatively impact future market prices and demand levels for our precision steel products.

We are dependent on our Chinese manufacturing operations to generate substantially all of our income and profits, and the deterioration of any current favorable local conditions may make it difficult or prohibitive to continue to operate or expand in China.

Our current manufacturing operations are located in China, our administrative offices are in Hong Kong and we have additional establishments in the British Virgin Islands. The geographical distances between these facilities create a number of logistical and communications challenges, including time

differences and differences in the cultures in each location, which makes communication and effective cooperation more difficult. Our operations in China could be affected by, among other things:

economic and political instability in China, including problems related to labor unrest,

lack of developed infrastructure,

variances in payment cycles,

currency fluctuations,

overlapping taxes and multiple taxation issues,

employment and severance taxes,

compliance with local laws and regulatory requirements,

greater difficulty in collecting accounts receivable, and

the burdens of cost and compliance with a variety of foreign laws.

Moreover, inadequate development or maintenance of infrastructure in China, including adequate power and water supplies, transportation, raw materials availability or the deterioration in the general political, economic or social environment could make it difficult, more expensive and possibly prohibitive to continue to operate or expand our facilities in China.

Chengtong is subject to numerous national, provincial and local governmental regulations, all of which can limit our ability to react to market pressures in a timely or effective way, thus causing us to lose business or miss opportunities to expand our business. These include, among others, regulations governing:

environmental and waste management,

our relationship with our employees, including: wage and hour requirements, working and safety conditions, citizenship requirements, work permits and travel restrictions,

property ownership and use in connection with our leased facilities in China, and

import restrictions, currency restrictions and restrictions on the volume of domestic sales.

Our operations are international and we are subject to significant worldwide political, economic, legal and other uncertainties that may make it difficult or costly to collect amounts owed to us or to conduct operations should materials needed from certain places be unavailable for an indefinite or extended period of time.

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We have subsidiaries in the British Virgin Islands and China. We manufacture all of our products in China and substantially all of the net book value of our total fixed assets is located there. However, we sell our products to customers outside of China as well as domestically. As a result, we have receivables from and goods in transit to locations outside of China. Protectionist trade legislation in the United States or other countries, such as a change in export or import legislation, tariff or duty structures, or other trade policies, could adversely affect our ability to sell products in these markets, or even to purchase raw materials or equipment from foreign suppliers. Moreover, we are subject to a variety of United States laws and regulations, changes to which may affect our ability to transact business with certain customers or in certain product categories.

The end-use markets for certain of our products are highly competitive and customers are willing to accept substitutes for our products which could reduce our results of operations.

Buyers of certain cold-rolled steel products are in highly competitive markets. Cold-rolled precision steel competes with other materials, such as aluminum, plastics, composite materials and glass, among

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others, for industrial and commercial applications. Customers have demonstrated a willingness to substitute other materials for cold-rolled steel. The willingness of our customers to accept substitutes for cold-rolled steel products could have a material adverse effect on our financial results.

We may not be able to pass on to customers the increases in the costs of our raw materials, particularly crude steel.

We require substantial amounts of raw materials in our business, consisting principally of steel slabs and strip steel. Any substantial increases in the cost of crude steel could adversely affect our financial condition and results of operations. The availability and price of crude steel depends on a number of factors outside our control, including general economic conditions, domestic and international supply and tariffs. Increased domestic and worldwide demand for crude steel has had and will continue to have the effect of increasing the prices that we pay for these raw materials, thereby increasing our cost of sales. Generally, there is a potential time lag between changes in prices under our purchase contracts and the point when we can implement a corresponding change under our sales contracts with our customers. As a result, we can be exposed to fluctuations in the price of raw materials, since, during the time lag period, we may have to temporarily bear the additional cost of the change under our purchase contracts, which could have a material adverse effect on our profitability. If raw material prices were to increase significantly without a commensurate increase in the market value of our products, our financial condition and results of operations would be adversely affected.

Although we are dependent on a steady flow of raw materials for our operations, we do not have in place long-term supply agreements for all of our material requirements.

We rely on several suppliers to provide us with the raw materials used in our operations, although a substantial portion of our raw material requirements is met by BaoSteel Trading Co., Ltd. We do not currently have long-term supply contracts with any particular supplier, including BaoSteel Trading Co., Ltd., to assure a continued supply of the raw materials we need. While we maintain good relationships with these suppliers, the supply of raw materials may nevertheless be interrupted on account of events outside our control, which will negatively impact our operations.

We have substantial indebtedness with floating interest rates and the cost of our borrowings may increase.

We are subject to interest rate risk on our non-derivative financial instruments. We do not hedge our interest rate risk. At June 30, 2007, our total bank debt outstanding was \$22,884,679, all of which was interest-bearing. Substantially all of the bank debt was floating-rate debt with interest rates which vary with changes in the standard rate set by the People's Bank of China. To the extent interest rates increase, we will be liable for higher interest payments to our lenders. For the 2008 financial year, annual interest on loans is anticipated to be approximately \$1.8 million. The impact of a 1% increase in interest rates will increase interest expense by approximately \$240,000. As our short-term borrowings mature, we will be required to either repay or refinance these borrowings. An increase in short-term interest rates at the time that we seek to refinance short-term borrowings may increase the cost of borrowings, which may adversely affect our earnings and cash available for distribution to our stockholders.

At June 30, 2007, the aggregate fair value of our financial instruments with exposure to interest rate risk was approximately \$23 million. The potential change in fair value for these financial instruments from an adverse 10% change in quoted interest rates across all maturities, often referred to as a parallel shift in the yield curve, would be approximately \$0.1 million at June 30, 2007.

The loss of any key executive or our failure to attract and retain key personnel could adversely affect our future performance, strategic plans and other objectives.

The loss or failure to attract and retain key personnel could significantly impede our future performance, including product development, strategic plans, marketing and other objectives. Our success depends to a substantial extent not only on the ability and experience of our senior management, but particularly upon our Chairman, Wo Hing Li; the General Manager of Chengtong, Hai Sheng Chen; and Chief Financial Officer, Leada Tak Tai Li. We do not currently have in place key man life insurance on Wo Hing Li, Hai Sheng Chen or Leada Tak Tai Li. To the extent that the services of these officers and directors would be unavailable to us, we would be required to recruit other persons to perform their duties. We may be unable to employ other qualified persons with the appropriate background and expertise to replace these officers and directors on terms suitable to us.

We may not be able to retain, recruit and train adequate management and production personnel. We rely heavily on those personnel to help develop and execute our business plans and strategies, and if we lose such personnel, it would reduce our ability to operate effectively.

Our continued operations are dependent upon our ability to identify and recruit adequate management and production personnel in China. We require trained graduates of varying levels and experience and a flexible work force of semi-skilled operators. Many of our current employees come from the more remote regions of China as they are attracted by the wage differential and prospects afforded by Shanghai and our operations. With the economic growth currently being experienced in China, competition for qualified personnel is substantial, and there can be no guarantee that a favorable employment climate will continue and that wage rates we must offer to attract qualified personnel will enable us to remain competitive internationally. The inability to attract such personnel or the increased cost of doing so could reduce our competitive advantage relative to other precision steel producers, reducing or eliminating our growth in revenues and profits.

We may not be able to protect adequately our intellectual property from infringement or unauthorized use by third parties.

Except for a patent on the Environment-Conscious Mill Bearing with Inner Circular Lubrication, we have no patents or licenses that protect our intellectual property. Unauthorized parties may attempt to copy aspects of our processes and know-how or to obtain and use information that we regard as proprietary. Policing unauthorized use of our processes and know-how is difficult. Our experienced key engineers and management staff are extensively involved in all facets of research, design, craftwork, styling and development of the specialty precision products. Potential risks on the divulgence of skills and the development of new products increase should these employees resign, as we rely heavily on them. Chengtong has elected to protect internally developed know-how and production processes (such as system pressure, cleanliness of the lubrication, temperature control, appropriate allocation of oil supply and retrieving, which are vital in providing a radical solution to the difficulties associated with lubricating rolling mills' backing bearing) by requiring all key personnel (production engineers and management staff) to sign non-disclosure and confidentiality contracts. However, this means of protecting our proprietary rights may not be adequate. In addition, the laws of some foreign countries do not protect our proprietary rights as extensively as do U.S. laws. Our failure to protect adequately our proprietary rights may allow third parties to duplicate our products, production processes or develop functionally equivalent or superior technology. In addition, our competitors may independently develop similar technologies or design around our proprietary intellectual property.

We are subject to risks associated with changing technology and manufacturing techniques, which could place us at a competitive disadvantage.

The successful implementation of our business strategy requires us to continuously develop our existing products and services and introduce new products and services to meet customers' needs. Our designs and products are characterized by stringent performance and specification requirements that mandate a high degree of manufacturing and engineering expertise. We believe that our customers rigorously evaluate our services and products on the basis of a number of factors, including, but not limited to:

- quality,
- price competitiveness,
- technical expertise and development capability,
- innovation,
- reliability and timeliness of delivery,
- product design capability,
- operational flexibility,
- customer service, and
- overall management.

Our success depends on our ability to continue to meet our customers' changing requirements and specifications with respect to these and other criteria. There can be no assurance that we will be able to address technological advances or introduce new designs or products that may be necessary to remain competitive within the precision steel industry.

We depend upon our largest customers for a significant portion of our sales revenue, and we cannot be certain that sales to these customers will continue. If sales to these customers do not continue, then our sales may decline and our business may be negatively impacted.

We currently supply high precision steel products to 12 major customers in the Chinese domestic market. For the years ended June 30, 2007 and 2006, sales revenues generated from the top five major customers amounted to 51% and 50% of total sales revenues, respectively; sales to the largest single customer for the same periods amounted to 23% and 15% of total sales revenues, respectively. We do not enter into long-term contracts with our customers, and therefore cannot be certain that sales to these customers will continue. The loss of any of our largest customers would likely have a material negative impact on our sales revenues and business.

Defects in our products could impair our ability to sell products or could result in litigation and other significant costs.

Detection of any significant defects in our precision steel products may result in, among other things, delay in time-to-market, loss of market acceptance and sales of our products, diversion of development resources, injury to our reputation, litigation or fines, or increased costs to correct such defects. Defects could harm our reputation, which could result in significant costs and could impair our ability to sell our products. The costs we may incur in correcting any product defects may be substantial and could decrease our profit margins.

Failure to optimize our manufacturing potential and cost structure could materially increase our overhead, causing a decline in our margins and profitability.

We strive to utilize the manufacturing capacity of our facilities fully but may not do so on a consistent basis. Our factory utilization is dependent on our success in, among other things:

accurately forecasting demand,

predicting volatility,

timing volume sales to our customers,

balancing our productive resources with product mix, and

planning manufacturing services for new or other products that we intend to produce.

Demand for our products may not be as high as we expect, and we may fail to realize the expected benefit from our investment in our manufacturing facilities. Our profitability and operating results are also dependent upon a variety of other factors, including, but not limited to:

utilization rates of manufacturing lines,

downtime due to product changeover,

impurities in raw materials causing shutdowns, and

maintenance of contaminant-free operations.

Failure to optimize our manufacturing potential and cost structure could materially and adversely affect our business and operating results.

Moreover, our cost structure is subject to fluctuations from inflationary pressures in China and other geographic regions where we conduct business. China is currently experiencing dramatic growth in its economy. This growth may lead to continued pressure on wages and salaries that may exceed our budget and adversely affect our operating results.

Our production facilities are subject to risks of power shortages which may adversely affect our ability to meet our customers' needs and reduce our revenues.

Many cities and provinces in China have suffered serious power shortages since the second quarter of 2004. Many of the regional grids do not have sufficient power generating capacity to fully satisfy the increased demand for electricity driven by continual economic growth and persistent hot weather. Local governments have occasionally required local factories to temporarily shut down their operations or reduce their daily operational hours in order to reduce local power consumption levels. To date, our operations have not been affected by those administrative measures. However, there is a risk that our operations may be affected by those administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. In such event, our business, results of operation and financial condition could be materially adversely affected. We do not have any back-up power generation system. Although we have not experienced any power outages in the past, we may be adversely affected by power outages in the future.

Unexpected equipment failures may lead to production curtailments or shutdowns.

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Interruptions in our production capabilities caused by equipment malfunctions or failures may adversely affect our production costs, products available for sale and earnings for the affected period. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. Our manufacturing processes are dependent upon critical pieces of equipment, such as our various cold-rolling mills, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of

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service as a result of unanticipated failures. We have experienced and may in the future experience material plant shutdowns or periods of reduced production as a result of such equipment failures.

Our insurance may not be adequate if our production facilities were destroyed or significantly damaged as a result of fire or some other natural disaster.

All of our products are currently manufactured at our existing facilities located in the Jiading District in Shanghai, China. Fire fighting and disaster relief or assistance in China may not be as developed as in Western countries. While we maintain property damage insurance aggregating approximately \$18.5 million covering our raw materials, finished goods, equipment and buildings and another \$10.5 million insurance against equipment breakdown, we do not maintain business interruption insurance. Material damage to, or the loss of, our production facilities due to fire, severe weather, flood or other act of God or cause, even if insured, could have a material adverse effect on our financial condition, results of operations, business and prospects.

Our limited operating history may not serve as an adequate basis to judge our future prospects and results of operations.

Our limited operating history may not provide a meaningful basis on which to evaluate our business. Although our revenues have grown rapidly since inception, we might not be able to maintain our profitability or we may incur net losses in the future. We expect that our operating expenses will increase as we expand. Any significant failure to realize anticipated revenue growth could result in significant operating losses. We will continue to encounter risks and difficulties frequently experienced by companies at a similar stage of development, including our potential failure to:

Implement our business model and strategy and adapt and modify them as needed;

Manage our expanding operations and product offerings;

Maintain adequate control of our expenses;

Anticipate and adapt to changing conditions in the precision steel markets in which we operate as well as the impact of any changes in government regulation; and

Anticipate mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics.

Our business, business prospects and results of operations will be affected if we are not successful in addressing any or all of these risks and difficulties.

Failure to comply with the U.S. Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, we are required to maintain records that accurately and fairly represent our transactions and have an adequate system of internal accounting controls. Foreign companies, including some that may compete with us, are not subject to these prohibitions, and therefore may have a competitive advantage over us. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the PRC, and our executive officers and employees have not been subject to the U.S. Foreign Corrupt Practices Act prior to the completion of the Stock Exchange Agreement in December 2006. We can make no assurance that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based upon U.S. laws, including the federal securities laws or other foreign laws against us or our management.

Substantially all of our current operations are conducted in China. Moreover, all but one of our directors and all of our officers are nationals and residents of China or Hong Kong. All or substantially all of the assets of these persons are located outside the United States. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of China or Hong Kong upon these persons. In addition, uncertainty exists as to whether the courts of China or Hong Kong would recognize or enforce judgments of U.S. courts obtained against us or our officers and/or directors predicated upon the civil liability provisions of the securities law of the United States or any state thereof, or be competent to hear original actions brought in China or Hong Kong against us or such persons predicated upon the securities laws of the United States or any state thereof.

Risks Relating to China

We face significant risks if the Chinese government changes its policies, laws, regulations, tax structure or its current interpretations of its laws, rules and regulations relating to our operations in China.

Chengtong's manufacturing facility is located in Shanghai, China. As of June 30, 2007, substantially all of our assets are located in China and, except for a small volume of exports, all of our sales revenues are generated in China. Our results of operations, financial state of affairs and future growth are, to a significant degree, subject to China's economic, political and legal development and related uncertainties. Our operations and results could be materially affected by a number of factors, including, but not limited to:

changes in policies by the Chinese government resulting in changes in laws or regulations or the interpretation of laws or regulations,

confiscatory taxation,

changes in employment restrictions,

restrictions on imports and sources of supply,

import duties,

corruption,

currency revaluation, and

the expropriation of private enterprise.

Over the past several years, the Chinese government has pursued economic reform policies including the encouragement of private economic activities and greater economic decentralization. If the Chinese government does not continue to pursue its present policies that encourage foreign investment and operations in China, or if these policies are either not successful or are significantly altered, then our business could be adversely affected. Chengtong could even be subject to the risk of nationalization, which could result in the total loss of our stockholders' investment. Following the Chinese government's policy of privatizing many state-owned enterprises, the Chinese government has attempted to augment its revenues through increased tax collection. Continued efforts to increase tax revenues could result in increased taxation expenses being incurred by us. Economic development may be limited as well by the imposition of austerity measures intended to reduce inflation, the inadequate development of infrastructure and the potential unavailability of adequate power and water supplies, transportation and communications.

Chinese laws and regulations governing our current business operations are sometimes vague and uncertain. Any changes in such Chinese laws and regulations may have a material and adverse effect on our business.

China's legal system is a civil law system based on written statutes, in which system decided legal cases have little value as precedents unlike the common law system prevalent in the United States. There are substantial uncertainties regarding the interpretation and application of Chinese laws and regulations, including but not limited to the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. The Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We are considered a foreign person or foreign funded enterprise under Chinese laws, and as a result, we are required to comply with Chinese laws and regulations. We cannot predict what effect the interpretation of existing or new Chinese laws or regulations may have on our businesses. If the relevant authorities find us in violation of Chinese laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

levying fines;

revoking our business and other licenses;

requiring that we restructure our ownership or operations; and

requiring that we discontinue any portion or all of our business.

A slowdown or other adverse developments in the Chinese economy may materially and adversely affect our customers, demand for our services and our business.

All of our operations are conducted in China and substantially all of our revenues are generated from sales to businesses operating in China. Although the Chinese economy has grown significantly in recent years, such growth may not continue. We do not know how sensitive we are to a slowdown in economic growth or other adverse changes in Chinese economy which may affect demand for precision steel products. A slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in China may materially reduce the demand for our products and in turn reduce our results of operations and our productivity.

Inflation in China could negatively affect our profitability and growth.

While the Chinese economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in the costs of raw materials, it may have an adverse effect on our profitability. In order to control inflation in the past, the Chinese government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. In October 2004, the People's Bank of China, China's central bank, raised interest rates for the first time in nearly a decade and indicated in a statement that the measure was prompted by inflationary concerns in the Chinese economy.

Repeated increases in interest rates by the central bank will likely slow economic activity in China which could, in turn, materially increase our costs and also reduce demand for our products.

Controversies affecting China's trade with the United States could depress our stock price.

While China has been granted permanent most favored nation trade status in the United States through its entry into the World Trade Organization, controversies and trade disagreements between the United States and China may arise that have a material adverse effect upon our stock price. Political or trade friction between the United States and China, whether or not actually affecting its business, could also materially and adversely affect the prevailing market price of our common stock.

We may have difficulty establishing adequate management, legal and financial controls in China, which could impair our planning processes and make it difficult to provide accurate reports of our operating results.

China historically has not followed Western style management and financial reporting concepts and practices, and its access to modern banking, computer and other control systems has been limited. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in China in these areas. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards, making it difficult for management to forecast its needs and to present the results of our operations accurately at all times.

Imposition of trade barriers and taxes may reduce our ability to do business internationally, and the resulting loss of revenue could harm our profitability.

We may experience barriers to conducting business and trade in our targeted emerging markets in the form of delayed customs clearances, customs duties and tariffs. In addition, we may be subject to repatriation taxes levied upon the exchange of income from local currency into foreign currency, substantial taxes of profits, revenues, assets and payroll, as well as value-added tax. The markets in which we plan to operate may impose onerous and unpredictable duties, tariffs and taxes on our business and products, and there can be no assurance that this will not reduce the level of sales that we achieve in such markets, which would reduce our revenues and profits.

There can be no guarantee that China will comply with the membership requirements of the World Trade Organization, which could leave us subject to retaliatory actions by other governments and reduce our ability to sell our products internationally.

China has agreed that foreign companies will be allowed to import most products into any part of China. In the sensitive area of intellectual property rights, China has agreed to implement the trade-related intellectual property agreement of the Uruguay Round. There can be no assurances that China will implement any or all of the requirements of its membership in the World Trade Organization in a timely manner, if at all. If China does not fulfill its obligations to the World Trade Organization, we may be subject to retaliatory actions by the governments of the countries into which we sell our products, which could render our products less attractive, thus reducing our revenues and profits.

Our labor costs are likely to increase as a result of changes in Chinese labor laws.

We have recently experienced an increase in the cost of labor. Recent changes in Chinese labor laws that are effective January 1, 2008 are likely to increase costs further and impose restrictions on our relationship with our employees. There can be no assurance that the labor laws will not change further or that their interpretation and implementation will vary, which may have a material adverse effect upon our business and results of operations.

We currently receive preferential tax treatment under Chinese law which will expire in 2008 and may negatively impact our profitability.

Prior to the adoption of the PRC Enterprise Income Tax Law on March 16, 2007 (the "EIT Law"), Chinese income tax law provided that any foreign-invested enterprise engaged in manufacturing and scheduled to operate for not less than 10 years was entitled to receive an exemption from the entire central government income tax for the two years beginning with its first profitable year and receive a 50% reduced income tax in the third through fifth years. As a wholly foreign owned enterprise, Chengtong has been entitled to such preferential tax treatment. The full tax exemption for the enterprise income tax expired on December 31, 2005 and the one-half reduction on the enterprise profit tax to 13.5% will expire on December 31, 2008. After such tax holidays, our profits will be subject to the full tax rate of 25%, effective as of January 1, 2008 in accordance with the EIT Law passed in 2007. If we are unable to increase gross income by an amount greater than that needed to offset the loss of this preferential tax treatment, such a condition could have a material adverse effect on the results of our operations.

Under the EIT Law, a uniform tax rate of 25.0% has been adopted for all enterprises (including foreign-invested enterprises) and several tax incentives enjoyed by foreign-invested enterprises have been cancelled. However, for foreign-invested enterprises established before the promulgation of the EIT Law, a five-year transition period is provided during which reduced rates will apply but gradually be phased out. Since the PRC government has not announced implementation measures for the transitional policy with regards to such preferential tax rates, we cannot reasonably estimate the financial impact of the new tax law to us at this time. Further, any future increase in the enterprise income tax rate applicable to us or other adverse tax treatments would have a material adverse effect on our results of operations and financial condition.

Fluctuations in exchange rates of the Renminbi, or RMB, could adversely affect the value of and dividends, if any, payable on shares of our common stock or otherwise impact our operations and profitability.

We collect revenue from operations principally in the Chinese Renminbi. Except for recent exports to Nigeria, Thailand, Indonesia and the Philippines, all of our local sales revenues are collected in and substantially all of our expenses are paid in the Chinese Renminbi. We face foreign currency rate translation risk when Chengtong's results are translated to U.S. Dollars, as well as foreign currency rate transaction risk with respect to sales outside of China and with respect to financial instruments denominated in foreign currencies. The results of operations denominated in foreign currency 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.

The Chinese Renminbi remained stable against the U.S. Dollar at approximately 8.28 RMB to 1.00 U.S. Dollar for several years until July 21, 2005 when the Chinese currency regime was altered, with a 2.1% revaluation versus the U.S. Dollar. This move initially valued the Renminbi at 8.11 per U.S. Dollar. The Renminbi is no longer linked to the U.S. currency but rather to a basket of currencies with a 0.3% margin of fluctuation. However, there remains international pressure on the Chinese government to adopt an even more flexible currency policy. As of October 10, 2007, the exchange rate was 7.51 RMB to 1.00 U.S. Dollar. The exchange rate of Renminbi is subject to changes in China's government policies which are, to a large extent, dependent on the economic and political development both internationally and locally and the demand and supply of Renminbi in the domestic market. There can be no assurance that such exchange rate will continue to remain stable in the future amongst the volatility of currencies, globalization and the unstable economies in recent years.

Since (i) our income and profit are mainly denominated in Renminbi, and (ii) the payment of dividends, if any, will be in U.S. Dollars, any exchange fluctuation of the Renminbi against other foreign currencies would adversely affect the value of the shares and dividends payable to shareholders, in foreign currency terms. For example, to the extent that we need to convert U.S. Dollars we receive from an offering of our securities into Renminbi for our operations, if the Renminbi appreciates against the U.S. Dollar, the Renminbi equivalent of the US Dollar we convert would be reduced. Conversely, if we decide to convert our Renminbi into U.S. Dollars for the purpose of making payments for dividends on our common stock or for other business purposes and the U.S. Dollar appreciates against the Renminbi, the U.S. Dollar equivalent of the Renminbi we convert would be reduced. In addition, appreciation of the Renminbi could make our products more expensive relative to those of our competitors or increase our profitability in U.S. Dollar terms.

At June 30, 2007, our outstanding financial instruments with foreign currency exchange rate risk exposure had an aggregate fair value of \$7.5 million (including our non-U.S. Dollar denominated debt). The potential increase in the fair values of these instruments resulting from a 10% adverse change in quoted foreign currency exchange rates would be approximately \$0.75 million at June 30, 2007.

The ability of our Chinese operating subsidiary to pay certain foreign currency obligations, including dividends, may be restricted due to foreign exchange control regulations of China.

The ability of Chengtong to pay dividends may be restricted due to the foreign exchange control policies and availability of cash balances. Since substantially all of our operations are conducted in China and a majority of our revenues are generated in China, a significant portion of our revenue earned and currency received are denominated in Renminbi.

The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Renminbi is currently not a freely convertible currency. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, if any, on our common stock or otherwise satisfy foreign currency denominated obligations. Under existing Chinese foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies.

The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

Risks Relating to Our Common Stock

The market price for shares of our common stock could be volatile and could decline.

Our common stock is listed on The NASDAQ Capital Market under the symbol "CPSL." The market price for the shares of our common stock may fluctuate in response to a number of factors, many of which are beyond our control. In some cases, these fluctuations may be unrelated to our operating performance. Many companies with Chinese operations have experienced dramatic volatility in the market prices of their common stock. We believe that a number of factors, both within and outside of our control, could cause the price of our common stock to fluctuate, perhaps substantially.

Factors such as the following could have a significant adverse impact on the market price of our common stock:

our ability to obtain additional financing and, if available, the terms and conditions of the financing;

our financial position and results of operations;

period-to-period fluctuations in our operating results;

changes in estimates of our performance by any securities analysts;

substantial sales of our common stock pursuant to Rule 144 or otherwise;

new regulatory requirements and changes in the existing regulatory environment;

the issuance of new equity securities in a future offering;

changes in interest rates; and

general economic, monetary and other national conditions, particularly in the U.S. and China.

The trading market in our common stock is limited and illiquid and may cause volatility in the market price.

As of June 30, 2007, 37.4%, or 13,964,883 shares, of our issued and outstanding common stock was not owned by affiliates, of which 10,338,729 were unrestricted and free to trade. The market price for our common stock is subject to volatility and holders of common stock may be unable to resell their shares at or near their original purchase price or at any price. In the absence of an active trading market:

investors may have difficulty buying and selling;

market visibility for our common stock may be limited; and

a lack of visibility for our common stock may have a depressive effect on the market for our common stock.

Shares eligible for future sale may adversely affect the market price of our common stock, as the future sale of a substantial amount of outstanding stock in the public marketplace could reduce the price of our common stock.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market, pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations or otherwise. In general, pursuant to Rule 144, a stockholder (or stockholders whose shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume of the class during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of securities, without any limitations, by a non-affiliate of our company that has satisfied a two-year holding period. Any substantial sale of common stock pursuant to Rule 144 or pursuant to a resale prospectus may have an adverse effect on the market price of our common stock.

One stockholder, who is our Chief Executive Officer, exercises significant control over matters requiring shareholder approval.

Wo Hing Li, our Chief Executive Officer, had voting power as of June 30, 2007 equal to approximately 59% of our voting securities. As a result, Wo Hing Li, through such stock ownership, exercises significant control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership in Wo Hing Li may also have the effect of delaying or preventing a change in control or other transactions that may otherwise be viewed as beneficial by shareholders other than Wo Hing Li.

We may be required to raise additional financing by issuing new securities with terms or rights superior to those of our shares of common stock, which could adversely affect the market price of our shares of common stock.

We may require additional financing to fund future operations, develop and exploit existing and new products and to expand into new markets. We may not be able to obtain financing on favorable terms, if at all. If we raise additional funds by issuing equity securities, the percentage ownership of our current shareholders will be reduced, and the holders of the new equity securities may have rights superior to those of the holders of shares of common stock, which could adversely affect the market price and the voting power of shares of our common stock. If we raise additional funds by issuing debt securities, the holders of these debt securities would similarly have some rights senior to those of the holders of shares of common stock, and the terms of these debt securities could impose restrictions on operations and create a significant interest expense for us.

We may incur significant costs to ensure compliance with U.S. corporate governance and accounting requirements.

We may incur significant costs associated with our public company reporting requirements, costs associated with applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC and requirements in connection with the listing of our common stock on The NASDAQ Capital Market. We expect all of these applicable rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers.

Our officers and directors have limited experience with the regulatory requirements for U.S. public companies, which could impair our ability to satisfy public company filing requirements and could increase our securities compliance costs.

All of our officers and most of our directors do not have any prior experience as officers and directors of a U.S. publicly traded company, or in complying with the regulatory requirements applicable to a U.S. public company. As a result, we could have difficulty satisfying the regulatory requirements applicable to U.S. public companies, which could adversely affect the market for our common stock. At present, we rely upon outside experts to advise us on matters relating to financial accounting and public company reporting. While we believe that it will be possible to satisfy our public company reporting requirements through the use of third party experts, our general and administrative costs will remain higher until we have developed or acquired internal expertise in these matters.

Standards for compliance with Section 404 of the Sarbanes-Oxley Act of 2002 are uncertain, and if we fail to comply in a timely manner, our business could be harmed and our stock price could decline.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual assessment of our internal control over financial reporting, and attestation of our assessment by our independent registered public accountants. The standards that must be met for management to assess the internal control over financial reporting as effective are complex, and require significant documentation, testing and possible remediation to meet the detailed standards and impose significant additional expenses on us. We may encounter problems or delays in completing activities necessary to make an assessment of our internal control over financial reporting. In addition, the attestation process required of our independent registered public accountants is new, and we may encounter problems or delays in completing the implementation of any requested improvements and receiving an attestation of our assessment by our independent registered public accountants. If we cannot assess our internal control over financial reporting as effective, or our independent registered public accountants are unable to provide an unqualified attestation report on such assessment, investor confidence and share value may be negatively impacted.

We do not foresee paying cash dividends in the foreseeable future.

We have not paid cash dividends on our stock, and we do not plan to pay cash dividends on our stock in the foreseeable future.

USE OF PROCEEDS

The Company expects that the net proceeds of the offering will be approximately \$44.0 million, after deducting underwriting commissions and discounts and other fees and expenses relating to the offering. The Company intends to use the net proceeds for repayment of certain existing bank debt in the amount of approximately \$22.0 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 \$18.00 million, and the balance for general corporate purposes.

DESCRIPTION OF WARRANTS

The following description summarizes the material terms and provisions of the warrants being offered under this prospectus supplement.

Terms of Warrants

Exercise Price. The warrants are exercisable for shares of common stock at an exercise price of US\$8.45 per share.

Adjustment to Exercise Price. The exercise price of the warrants is subject to proportional adjustment in the case of stock splits, stock dividends, stock combinations, recapitalizations and similar matters.

Fundamental Transaction. Upon any merger or consolidation of our Company, sale of substantially all of our assets, any tender offer or exchange offer or similar fundamental transaction, the warrant holder shall have the right to receive the number of shares of Common Stock of the successor, the acquiring corporation, or of our Company, and any additional consideration received as a result of such transaction.

Subsequent Rights Offerings. If we, at any time while the warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the warrant holders) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the fair

market value at the record date, then the exercise price of the warrants shall be proportionally adjusted.

Pro Rata Distributions. If we, at any time while the warrant is outstanding, shall distribute to all holders of Common Stock (and not to warrant holders) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock), then in each such case the exercise price of the warrants shall be proportionally adjusted.

Exercise Period. The warrants are exercisable for five years beginning on the date which is six months following the date of initial issuance of the warrants.

Before exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including the right to receive dividends, if any, or, payments upon our liquidation, dissolution or winding up or to exercise voting rights, if any.

Exercise of Warrants

Each warrant will entitle the holder to purchase shares of common stock at the exercise price stated above. Holders of the warrants may exercise the warrants at any time after the date which is six months following the date of initial issuance of the warrants up to the expiration date specified above. After the close of business on the expiration date, unexercised warrants will be automatically exercised via cashless exercise.

Holders of the warrants may exercise the warrants, in whole or in part, at any time or times on or after the date which is six months following the date of initial issuance of the warrants and on or before the expiration date by delivery to our warrant agent of a duly executed facsimile copy of a notice of exercise (or such other office or agency of the company as it may designate by notice in writing to the registered holder at the address of the holder appearing on our books) and paying to our warrant agent, for our account, within three trading days of the date said notice is delivered to our warrant agent, the aggregate exercise price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank.

In lieu of paying the aggregate exercise price, the warrant holder may exercise the warrant through a cashless exercise by surrendering the warrant, together with irrevocable instructions to our warrant agent, to issue in exchange for the warrant the number of shares of Common Stock equal to the product of (i) the number of shares as to which the warrants are being exercised multiplied by (ii) a fraction, the numerator of which is the fair market value of a share of Common Stock on the last business day immediately preceding the exercise date less the aggregate exercise price and the denominator of which is such fair market value. The fair market value of a share of Common Stock as of a particular date shall mean: (i) if traded on a securities exchange or if actively traded over-the-counter, the fair market value shall be deemed to be the last reported sale price of the Common Stock on such exchange or over-the-counter on the last business day before the date in question; (ii) if actively traded over-the-counter, but no sale is made on such day, the mean of the closing bid and asked prices such day on such over-the-counter quotation; and (iii) if there is no active public market, the fair market value shall be the value as determined in good faith by our Board of Directors upon a review of relevant factors, including due consideration of the warrant holder's determination of the value of our company.

Notwithstanding anything herein to the contrary, the holder shall not be required to physically surrender a warrant to our warrant agent until the holder has purchased all of the shares issuable upon exercise of such warrant and such warrant has been exercised in full, in which case, the holder shall surrender the warrant to our warrant agent for cancellation within three trading days of the date the final notice of exercise is delivered to us. Partial exercise of a warrant resulting in purchases of a

portion of the total number of shares issuable upon exercise thereof shall have the effect of lowering the outstanding number of shares issuable upon exercise thereof in an amount equal to the applicable number of shares so purchased. We, either directly or through our warrant agent, and the holder will maintain records showing the number of shares purchased and the date of such purchases.

If we fail to cause our warrant agent to transmit to the warrant holder a certificate or certificates representing the warrant shares pursuant to an exercise on or before the three trading days from the delivery to the warrant agent of a notice of exercise, and if after such date the warrant holder is required by its broker to purchase (in an open market transaction or otherwise) or the warrant holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the warrant holder of the warrant shares which the holder anticipated receiving upon such exercise, such a situation referred to as a "buy-in", then we shall (1) pay in cash to the warrant holder the amount by which (x) the warrant holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of warrant shares that we were required to deliver to the warrant holder in connection with the exercise at issue times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the warrant holder, either reinstate the portion of the warrant and equivalent number of warrant shares for which such exercise was not honored or deliver to the warrant holder the number of shares of Common Stock that would have been issued had we timely complied with its exercise and delivery obligations hereunder.

Enforceability of Rights by Holders of Warrants

Each warrant agent we use with respect to the warrants will act solely as our agent under a warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, its warrants.

Outstanding Warrants

As of September 30, 2007, there were outstanding warrants to purchase 1,400,059 shares of our common stock. The exercise price for 1,300,059 of these warrants is \$3.00 per share. The exercise price for 100,000 of these warrants is \$3.60 per share. The currently outstanding warrants will expire in February 2010, unless earlier exercised.

PLAN OF DISTRIBUTION

We are directly selling to one or more purchasers, shares of our common stock under this prospectus supplement at a price of \$6.75 per share and warrants to purchase shares of common stock at an exercise price of \$8.45 per share. The gross proceeds from the financing will be approximately \$48.0 million, and we estimate the net proceeds from the financing to be approximately \$44.0 million after deducting placement agent fees and the estimated costs payable by us associated with the offering. We have negotiated with the purchasers regarding the sale of shares of our common stock and warrants being offered hereunder, and have entered into subscription agreements with the purchasers which set forth the specific terms of the transaction.

Pursuant to a placement agency agreement, dated October 31, 2007, we have engaged Roth Capital Partners, LLC, or Roth Capital, to act as our exclusive placement agent in connection with an

offering of our common stock and warrants under the registration statement on Form S-3, of which this prospectus supplement is a part. Under the terms of the placement agency agreement, Roth Capital agreed to be our exclusive placement agent, on a best efforts basis, in connection with the issuance and sale by us of our common stock and warrants in a proposed takedown from our registration statement. The terms of any such offering will be subject to market conditions and negotiations between us, Roth Capital and prospective purchasers. The placement agency agreement does not give rise to any commitment by Roth Capital to purchase any of the shares of common stock or warrants, and Roth Capital will have no authority to bind us by virtue of the placement agency agreement. Further, Roth Capital does not guarantee that it will be able to raise new capital in any prospective offering.

With respect to the offering, we have agreed to pay a placement fee to Roth Capital equal to 7.0% of the gross proceeds received from the sale of shares of our Common Stock in the offering. In addition Roth Capital will be entitled to receive warrants to purchase our Common Stock in an amount equal to 3% of the total shares of Common Stock sold in the offering.

We will not pay any other compensation in connection with the sale of our shares of common stock pursuant to the placement agency agreement. Under certain circumstances, the placement agency agreement requires us to pay a placement fee to Roth Capital in connection with an offering consummated with specified parties during a period of up to six months following the date of the placement agency agreement. We have agreed to indemnify Roth Capital against certain liabilities arising in connection with the engagement, including liabilities under federal securities laws.

This is a brief summary of the material provisions of the placement agency agreement and does not purport to be a complete statement of its terms and conditions. A copy of the placement agency agreement is on file with the Securities and Exchange Commission as Exhibit 10.2 to a Form 8-K dated October 31, 2007, that is incorporated by reference into the accompanying prospectus.

In compliance with the guidelines of the National Association of Securities Dealers, the maximum consideration or discount to be received by any NASD member may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus supplement.

EXPERTS

The consolidated financial statements of China Precision Steel, Inc. as of and for the years ended June 30, 2007, 2006 and 2005, appearing in our Annual Report on Form 10-K/A, as amended, have been audited by Murrell, Hall, McIntosh & Co. PLLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the reporting requirements of the Exchange Act and file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of the SEC's web site is <http://www.sec.gov>. Our common stock is listed on The NASDAQ Capital Market, and you can read and inspect our filings at the offices of the National Association of Securities Dealers, Inc. at 1735 K Street, Washington, DC 20006.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is considered to be an important part of this prospectus supplement, and information that we file with the SEC at a later date will automatically add to, update or supersede this information. We incorporate by reference the documents listed below:

our Annual Report on Form 10-K/A for the year ended June 30, 2007, as amended;

our Current Reports on Form 8-K filed with the SEC, dated as of October 16, 2007, October 19, 2007, October 22, 2007 and October 31, 2007;

all future filings that we make with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Exchange Act after the date of filing of the registration statement on Form S-3 of which this prospectus supplement and the accompanying prospectus are a part and prior to the termination or completion of any offering of our common stock under this prospectus supplement (except, in each case, for information contained in any such filing that is furnished and not "filed" under the Exchange Act), which filings will be deemed to be incorporated by reference in this prospectus, as supplemented by the applicable prospectus supplement, and to be a part hereof from the respective dates of such filings.

The SEC file number for each of the documents listed above is 000-23039.

We will provide without charge to any person, including a beneficial owner, to whom this prospectus is delivered, upon the request of such person, a copy of any or all of the information that is incorporated by reference in this prospectus (exclusive of exhibits to such documents, unless such exhibits are specifically incorporated by reference herein). Requests for such documents should be directed to: China Precision Steel, Inc., 8th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong, People's Republic of China, Attn: Chief Financial Officer (telephone (011) 852-2543-8223).

PROSPECTUS

\$50,000,000

CHINA PRECISION STEEL, INC.

Common Stock, Preferred Stock, Debt Securities, Warrants and Units

From time to time, we may offer up to \$50,000,000 of any combination of the securities described in this prospectus, either individually or in units.

This prospectus provides a general description of the securities we may offer. Each time we sell securities, we will provide specific terms of the securities offered in a supplement to this prospectus. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in any securities.

Our common stock is listed on The NASDAQ Capital Market under the symbol "CPSL." On May 31, 2007, the closing price of our common stock on The NASDAQ Capital Market was \$3.51 per share. The applicable prospectus supplement will contain information, where applicable, as to any other listing on The NASDAQ Capital Market or any securities market or other exchange of the securities, if any, covered by the prospectus supplement.

Investing in our securities involves a high degree of risk. We urge you to carefully consider the risks that we have described on page 7 of this prospectus under the caption "Risk Factors." We may also include specific risk factors in supplements to this prospectus under the caption "Risk Factors." This prospectus may not be used to offer or sell our securities unless accompanied by a prospectus supplement.

We will sell these securities directly to investors, through agents designated from time to time or to or through underwriters or dealers. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution" in this prospectus. If any underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July 16, 2007.

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ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$50,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities under this shelf registration, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

You should rely only on the information provided or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and the accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement. This prospectus and the accompanying supplement to this prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying supplement to this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and the accompanying prospectus supplement is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and any accompanying prospectus supplement is delivered or securities sold on a later date. In this prospectus and any prospectus supplement, unless otherwise indicated, "CPSL," "the Company," "we," "us" and "our" refer to China Precision Steel, Inc. and its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, each prospectus supplement and the documents we file or have filed with the SEC that are incorporated herein by reference include "forward-looking statements" within the meaning of Section 27A of the United States Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases like "anticipate," "estimate," "plans," "projects," "continuing," "ongoing," "target," "expects," "management believes," "we believe," "we intend," "we may," "we will," "we should," "we seek," "we plan," the negative of those terms, and similar words or phrases. We base these forward-looking statements on our expectations, assumptions, estimates and projections about our business and the industry in which we operate as of the date of this prospectus. These forward-looking statements are subject to a number of risks and uncertainties that cannot be predicted, quantified or controlled and that could cause actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this prospectus, each prospectus supplement and in documents incorporated into this prospectus describe factors, among others, that could contribute to or cause these differences. Actual results may vary materially from those anticipated, estimated, projected or expected should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, including, but not limited to, our critical accounting policies and statements relating to, among others:

plans to expand our exports outside of China;

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plans to increase our production capacity and the anticipated dates that such facilities may commence operations;

our ability to obtain additional funding for our continuing operations and to fund our expansion;

our ability to meet our financial projections for any financial year;

our ability to retain our key executives and to hire additional senior management;

continued growth of the Chinese economy and industries demanding our products;

our ability to produce and sell cold-rolled precision steel products at high margins;

our ability to secure at acceptable prices the raw materials we need to produce our products;

political changes in China that may impact our ability to produce and sell our products in our target markets;

general business conditions and competitive factors, including pricing pressures and product development; and

changes in our relationships with customers and suppliers.

Because the factors discussed in this prospectus, each prospectus supplement or documents incorporated by reference could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except as required by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the date of this prospectus or the prospectus supplement or the date of documents incorporated by reference in this prospectus that include forward-looking statements.

SUMMARY

The following is only a summary, and does not contain all of the information that you need to consider in making your investment decision. We urge you to read this entire prospectus, including the more detailed consolidated financial statements, notes to the consolidated financial statements and other information incorporated by reference into this prospectus under "Where You Can Find More Information" and "Incorporation of Certain Information by Reference" from our other filings with the SEC, as well as any prospectus supplement applicable to an offering of the securities registered pursuant to the registration statement of which this prospectus forms a part. Investing in our securities involves risks. Therefore, please carefully consider the information provided under the heading "Risk Factors" beginning on page 7.

Our Company

We are a niche precision steel processing company principally engaged in the manufacture and sale of high precision cold-rolled steel products and in the provision of heat treatment and cutting of medium and high carbon hot-rolled steel strips. We conduct our operations principally in China through our wholly-owned operating subsidiary, Shanghai Chengtong Precision Strip Co., Limited, or Chengtong. During the second quarter of fiscal 2007, we began exporting our cold-rolled steel products to Nigeria and Thailand. During the third quarter of fiscal year 2007, we expanded our exports to include the Indonesian and Philippines markets. We intend to expand into further overseas markets, including Japan, Taiwan, Korea, the European Union and the United States in the future.

We currently produce high strength, ultra-thin cold-rolled precision steel strips ranging from 7.5 mm to 0.03 mm. We also provide heat treatment and cutting of medium and high carbon hot-rolled steel strips not exceeding 3.0 millimeters fineness. Currently, our specialty precision products are mainly used in the manufacture of automobile parts and components, food packaging materials, saw blades, textile needles, microelectronics, packing and containers and microchips for the mobile telephone industry.

As of March 31, 2007, we had an annual production capacity of approximately 145,000 tons. We have been increasing our production capacity for cold-rolled precision steel as demand in China outpaces domestic supply. We began production of our second cold-rolled mill with 150,000 metric tons of capacity in October 2006 and we plan to add a third mill with 150,000 metric tons of capacity by the end of calendar year 2007. Each mill takes approximately two to three years to ramp up in order to ensure smooth operations and optimal quality results before achieving full production. Currently, the new mill is operating at 30% capacity and is expected to reach 50% capacity by the end of calendar year 2007.

Our Directors believe that the increased annual production capacity of approximately 300,000 tons from the two new mills will be fully utilized within two to three years after commencement of operation. The new production facilities will focus on the production of high carbon, high strength cold-rolled steel products and the production of more complex precision steel products that can not be manufactured in our current rolling mill. Our existing facilities will primarily manufacture low carbon cold-rolled steel products.

During the fiscal years ended June 30, 2006, 2005 and 2004, we earned net income of \$7,514,101, \$6,366,441 and \$198,776, respectively. During the quarters ended March 31, 2007 and 2006, we earned net income of \$1,396,217 and \$3,129,919, respectively. At March 31, 2007, we had total assets of \$75,455,003. Chengtong currently has approximately 280 employees, including 30 senior management and technical staff members and leases 20,000 square meters of production facilities (including 10,000 square meters of new Phase 2 production facilities) in Jiading District, Shanghai, on four acres of property.

We are a Colorado company and became a public company in May 1997 through a reverse merger with SSI Capital Corporation. At that time, we changed our name to OraLabs Holding Corp. In December 2006, we merged with Partner Success Holdings Limited, or PSHL, a British Virgin Islands business company, which owns Chengtong. In connection with that transaction, we subsequently redeemed all of the shares of our outstanding common stock owned by our former President, Gary Schlatter, in exchange for all of the issued and outstanding shares of OraLabs, Inc., our wholly-owned subsidiary. Thereafter, we renamed ourselves China Precision Steel, Inc. to reflect our continuing operations. Our common stock is listed on The NASDAQ Capital Market under the symbol "CPSL."

Our corporate headquarters are located 8th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong, and our telephone number is (011) 852-2543-8223. Our agent for service of process in the United States is The Corporation Company, 1675 Broadway, Suite 1200, Denver, Colorado 80202. Although we maintain a website at www.shctps.com, we do not intend that information available on our website be incorporated into this prospectus. For additional information about us and our business, see "Where You Can Find More Information."

The Securities We May Offer

We may offer shares of our common stock and preferred stock, various series of debt securities and warrants to purchase any of such securities, either individually or in units, with a total value of up to \$50 million from time to time under this prospectus at prices and on terms to be determined by market conditions at the time of offering. This prospectus provides you with a general description of the securities we may offer. Each time we offer a type or series of securities, we will provide a prospectus supplement that will describe the specific amounts, prices and other important terms of the securities, including, to the extent applicable:

designation or classification;

aggregate principal amount or aggregate offering price;

maturity, if applicable;

original issue discount, if any;

rates and times of payment of interest or dividends, if any;

redemption, conversion, exchange or sinking fund terms, if any;

conversion or exchange prices or rates, if any, and, if applicable, any provisions for changes to or adjustments in the conversion or exchange prices or rates and in the securities or other property receivable upon conversion or exchange;

ranking;

restrictive covenants, if any;

voting or other rights, if any; and

important federal income tax considerations.

The prospectus supplement also may add, update or change information contained in this prospectus or in documents we have incorporated by reference into this prospectus.

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We may sell the securities directly to or through underwriters, dealers or agents. We, and our underwriters or agents, reserve the right to accept or reject all or part of any proposed purchase of securities. If we do offer securities through underwriters or agents, we will include in the applicable prospectus supplement:

the names of those underwriters or agents;

applicable fees, discounts and commissions to be paid to them;

details regarding over-allotment options, if any; and

the net proceeds to us.

Common Stock. We may offer shares of our common stock from time to time. Holders of our common stock are entitled to one vote per share for the election of directors and on all other matters that require stockholder approval. Subject to any preferential rights of any outstanding preferred stock, in the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock. Our common stock does not carry any preemptive rights enabling a holder to subscribe for, or receive shares of, any class of our common stock or any other securities convertible into shares of any class of our common stock, or any redemption rights.

Preferred Stock. We may offer shares of our preferred stock from time to time, in one or more series. Under our articles of incorporation, our board of directors has the authority, without further action by stockholders, to designate up to 8 million shares of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon the preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preference and sinking fund terms, any or all of which may be greater than the rights of the common stock. To date, our board of directors has not issued any preferred stock.

We will fix the rights, preferences, privileges, qualifications and restrictions of the preferred stock of each series that we sell under this prospectus and applicable prospectus supplements in the certificate of designation relating to that series. We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference into such registration statement from a Current Report on Form 8-K that we file with the SEC, any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of the related series of preferred stock. We urge you to read the prospectus supplements related to the series of preferred stock being offered, as well as the complete certificate of designation that contains the terms of the applicable series of preferred stock.

Debt Securities. We may offer debt securities from time to time, in one or more series, as either senior or subordinated debt or as senior or subordinated convertible debt. The senior debt securities will rank equally with any other unsubordinated debt that we may have and may be secured or unsecured. The subordinated debt securities will be subordinate and junior in right of payment, to the extent and in the manner described in the instrument governing the debt, to all or some portion of our indebtedness. Any convertible debt securities that we issue will be convertible into or exchangeable for our common stock or other securities of ours. Conversion may be mandatory or at your option and would be at prescribed conversion rates.

The debt securities will be issued under one or more documents called indentures, which are contracts between us and a trustee for the holders of the debt securities. In this prospectus, we have summarized certain general and standard features of the debt securities we may issue. We urge you, however, to read the prospectus supplements related to the series of debt securities being offered, as well as the complete indentures that contain the terms of the debt securities. We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference into such registration statement from a Current Report on Form 8-K that we file with the SEC, the forms of indentures and any supplemental indentures and the forms of debt securities containing the terms of debt securities we are offering before the issuance of any series of debt.

Warrants. We may offer warrants for the purchase of our common stock, preferred stock and/or debt securities in one or more series, from time to time. We may issue warrants independently or

together with common stock, preferred stock and/or debt securities, and the warrants may be attached to or separate from those securities.

The warrants will be evidenced by warrant certificates issued under one or more warrant agreements, which are contracts between us and an agent for the holders of the warrants. In this prospectus, we have summarized certain general and standard features of the warrants. We urge you, however, to read the prospectus supplements related to the series of warrants being offered, as well as the warrant agreements and warrant certificates that contain the terms of the warrants. We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference into such registration statement from a Current Report on Form 8-K that we file with the SEC, the form of warrant agreements and form of warrant certificates relating to warrants for the purchase of common stock, preferred stock and debt securities we are offering before the issuance of any such warrants.

Units. We may offer units consisting of common stock, preferred stock, debt securities and/or warrants to purchase any of such securities in one or more series. In this prospectus, we have summarized certain general and standard features of the units. We urge you, however, to read the prospectus supplements related to the series of units being offered, as well as the unit agreements that contain the terms of the units. We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from a Current Report on Form 8-K that we file with the SEC, the form of unit agreement and any supplemental agreements that describe the terms of the series of units we are offering before the issuance of the related series of units.

We will evidence each series of units by unit certificates that we will issue under a separate agreement. We will enter into the unit agreements with a unit agent. Each unit agent will be a bank or trust company that we select. We will indicate the name and address of the unit agent in the applicable prospectus supplement relating to a particular series of units.

THIS PROSPECTUS MAY NOT BE USED TO OFFER OR SELL ANY SECURITIES UNLESS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT.

RISK FACTORS

Investing in our securities involves risks. Prior to making a decision about investing in our securities, you should consider carefully all of the information contained or incorporated by reference in this prospectus or the applicable prospectus supplement. In particular, you should carefully consider the risks, uncertainties and assumptions discussed under the heading "Risk Factors" in our most recent quarterly report on Form 10-Q, which is on file with the SEC and incorporated herein by reference, and in subsequent filings that we make with the SEC, as well as any discussion of risks contained in the applicable prospectus supplement. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. Each of these risk factors could adversely affect our business, operating results and financial condition, which may result in the loss of all or part of your investment.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

(unaudited) Three Months Ended March 31, 2007	(unaudited) Year Ended June 30,					
	2002	2003	2004	2005	2006	
Ratio of earnings to fixed charges	1.4	N/A	N/A	1.8	15.0	0.6

For purposes of computing our ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes plus fixed charges less capitalized interest. Fixed charges consist of interest expense and the portion of rental expense representing interest. We do not have any outstanding preferred stock so our ratios of earnings to fixed charges and preferred share dividends would be the same as the ratios included in the table above. The information in the table above should be read in conjunction with our consolidated financial statements, including the notes thereto, and other information set forth in the reports filed by us with the SEC. Please refer to Exhibit 12.1 filed with the registration statement of which this prospectus is a part for additional information regarding the ratio of earnings to fixed charges.

USE OF PROCEEDS

Unless otherwise indicated in the prospectus supplement applicable to an offering, we intend to use any net proceeds from the sale of our securities to fund our operations and for other general corporate purposes, such as working capital, capital expenditures, investments and acquisitions. Pending use of the net proceeds as described above, we intend to invest the net proceeds in short-term, interest-bearing, investment grade securities.

DESCRIPTION OF CAPITAL STOCK

Our authorized share capital consists of 62,000,000 shares of common shares, par value \$0.001, and 8,000,000 shares of preferred shares, par value \$0.001, issuable in series. As of June 1, 2007, there were 37,378,143 common shares outstanding and no preferred shares issued and outstanding. All outstanding shares of common stock are fully paid and non-assessable.

The following is only a summary of our share capital and is qualified in its entirety by the description contained in our registration statement on Form 8-A12G/A filed with the SEC on December 21, 2001, including all amendments or reports filed for the purpose of updating such description, and to our amended and restated certificate of incorporation, as amended and our bylaws, as amended, all of which are incorporated by reference as exhibits into the registration statement of which this prospectus is a part. See "Incorporation of Certain Information by Reference."

Common Stock

Voting. Each common share entitles its holder to one vote at meetings of our shareholders, except meetings at which only the holders of another class or series of shares are entitled to vote.

Dividends and Other Distributions. Subject to the prior rights of holders of any preferred shares issued and outstanding, holders of our common stock are entitled to share in an equal amount per share in any dividends declared by our board of directors on the common stock and paid out of legally available assets.

Distributions on Dissolution. Subject to any preferential rights of any issued and outstanding preferred stock, in the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock.

Other Rights. Our common stock does not carry any preemptive rights enabling a holder to subscribe for, or receive shares of, any class of our common stock or any other securities convertible into shares of any class of our common stock, or any redemption rights.

Preferred Stock

The Board of Directors has the authority to issue 8,000,000 shares of preferred shares, issuable in series, and to determine prior to any such issuance the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the shareholders. Preferred shares may, at the discretion of the board of directors, be entitled to preference over the common shares and any other shares ranking junior to the preferred shares with respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding up. If any cumulative dividends or amounts payable on return of capital are not paid in full, preferred shares of all issued series would participate ratably in accordance with the amounts that would be payable on such shares if all such dividends were declared and paid in full or the sums which would be payable on such shares on the return of capital if all amounts so payable were paid in full, as the case may be.

The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that common stockholders will receive dividend payments and payments upon liquidation. The issuance could have the effect of decreasing the market price of our common stock. The issuance of preferred stock also could have the effect of delaying, deterring or preventing a change in control of our company.

Our board of directors will fix the rights, preferences, privileges, qualifications and restrictions of the preferred stock of each series that we sell under this prospectus and applicable prospectus supplements in the certificate of designation relating to that series. We will incorporate by reference

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into the registration statement of which this prospectus is a part the form of any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of the related series of preferred stock. This description will include:

the title and stated value;

the number of shares we are offering;

the liquidation preference per share;

the purchase price per share;

the dividend rate per share, dividend period and payment dates and method of calculation for dividends;

whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;

our right, if any, to defer payment of dividends and the maximum length of any such deferral period;

the procedures for any auction and remarketing, if any;

the provisions for a sinking fund, if any;

the provisions for redemption or repurchase, if applicable, and any restrictions on our ability to exercise those redemption and repurchase rights;

any listing of the preferred stock on any securities exchange or market;

whether the preferred stock will be convertible into our common stock or other securities of ours, including warrants, and, if applicable, the conversion period, the conversion price, or how it will be calculated, and under what circumstances it may be adjusted;

whether the preferred stock will be exchangeable into debt securities, and, if applicable, the exchange period, the exchange price, or how it will be calculated, and under what circumstances it may be adjusted;

voting rights, if any, of the preferred stock;

preemption rights, if any;

restrictions on transfer, sale or other assignment, if any;

a discussion of any material or special United States federal income tax considerations applicable to the preferred stock;

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the relative ranking and preferences of the preferred stock as to dividend rights and rights if we liquidate, dissolve or wind up our affairs;

any limitations on issuances of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock being issued as to dividend rights and rights if we liquidate, dissolve or wind up our affairs; and

any other specific terms, rights, preferences, privileges, qualifications or restrictions of the preferred stock.

When we issue shares of preferred stock under this prospectus, the shares will be fully paid and non-assessable and will not have, or be subject to, any preemptive or similar rights.

The Colorado Business Corporations Act in the state of our incorporation provides that the holders of preferred stock will have the right to vote separately as a class on any proposal involving

fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

Transfer Agent and Registrant for our Common Stock

The transfer agent and registrar for our common stock is Corporate Stock Transfer, Inc., 3200 Cherry Creek South, Suite 430, Denver, Colorado 80209, and its telephone number is (303) 282-4800.

Listing on The NASDAQ Capital Market

Our common stock is listed on The NASDAQ Capital Market under the symbol "CPSL."

DESCRIPTION OF DEBT SECURITIES

The following description, together with the additional information we include in any applicable prospectus supplements, summarizes the general terms and provisions of the debt securities that we may offer under this prospectus. While the terms we have summarized below will generally apply to any future debt securities we may offer under this prospectus, we will describe the particular terms of any debt securities that we may offer in more detail in the applicable prospectus supplement. The terms of any debt securities we offer under a prospectus supplement may differ from the terms we describe below. However, no prospectus supplement shall fundamentally change the terms that are set forth in this prospectus or offer a security that is not registered and described in this prospectus at the time of its effectiveness. As of the date of this prospectus, we have no outstanding registered debt securities.

We will issue the senior notes under the senior indenture, which we will enter into with the trustee to be named in the senior indenture. We will issue the subordinated notes under the subordinated indenture, which we will enter into with the trustee to be named in the subordinated indenture. If we issue debt securities, we will file these documents as exhibits to the registration statement of which this prospectus is a part, or incorporate them by reference from a Current Report on Form 8-K that we file with the SEC. We use the term "indentures" to refer to both the senior indenture and the subordinated indenture.

The indentures will be qualified under the Trust Indenture Act of 1939. We use the term "debenture trustee" to refer to either the senior trustee or the subordinated trustee, as applicable.

The following summaries of material provisions of the senior notes, the subordinated notes and the indentures are subject to, and qualified in their entirety by reference to, all the provisions of the indenture applicable to a particular series of debt securities. We urge you to read the applicable prospectus supplements related to the debt securities that we sell under this prospectus, as well as the complete indentures that contain the terms of the debt securities. Except as we may otherwise indicate, the terms of the senior and the subordinated indentures are identical.

General

The indentures may limit the aggregate principal amount of the debt securities which we may issue and will provide that we may issue the debt securities from time to time in one or more series. The indentures may or may not limit the amount of our other indebtedness or the debt securities which we or our subsidiaries may issue. The particular terms of each series of debt securities will be described in a prospectus supplement relating to such series, including any pricing supplement. The prospectus supplement will set forth:

the title;

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the principal amount being offered, and, if a series, the total amount authorized and the total amount outstanding;

any limit on the amount that may be issued;

whether or not we will issue the series of debt securities in global form and, if so, the terms and who the depositary will be;

the maturity date;

whether and under what circumstances, if any, we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes, and whether we can redeem the debt securities if we have to pay such additional amounts;

the annual interest rate, which may be fixed or variable, or the method for determining the rate, the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;

whether or not the debt securities will be secured or unsecured, and the terms of any secured debt;

the terms of the subordination of any series of subordinated debt;

the place where payments will be payable;

restrictions on transfer, sale or other assignment, if any;

our right, if any, to defer payment of interest and the maximum length of any such deferral period;

the date, if any, after which, the conditions upon which, and the price at which we may, at our option, redeem the series of debt securities pursuant to any optional or provisional redemption provisions, and any other applicable terms of those redemption provisions;

the date, if any, on which, and the price at which we are obligated, pursuant to any mandatory sinking fund or analogous fund provisions or otherwise, to redeem, or at the holder's option to purchase, the series of debt securities and the currency or currency unit in which the debt securities are payable;

whether the indenture will restrict our ability and/or the ability of our subsidiaries to:

incur additional indebtedness;

issue additional securities;

create liens;

pay dividends and make distributions in respect of our capital stock and the capital stock of our subsidiaries;

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redeem capital stock;

place restrictions on our subsidiaries' ability to pay dividends, make distributions or transfer assets;

make investments or other restricted payments;

sell or otherwise dispose of assets;

enter into sale-leaseback transactions;

engage in transactions with stockholders and affiliates;

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issue or sell stock of our subsidiaries; or

effect a consolidation or merger;

whether the indenture will require us to maintain any interest coverage, fixed charge, cash flow-based, asset-based or other financial ratios;

a discussion of any material or special United States federal income tax considerations applicable to the debt securities;

information describing any book-entry features;

provisions for a sinking fund purchase or other analogous fund, if any;

whether the debt securities are to be offered at a price such that they will be deemed to be offered at an "original issue discount" as defined in paragraph (a) of Section 1273 of the Internal Revenue Code;

the procedures for any auction and remarketing, if any;

the denominations in which we will issue the series of debt securities, if other than denominations of \$1,000 and any integral multiple thereof;

if other than dollars, the currency in which the series of debt securities will be denominated; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities, including any events of default that are in addition to those described in this prospectus or any covenants provided with respect to the debt securities that are in addition to those described above, and any terms which may be required by us or advisable under applicable laws or regulations or advisable in connection with the marketing of the debt securities.

Conversion or Exchange Rights

We will set forth in the prospectus supplement the terms on which a series of debt securities may be convertible into or exchangeable for common stock or other securities of ours or a third party, including the conversion or exchange rate, as applicable, or how it will be calculated, and the applicable conversion or exchange period. We will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. We may include provisions pursuant to which the number of our securities or the securities of a third party that the holders of the series of debt securities receive upon conversion or exchange would, under the circumstances described in those provisions, be subject to adjustment, or pursuant to which those holders would, under those circumstances, receive other property upon conversion or exchange, for example in the event of our merger or consolidation with another entity.

Consolidation, Merger or Sale

The description of the debt securities in the prospectus supplement or the indentures may provide that we may not consolidate or amalgamate with or merge into any person or convey, transfer or lease our properties or assets as an entirety or substantially as an entirety to any person, and we may not permit any person to consolidate or amalgamate with or merge into us, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to us, unless:

the person is an entity organized an existing under the laws of the United States of America, any state thereof, the District of Columbia, the British Virgin Islands, Hong Kong or The

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People's Republic of China and will expressly assume all of our obligations under the indenture and the debt securities;

immediately after giving effect to the transaction, no event of default, and no event which after notice or lapse of time or both would become an event of default, will have occurred and be continuing; and

certain other conditions are met.

If the debt securities are convertible for our other securities, the person with whom we consolidate or merge or to whom we sell all of our property must make provisions for the conversion of the debt securities into securities that the holders of the debt securities would have received if they had converted the debt securities before the consolidation, merger or sale.

Events of Default Under the Indenture

Each of the following constitute reasonably standard events of default that may be included in any finalized indenture or prospectus supplement as constituting an event of default with respect to any series of debt securities that we may issue:

if we fail to pay interest when due and payable and our failure continues for 30 days and the time for payment has not been extended or deferred;

if we fail to pay the principal, sinking fund payment or premium, if any, when due and payable and the time for payment has not been extended or delayed;

if we fail to observe or perform any other covenant contained in the debt securities or the indentures, other than a covenant specifically relating to another series of debt securities, and our failure continues for 90 days after we receive notice from the debenture trustee or holders of at least 25% in aggregate principal amount of the outstanding debt securities of the applicable series;

if specified events of bankruptcy, insolvency or reorganization occur; and

any other event of default provided in or pursuant to the applicable indenture or prospectus supplement with respect to the debt securities of that series.

If an event of default with respect to debt securities of any series occurs and is continuing, other than an event of default in the event of bankruptcy, insolvency or reorganization, the debenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series, by notice to us in writing, and to the debenture trustee if notice is given by such holders, may declare the unpaid principal of, premium, if any, and accrued interest, if any, due and payable immediately. If an event of default due to bankruptcy, insolvency or reorganization occurs with respect to us, the principal amount of and accrued interest, if any, of each issue of debt securities then outstanding shall be due and payable without any notice or other action on the part of the debenture trustee or any holder.

The holders of a majority in principal amount of the outstanding debt securities of an affected series may waive any default or event of default with respect to the series and its consequences, except defaults or events of default regarding payment of principal, premium, if any, or interest, unless we have cured the default or event of default in accordance with the indenture. Any waiver shall cure the default or event of default.

Subject to the terms of the indentures, if an event of default under an indenture shall occur and be continuing, the debenture trustee will be under no obligation to exercise any of its rights or powers under such indenture at the request or direction of any of the holders of the applicable series of debt securities, unless such holders have offered the debenture trustee reasonable indemnity. The holders of

a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or exercising any trust or power conferred on the debenture trustee, with respect to the debt securities of that series, provided that:

the direction so given by the holder is not in conflict with any law or the applicable indenture; and

subject to its duties under the Trust Indenture Act of 1939, the debenture trustee need not take any action that might involve it in personal liability or might be unduly prejudicial to the holders not involved in the proceeding.

A holder of the debt securities of any series will only have the right to institute a proceeding under the indentures or to appoint a receiver or trustee, or to seek other remedies if:

the holder has given written notice to the debenture trustee of a continuing event of default with respect to that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and such holders have offered reasonable indemnity to the debenture trustee to institute the proceeding as trustee; and

the debenture trustee does not institute the proceeding, and does not receive from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series other conflicting directions within 90 days after the notice, request and offer.

These limitations do not apply to a suit instituted by a holder of debt securities if we default in the payment of the principal, premium, if any, or interest on, the debt securities.

We will periodically file statements with the debenture trustee regarding our compliance with specified covenants in the indentures.

Modification of Indenture; Waiver

We and the debenture trustee may change an indenture without the consent of any holders with respect to specific matters, including:

to fix any ambiguity, defect or inconsistency in the indenture;

to comply with the provisions described above under "Consolidation, Merger or Sale";

to comply with any requirements of the SEC in connection with the qualification of any indenture under the Trust Indenture Act of 1939;

to evidence and provide for the acceptance of appointment by a successor trustee;

to provide for uncertificated debt securities and to make all appropriate changes for such purpose;

to add to, delete from, or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issuance, authorization and delivery of debt securities or any series, as set forth in the indenture;

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to provide for the issuance of and establish the form and terms and conditions of the debt securities of any series as provided under "General," to establish the form of any certifications required to be furnished pursuant to the terms of the indenture or any series of debt securities, or to add to the rights of the holders of any series of debt securities;

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to add to our covenants such new covenants, restrictions, conditions or provisions for the protection of the holders, to make the occurrence, or the occurrence and the continuance, of a default in any such additional covenants, restrictions, conditions or provisions an event of default, or to surrender any of our rights or powers under the indenture; or

to change anything that does not materially adversely affect the interests of any holder of debt securities of any series.

In addition, under the indentures, the rights of holders of a series of debt securities may be changed by us and the debenture trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding debt securities of each series that is affected. However, we and the debenture trustee may only make the following changes with the consent of each holder of any outstanding debt securities affected:

extending the fixed maturity of the series of debt securities;

reducing the principal amount, reducing the rate of or extending the time of payment of interest, or reducing any premium payable upon the redemption of any debt securities; or

reducing the percentage of debt securities, the holders of which are required to consent to any amendment, supplement, modification or waiver.

Discharge

Each indenture will provide that we can elect to be discharged from our obligations with respect to one or more series of debt securities, except for obligations to:

register the transfer or exchange of debt securities of the series;

replace stolen, lost or mutilated debt securities of the series;

maintain paying agencies;

hold monies for payment in trust;

recover excess money held by the debenture trustee;

compensate and indemnify the debenture trustee; and

appoint any successor trustee.

In order to exercise our rights to be discharged, we must deposit with the debenture trustee money or government obligations sufficient to pay all the principal of, any premium, if any, and interest on, the debt securities of the series on the dates payments are due.

Form, Exchange and Transfer

We will issue the debt securities of each series only in fully registered form without coupons and, unless we otherwise specify in the applicable prospectus supplement, in denominations of \$1,000 and any integral multiple thereof. The indenture will provide that we may issue debt securities of a series in temporary or permanent global form and as book-entry securities that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York, known as DTC, or another depository named by us and identified in a prospectus supplement with respect to that series. See "Legal Ownership of Securities" for a further description of the terms relating to any book-entry securities.

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At the option of the holder, subject to the terms of the indentures and the limitations applicable to global securities described in the applicable prospectus supplement, the holder of the debt securities of any series can exchange the debt securities for other debt securities of the same series, in any authorized denomination and of like tenor and aggregate principal amount.

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Subject to the terms of the indentures and the limitations applicable to global securities set forth in the applicable prospectus supplement, holders of the debt securities may present the debt securities for exchange or for registration of transfer, duly endorsed or with the form of transfer endorsed thereon duly executed if so required by us or the security registrar, at the office of the security registrar or at the office of any transfer agent designated by us for this purpose. Unless otherwise provided in the debt securities that the holder presents for transfer or exchange, we will make no service charge for any registration of transfer or exchange, but we may require payment of any taxes or other governmental charges.

We will name in the applicable prospectus supplement the security registrar, and any transfer agent in addition to the security registrar, that we initially designate for any debt securities. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

If we elect to redeem the debt securities of any series, we will not be required to:

issue, register the transfer of, or exchange any debt securities of any series being redeemed in part during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any debt securities that may be selected for redemption and ending at the close of business on the day of the mailing; or

register the transfer of or exchange any debt securities so selected for redemption, in whole or in part, except the unredeemed portion of any debt securities we are redeeming in part.

Information Concerning the Debenture Trustee

The debenture trustee, other than during the occurrence and continuance of an event of default under an indenture, will undertake to perform only those duties as are specifically set forth in the applicable indenture. Upon an event of default under an indenture, the debenture trustee must use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the debenture trustee is under no obligation to exercise any of the powers given it by the indentures at the request of any holder of debt securities unless it is offered reasonable security and indemnity against the costs, expenses and liabilities that it might incur.

Payment and Paying Agents

Unless we otherwise indicate in the applicable prospectus supplement, we will make payment of the interest on any debt securities on any interest payment date to the person in whose name the debt securities, or one or more predecessor securities, are registered at the close of business on the regular record date for the interest.

We will pay principal of and any premium and interest on the debt securities of a particular series at the office of the paying agents designated by us, except that, unless we otherwise indicate in the applicable prospectus supplement, we may make interest payments by check which we will mail to the holder or by wire transfer to certain holders. Unless we otherwise indicate in a prospectus supplement, we will designate the corporate office of the debenture trustee in the City of New York as our sole paying agent for payments with respect to debt securities of each series. We will name in the applicable prospectus supplement any other paying agents that we initially designate for the debt securities of a particular series. We will maintain a paying agent in each place of payment for the debt securities of a particular series.

All money we pay to a paying agent or the debenture trustee for the payment of the principal of or any premium or interest on any debt securities which remains unclaimed at the end of two years

after such principal, premium or interest has become due and payable will be repaid to us, and the holder of the debt security thereafter may look only to us for payment thereof.

Governing Law

The indentures and the debt securities will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act of 1939 is applicable.

Subordination of Subordinated Debt Securities

The subordinated debt securities will be subordinate and junior in priority of payment to certain of our other indebtedness to the extent described in a prospectus supplement. The indentures will not limit the amount of indebtedness which we may incur, including senior indebtedness or subordinated indebtedness, and will not limit us from issuing any other debt, including secured debt or unsecured debt.

DESCRIPTION OF WARRANTS

The following description, together with the additional information we may include in any applicable prospectus supplements, summarizes the material terms and provisions of the warrants that we may offer under this prospectus. While the terms we have summarized below will apply generally to any warrants that we may offer under this prospectus, we will describe the particular terms of any series of warrants in more detail in the applicable prospectus supplement. The terms of any warrants offered under a prospectus supplement may differ from the terms described below. However, no prospectus supplement will fundamentally change the terms that are set forth in this prospectus or offer a security that is not registered and described in this prospectus at the time of its effectiveness.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from a Current Report on Form 8-K that we file with the SEC, the form of warrant agreement, including a form of warrant certificate, that describes the terms of the particular series of warrants we are offering before the issuance of the related series of warrants. The following summaries of material provisions of the warrants and the warrant agreements are subject to, and qualified in their entirety by reference to, all the provisions of the warrant agreement and warrant certificate applicable to a particular series of warrants. We urge you to read the applicable prospectus supplements related to the particular series of warrants that we sell under this prospectus, as well as the complete warrant agreements and warrant certificates that contain the terms of the warrants.

General

We will describe in the applicable prospectus supplement the terms relating to a series of warrants, including:

the offering price and aggregate number of warrants offered;

the currency for which the warrants may be purchased;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

if applicable, the date on and after which the warrants and the related securities will be separately transferable;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which, and currency in which, this principal amount of debt securities may be purchased upon such exercise;

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in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon the exercise of one warrant and the price at which these shares may be purchased upon such exercise;

the effect of any merger, consolidation, sale or other disposition of our business on the warrant agreements and the warrants;

the terms of any rights to redeem or call the warrants;

any provisions for changes to or adjustments in the exercise price or number of securities issuable upon exercise of the warrants;

the dates on which the right to exercise the warrants will commence and expire;

the manner in which the warrant agreements and warrants may be modified;

federal income tax consequences of holding or exercising the warrants;

the terms of the securities issuable upon exercise of the warrants; and

any other specific terms, preferences, rights or limitations of or restrictions on the warrants.

Before exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including:

in the case of warrants to purchase debt securities, the right to receive payments of principal of, or premium, if any, or interest on, the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture; or

in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or, payments upon our liquidation, dissolution or winding up or to exercise voting rights, if any.

Exercise of Warrants

Each warrant will entitle the holder to purchase the securities that we specify in the applicable prospectus supplement at the exercise price that we describe in the applicable prospectus supplement. Unless we otherwise specify in the applicable prospectus supplement, holders of the warrants may exercise the warrants at any time up to the specified time on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Holders of the warrants may exercise the warrants by delivering the warrant certificate representing the warrants to be exercised together with specified information, and paying the required amount to the warrant agent in immediately available funds, as provided in the applicable prospectus supplement. We will set forth on the reverse side of the warrant certificate and in the applicable prospectus supplement the information that the holder of the warrant will be required to deliver to the warrant agent.

Upon receipt of the required payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will issue and deliver the securities purchasable upon such exercise. If fewer than all of the warrants represented by the warrant certificate are exercised, then we will issue a new warrant certificate for the remaining amount of warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Enforceability of Rights by Holders of Warrants

Each warrant agent will act solely as our agent under the applicable warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, its warrants.

Outstanding Warrants

As of June 1, 2007, there were outstanding warrants to purchase 1,400,059 shares of our common stock. The exercise price for 1,300,059 of these warrants is \$3.00 per share. The exercise price for 100,000 of these warrants is \$3.60 per share. These warrants will expire in February 2010, unless earlier exercised.

DESCRIPTION OF UNITS

The following description, together with the additional information we may include in any applicable prospectus supplements, summarizes the material terms and provisions of the units that we may offer under this prospectus. While the terms we have summarized below will apply generally to any units that we may offer under this prospectus, we will describe the particular terms of any series of units in more detail in the applicable prospectus supplement. The terms of any units offered under a prospectus supplement may differ from the terms described below. However, no prospectus supplement will fundamentally change the terms that are set forth in this prospectus or offer a security that is not registered and described in this prospectus at the time of its effectiveness.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from a Current Report on Form 8-K that we file with the SEC, the form of unit agreement that describes the terms of the series of units we are offering, and any supplemental agreements, before the issuance of the related series of units. The following summaries of material terms and provisions of the units are subject to, and qualified in their entirety by reference to, all the provisions of the unit agreement and any supplemental agreements applicable to a particular series of units. We urge you to read the applicable prospectus supplements related to the particular series of units that we sell under this prospectus, as well as the complete unit agreement and any supplemental agreements that contain the terms of the units.

General

We may issue units comprised of one or more debt securities, shares of common stock, shares of preferred stock and warrants in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

We will describe in the applicable prospectus supplement the terms of the series of units, including:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions of the governing unit agreement that differ from those described below; and

any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units.

The provisions described in this section, as well as those described under "Description of Capital Stock," "Description of Debt Securities" and "Description of Warrants" will apply to each unit and to any common stock, preferred stock, debt security or warrant included in each unit, respectively.

Issuance in Series

We may issue units in such amounts and in numerous distinct series as we determine.

Enforceability of Rights by Holders of Units

Each unit agent will act solely as our agent under the applicable unit agreement and will not assume any obligation or relationship of agency or trust with any holder of any unit. A single bank or trust company may act as unit agent for more than one series of units. A unit agent will have no duty or responsibility in case of any default by us under the applicable unit agreement or unit, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a unit may, without the consent of the related unit agent or the holder of any other unit, enforce by appropriate legal action its rights as holder under any security included in the unit.

Title

We, the unit agents and any of their agents may treat the registered holder of any unit certificate as an absolute owner of the units evidenced by that certificate for any purpose and as the person entitled to exercise the rights attaching to the units so requested, despite any notice to the contrary. See "Legal Ownership of Securities."

LEGAL OWNERSHIP OF SECURITIES

We can issue securities in registered form or in the form of one or more global securities. We describe global securities in greater detail below. We refer to those persons who have securities registered in their own names on the books that we or any applicable trustee or depository or warrant agent maintain for this purpose as the "holders" of those securities. These persons are the legal holders of the securities. We refer to those persons who, indirectly through others, own beneficial interests in securities that are not registered in their own names, as "indirect holders" of those securities. As we discuss below, indirect holders are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect holders.

Book-Entry Holders

We may issue securities in book-entry form only, as we will specify in the applicable prospectus supplement. This means securities may be represented by one or more global securities registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository's book-entry system. These participating institutions, which are referred to as participants, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Only the person in whose name a security is registered is recognized as the holder of that security. Global securities will be registered in the name of the depository. Consequently, for global securities, we will recognize only the depository as the holder of the securities, and we will make all payments on the securities to the depository. The depository passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depository

and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors in a global security will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect holders, and not holders, of the securities.

Street Name Holders

We may terminate global securities or issue securities that are not issued in global form. In these cases, investors may choose to hold their securities in their own names or in "street name." Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we or any applicable trustee or depository will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities, and we or any such trustee or depository will make all payments on those securities to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect holders, not holders, of those securities.

Legal Holders

Our obligations, as well as the obligations of any applicable trustee or third party employed by us or a trustee, run only to the legal holders of the securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with its participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, we may want to obtain the approval of the holders to amend an indenture, to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture, or for other purposes. In such an event, we would seek approval only from the holders, and not the indirect holders, of the securities. Whether and how the holders contact the indirect holders is up to the holders.

Special Considerations for Indirect Holders

If you hold securities through a bank, broker or other financial institution, either in book-entry form because the securities are represented by one or more global securities or in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holders' consent, if ever required;

whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;

how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the securities are in book-entry form, how the depository's rules and procedures will affect these matters.

Global Securities

A global security is a security that represents one or any other number of individual securities held by a depository. Generally, all securities represented by the same global securities will have the same terms.

Each security issued in book-entry form will be represented by a global security that we issue to, deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository, its nominee or a successor depository, unless special termination situations arise. We describe those situations below under "Special Situations When a Global Security Will Be Terminated." As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect holder of a beneficial interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued as a global security, then the security will be represented by a global security at all times unless and until the global security is terminated. If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

Special Considerations For Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. We do not recognize an indirect holder as a holder of securities and instead deal only with the depository that holds the global security.

If securities are issued only as global securities, an investor should be aware of the following:

an investor cannot cause the securities to be registered in his or her name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below;

an investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above;

an investor may not be able to sell interests in the securities to some insurance companies and to other institutions that are required by law to own their securities in non-book-entry form;

an investor may not be able to pledge his or her interest in the global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

the depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in the global security. We and any applicable trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depositary in any way;

the depositary may, and we understand that DTC will, require that those who purchase and sell interests in the global security within its book-entry system use immediately available funds, and your broker or bank may require you to do so as well; and

financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in the global security, may also have their own policies affecting payments, notices and other matters relating to the securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations When A Global Security Will Be Terminated

In a few special situations described below, a global security will terminate and interests in it will be exchanged for physical certificates representing those interests. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in securities transferred to their own names, so that they will be direct holders. We have described the rights of holders and street name investors above.

A global security will terminate when the following special situations occur:

if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 90 days;

if we notify any applicable trustee that we wish to terminate that global security; or

if an event of default has occurred with regard to securities represented by that global security and has not been cured or waived.

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of securities covered by the prospectus supplement. When a global security terminates, the depositary, and not we or any applicable trustee, is responsible for deciding the names of the institutions that will be the initial direct holders.

PLAN OF DISTRIBUTION

We may sell the securities through underwriters or dealers, through agents, or directly to one or more purchasers. A prospectus supplement or supplements will describe the terms of the offering of the securities, including:

the name or names of any underwriters, if any;

the purchase price of the securities and the proceeds we will receive from the sale;

any over-allotment options under which underwriters may purchase additional securities from us;

any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation;

any public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchange or market on which the securities may be listed.

Only underwriters named in the prospectus supplement are underwriters of the securities offered by the prospectus supplement.

If underwriters are used in the sale, they will acquire the securities for their own account and may resell the securities from time to time in one or more transactions at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. We may offer the securities to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Subject to certain conditions, the underwriters will be obligated to purchase all of the securities offered by the prospectus supplement. Any public offering price and any discounts or concessions allowed or reallocated or paid to dealers may change from time to time. We may use underwriters with whom we have a material relationship. We will describe in the prospectus supplement, naming the underwriter, the nature of any such relationship.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment. discusses the scope and results of the audit with the independent auditors

ÿ
discusses Occidental's financial accounting and reporting principles and the adequacy of Occidental's internal accounting, financial and operating controls with the auditors and with management

ÿ
reviews all reports of internal audits submitted to the Audit Committee and management's actions with respect thereto

ÿ
reviews the appointment of the senior internal auditing executive

ÿ
oversees all matters relating to Occidental's Code of Business Conduct compliance program

Charitable Contributions Committee

Spencer Abraham

Edward P. Djerejian

Irvin W. Maloney

Rodolfo Segovia

Rosemary Tomich (Chair)

ÿ

oversees charitable contributions made by Occidental and its subsidiaries

5 meetings

8

Preliminary Proxy Statement - Subject to Completion

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Name and Members	Responsibilities	Meetings or Written Actions in 2009
<p>Corporate Governance, Nominating and Social Responsibility Committee</p> <p>John S. Chalsty Edward P. Djerejian Rodolfo Segovia Aziz D. Syriani Rosemary Tomich (Chair) Walter L. Weisman</p>	<p>• recommends candidates for election to the Board</p> <p>• is responsible for the periodic review and interpretation of Occidental's Corporate Governance Policies and consideration of other governance issues</p> <p>• oversees the evaluation of the Board and management</p> <p>• reviews Occidental's policies, programs and practices on social responsibility, including the Corporate Matching Gift Program</p> <p>• oversees compliance with Occidental's Human Rights Policy</p> <p>See page 48 for information on how nominees are selected and instructions on how to recommend nominees for the Board.</p>	<p>6 meetings</p>
<p>Dividend Committee</p> <p>Ronald W. Burkle (1) John S. Chalsty John E. Feick Dr. Ray R. Irani Aziz D. Syriani Walter L. Weisman</p>	<p>• has authority to declare the quarterly cash dividends on the common stock</p>	<p>1 meeting (effective December 2009, duties assumed by Finance and Risk Management Committee)</p>
<p>Environmental, Health and Safety Committee</p> <p>Spencer Abraham Edward P. Djerejian John E. Feick Carlos M. Gutierrez Rodolfo Segovia (Chair) Rosemary Tomich Walter L. Weisman</p>	<p>• reviews and discusses with management the status of environmental, health and safety issues, including compliance with applicable laws and regulations</p> <p>• reviews the results of internal compliance reviews and remediation projects</p> <p>• reports periodically to the Board on environmental, health and safety matters affecting Occidental and its subsidiaries</p>	<p>5 meetings</p>
<p>Executive Committee</p> <p>John S. Chalsty John E. Feick Dr. Ray R. Irani (Chair) Irvin W. Maloney Rodolfo Segovia Aziz D. Syriani Rosemary Tomich</p>	<p>• exercises the powers of the Board with respect to the management of the business and affairs of Occidental between meetings of the Board</p>	<p>None</p>
<p>Executive Compensation and Human Resources Committee</p> <p>Spencer Abraham (Chair) John S. Chalsty Avedick B. Poladian Rodolfo Segovia Rosemary Tomich</p>	<p>• reviews and approves the corporate goals and objectives relevant to the compensation of the Chief Executive Officer (CEO), evaluates the CEO's performance and determines and approves the CEO's compensation</p> <p>• reviews and approves the annual salaries, bonuses and other executive benefits of all other executive officers</p> <p>• administers Occidental's stock-based incentive compensation plans and periodically reviews the performance of the plans and their rules</p> <p>• reviews new executive compensation programs</p> <p>• periodically reviews the operation of existing executive compensation programs as well as policies for the administration of executive compensation</p> <p>• reviews director compensation annually</p>	<p>5 meetings including 3 executive sessions with no members of management present</p>

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The Executive Compensation and Human Resources Committee's report on executive compensation is on page 24.

Finance and Risk
Management Committee
John S. Chalsty (Chair)
John E. Feick
Carlos M. Gutierrez
Avedick B. Poladian
Rodolfo Segovia
Walter L. Weisman

• recommends to the Board the annual capital plan, and any changes thereto, and significant joint ventures, long-term financial commitments and acquisitions
• approves policies for authorization of expenditures, cash management and investment and for hedging of commodities and interest rates
• reviews Occidental's financial strategies, risk management policies (including insurance coverage levels) and financial plans (including planned issuances of debt and equity)

1 meeting
(Committee established
December 2009)

(1) Not standing for re-election to the Board of Directors.

Compensation of Directors

For 2009, each non-employee director:

was paid a retainer of \$60,000 per year, plus \$2,000 for each meeting of the Board of Directors or of its committees he or she attended in person or telephonically; and received an annual grant of 5,000 restricted shares of common stock, plus an additional 800 restricted shares of common stock for each committee he or she chaired, or for serving as lead independent director.

Directors are eligible to participate on the same terms as Occidental employees in the Occidental Petroleum Corporation Matching Gift Program, which matches contributions made by employees and directors up to an aggregate of \$50,000 per year to educational institutions and organizations, as well as arts and cultural organizations. In addition, Occidental reimburses non-employee directors for expenses related to service on the Board, including hotel, airfare, ground transportation and meals for themselves and their significant others, and permits, subject to availability, non-employee directors to make use of company aircraft on the same reimbursement terms applicable to executive officers of Occidental. Occidental does not provide option awards, non-equity incentive awards, deferred compensation or retirement plans for non-employee directors. A table summarizing the total compensation for 2009 for each of the non-employee directors who served in 2009 is set forth below.

Compensation of Directors				
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
Spencer Abraham	\$ 102,000	\$ 304,500	\$ 1,224	\$ 407,724
Ronald W. Burkle	\$ 74,000	\$ 304,500	\$ 50,000	\$ 428,500
John S. Chalsty	\$ 114,000	\$ 353,220	\$ 31,429	\$ 498,649
Edward P. Djerejian	\$ 104,000	\$ 304,500	\$ 5,861	\$ 414,361
John E. Feick	\$ 102,000	\$ 304,500	\$ 5,449	\$ 411,949
Carlos M. Gutierrez (3)	\$ 33,581	\$ 225,879	\$ 0	\$ 259,460
Irvin W. Maloney	\$ 102,000	\$ 304,500	\$ 1,310	\$ 407,810
Avedick B. Poladian	\$ 96,000	\$ 304,500	\$ 0	\$ 400,500
Rodolfo Segovia	\$ 116,000	\$ 353,220	\$ 40,405	\$ 509,625
Aziz D. Syriani	\$ 102,000	\$ 401,940	\$ 9,370	\$ 513,310
Rosemary Tomich	\$ 130,000	\$ 401,940	\$ 0	\$ 531,940
Walter L. Weisman	\$ 114,000	\$ 304,500	\$ 25,000	\$ 443,500

- (1) Restricted Stock Awards are granted to each non-employee director on the first business day following the Annual Meeting or, in the case of a new non-employee director, the first business day following the election of the director. The shares subject to these awards are fully vested on the date of grant, but may not be sold or transferred for three years except in the case of death or disability. The dollar amounts shown reflect \$60.90 per share for all directors except Mr. Gutierrez, which reflects \$67.75 per share, which in each case, is the respective grant date fair value.
- (2) None of the non-employee directors received any fees or payment for services other than as a director. Amounts shown include personal benefits in excess of \$10,000, all tax gross-ups regardless of amount and matching charitable contributions. For Messrs. Abraham, Feick, Maloney and Syriani, the amount shown is the tax gross-up related to reimbursement of spousal travel cost. For Messrs. Burkle and Weisman, the amount shown is the charitable contribution pursuant to Occidental's Matching Gift Program. For Messrs. Chalsty, Djerejian and Segovia, \$6,429, \$3,861 and \$5,405, respectively, of the amount shown is for the tax gross-up related to reimbursement for spousal travel and \$25,000, \$2,000 and \$35,000, respectively, of the amount shown is the charitable contribution pursuant to Occidental's Matching Gift Program.
- (3) Mr. Gutierrez commenced service as a director in July 2009.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934 and the rules issued thereunder, Occidental's executive officers, directors and any beneficial owner of more than 10 percent of any class of Occidental's equity securities are required to file, with the Securities and Exchange Commission and the New York Stock Exchange, reports of ownership and changes in ownership of Occidental common stock. Copies of such reports are required to be furnished to Occidental. Based solely on its review of the copies of the reports furnished to Occidental or written representations that no reports were required, Occidental believes that, during 2009, all persons required to report complied with the Section 16(a) requirements.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

At the close of business on February 28, 2010, the beneficial owner of common stock shown below was the only person known to Occidental to be the beneficial owner of five percent or more of the outstanding voting securities of Occidental.

Name and Address	Number of Shares Owned	Percent of Outstanding Common Stock	Sole Voting Shares	Shared Voting Shares	Sole Investment Shares	Shared Investment Shares
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	45,651,339(1)	5.62(1)	45,651,339(1)	—(1)	45,651,339(1)	—(1)

(1) Pursuant to Schedule 13G, filed as of January 29, 2010 with the Securities and Exchange Commission.

The following table sets forth certain information regarding the beneficial ownership of Occidental common stock as of February 28, 2010, by each of the named executive officers, the directors of Occidental, and all executive officers and directors as a group. The directors are subject to stock ownership guidelines as described in Occidental's Corporate Governance Policies (see Exhibit A). The executive officers are subject to stock ownership guidelines, which range from two to ten times base salary (see Executive Stock Ownership at www.oxy.com). All of the directors and current executive officers were in compliance with the guidelines as of February 28, 2010.

Beneficial Ownership of Directors and Executive Officers

Name	Sole Voting and Investment Shares (1)	Restricted Shares (2)	Exercisable Options (3)	Total Shares Beneficially Owned (4)	Percent of Outstanding Common Stock (5)	Restricted/ Performance Stock Units (6)
Spencer Abraham	3,462	13,848	0	17,310		0
William E. Albrecht	4,498	0	0	4,498		34,567
Ronald W. Burkle	29,000	25,000	0	54,000		0
John S. Chalsty	30,590	25,016	0	55,606		0
Stephen I. Chazen	1,987,139	0	0	1,987,139		379,723
Donald P. de Brier	681,528	0	565,946	1,247,474		79,925
Edward P. Djerejian	20,674	23,750	0	44,424		0
John E. Feick	10,000	25,000	0	35,000		0
Carlos M. Gutierrez	0	3,334	0	3,334		0
Ray R. Irani	7,458,741(7)	0	0	7,458,741(7)		870,724
Irvin W. Maloney	25,520	25,000	0	50,520		0
R. Casey Olson	122,478	0	0	122,478		28,321
Avedick B. Poladian	0	10,000	0	10,000		0
Rodolfo Segovia	57,351(8)	27,442	0	84,793(8)		0
Aziz D. Syriani	35,860	22,820	0	58,680		0
Rosemary Tomich	34,900	25,208	0	60,108		0
Walter L. Weisman	12,154	25,000	0	37,154		0

All executive officers and directors as a group (21 persons)

10,695,522	251,418	741,446	11,688,386	1.4	%	1,490,470
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- (1) Includes shares held through the Occidental Petroleum Corporation Savings Plan as of February 28, 2010.
- (2) For non-employee directors, includes shares for which investment authority has not vested under the 1996 Restricted Stock Plan for Non-Employee Directors and the 2005 Long-Term Incentive Plan.
- (3) Includes options and stock appreciation rights which will be exercisable within 60 days.
- (4) Represents the sum of the first three columns.
- (5) Unless otherwise indicated, less than 1 percent.
- (6) Includes the restricted stock unit awards and awards at target level under performance stock awards. Until the restricted or performance period ends, as applicable, and, in the case of performance stock awards, until the awards are certified, no shares of common stock are issued. However, grant recipients receive dividend equivalents on the restricted stock units during the restricted period and on the target share amount of performance stock awards during the performance period.
- (7) Includes 272,000 shares beneficially owned by Dr. Irani through a limited partnership and the Irani Family Foundation.
- (8) Includes 15,121 shares held by Mr. Segovia as trustee for the benefit of his children.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary of Occidental's Executive Compensation

As its business model and the broader corporate governance environment have evolved, Occidental has maintained an ongoing, constructive dialogue with stockholders and certain stockholder advisory groups, with the goal of achieving continuous improvement in all aspects of its corporate governance practices, including executive compensation. Following are highlights of recent actions:

2009

The Board voluntarily adopted a policy under which stockholders have an advisory vote on executive compensation policies.

The Lead Independent Director and the Chairman of the Executive Compensation and Human Resources Committee (Compensation Committee) met with stockholders to obtain feedback on Occidental's compensation policies and practices.

The Compensation Committee adopted an additional performance target hurdle for equity incentive awards, so that payout over target is made only if Occidental outperforms both its peers and the S&P 500 Index. See page 14.

The Compensation Committee re-aligned incentive awards to place more emphasis on equity awards that vest upon attainment of pre-established performance goals, and away from equity awards that vest based solely upon the passage of time, such as stock options, stock appreciation rights and restricted stock awards. Occidental has not granted options or stock appreciation rights since 2006 and has not granted restricted stock since 2005 as part of the executive compensation program.

The Compensation Committee developed a compensation program weighted towards equity awards, which rely on a peer comparison, to incentivize superior performance and growth in stockholder value. While doing so, the executive compensation program maintains more than 90% of compensation value at-risk, including the possibility of no payouts of incentive compensation. See page 14.

The company adopted pro rata vesting of any future awards of stock options, stock appreciation rights or restricted stock units in the event of the death of the grantee. See page 23.

The company expanded its stock ownership guidelines to specify that senior management is expected to retain 50% of net after-tax shares acquired after 2008 through equity awards for three years following vesting and revised award agreements to make this guideline mandatory for named executive officers. See page 23.

The company adopted potential forfeiture of unvested awards in the event the grantee violates Occidental's Code of Business Conduct. See page 23.

2008

The Company adopted a policy that compensation consultants be independent. See page A-3.

Compensation Objectives and Process

The Compensation Committee's executive compensation philosophy is centered on the fundamental belief that long-term growth of the company, which maximizes value creation for stockholders, is the key measure of executive performance. In reviewing Occidental's growth and performance, the Compensation Committee is convinced that the current executive officer management team has performed at exceptional levels and that it is in the best interests of the stockholders to retain the current team and reward it for continued long-term success.

Specific performance highlights of the executive management team's accomplishments include:

Growth in Occidental's market capitalization from \$8 billion at year end 1999 to \$66 billion at year end 2009;

Balance sheet management and improvements, particularly reduced debt levels from \$4.4 billion to \$2.8 billion over the 10-year period from December 31, 1999 to December 31, 2009;

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Oil and gas production growth and consistent replacement of more than 100% of production reserves each year over the past 10 years;

Increasing pipeline of production projects and acquisitions that propel the company's growth;

Continued increases in total stockholder returns, including 76% over the past 3 years, 204% over the past 5 years, and 870% over the past 10 years; and

Maintaining its reputation as a quality oil and gas industry investment during the economic volatility of 2008 and 2009 by delivering total stockholder return over this period of 9.7%, outperforming all of the companies in its peer group as well as major stock market indices. This accomplishment is a result of Occidental's strong balance sheet, credit ratings, and the company's operational excellence during this difficult period.

In order to ensure continuity of senior management, the Compensation Committee developed a compensation program designed not only to retain outstanding executives, but also to incentivize and reward them for achieving superior performance in the pursuit of Occidental's long-term strategic objectives. The program rewards exceptional contributions to overall sustainable value creation for stockholders and the attainment of short- and long-term performance targets.

Compensation Program Elements

The current compensation program for named executive officers is primarily based on an at-risk, long-term approach that uses a combination of short- and long-term performance incentives. The following charts show the percentages of the total target 2009 compensation value established by the Compensation Committee for the Chief Executive Officer, as split between short-term and long-term compensation and between at-risk and non-performance-based compensation. A similar profile exists for the remaining named executive officers. See pages 18 through 20 for the total compensation values established for each of the named executive officers.

Chief Executive Officer

Long-Term Compensation as percent of
Total Compensation Value at target

At-Risk Compensation as percent of Total
Compensation Value at target

Short-Term Compensation as percent of
Total Compensation Value at target

Non-Performance-Based Compensation as
percent of Total Compensation Value at
target

At-risk, long-term compensation. This portion of compensation consists of performance based awards that provide incentives for future outcomes consistent with the ultimate objective of sustained growth in stockholder value. The Compensation Committee believes that at-risk, long-term compensation should represent a high percentage of an executive's total compensation package and that exceptional performance should result in correspondingly higher levels of compensation. During the process of determining the composition of each named executive officer's compensation package, the Compensation Committee evaluated many factors, including the following:

Alignment of executive and stockholder interests in achieving long-term growth in stockholder value;

Ensuring that exceptional rewards are attained only for exceptional performance;

The value of compensation packages being significant enough to encourage a high-performing executive's continued full-time commitment to the company; and

The total cost of compensation, including estimated future payouts for performance-based awards, and affordability of that cost to the company.

This portion of the executive compensation program includes two types of awards, Return on Equity Incentive Awards and Total Stockholder Return Incentives, based on two respective performance measures: cumulative return on equity over a three-year term and total stockholder return compared to a peer group and the S&P 500 Index over a four-year term.

Return on Equity Incentive Award (ROEI) — Return on equity (ROE) is an internal measure used in the highly capital-intensive oil and gas industry to evaluate a company's use of capital given its existing financial structure. The profitable use of capital is a primary determinant of long-term sustainable growth in stockholder value. ROE, which is obtained by dividing net income by stockholders equity and is objectively determinable from Occidental's published financial statements, is an indicator not only of the effectiveness of capital allocation, but also of the successful execution of the capital program. The use of the ROE performance metric results in management's focus on the effective use of capital, which is designed to:

Encourage profitable long-term investment and growth in the business;

Ensure that management does not take excessive risk, including excessive debt;

Balance focus on short-term results while encouraging appropriate long-term risk-taking; and

Encourage participation in opportunities with returns well above the company's cost of capital.

ROEIs are performance-based awards that pay from 0 to 200 percent of the target incentive amount in cash upon achievement of specific levels of three-year cumulative ROE. Due to the long-term nature of oil and gas business strategies, the economic success of these investment decisions must be measured over a multi-year period. The three-year measurement period for ROE mitigates the impact of short-term oil and gas price fluctuations that could distort results.

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The Compensation Committee sets the ROE targets to be challenging, but achievable. In selecting them, the Compensation Committee noted that Occidental is operating in a highly competitive environment with rapidly escalating costs and that Occidental's equity base was expected to continue increasing, factors that will make future performance targets more difficult to reach. Despite the

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declining economy and particularly volatile commodity prices of the last two years, the Compensation Committee required the same ROE performance to achieve threshold, target and maximum payouts for awards granted in 2007, 2008 and 2009. The range of ROE performance and corresponding approximate payouts are described below in relation to corresponding approximate earnings achieved:

The maximum payout is achieved by a 54% cumulative annual ROE over a three-year period (annualized at approximately 18%), representing approximately \$19 billion¹ in net income attributable to common stock over the period. If achieved, the total payout for all named executive officers would be \$75 million, representing less than 0.4% of such net income over the three-year period.

The target payout is achieved by a 43.5% cumulative annual ROE over a three-year period (annualized at approximately 14.5%), representing approximately \$15 billion¹ in net income attributable to common stock over the period. If achieved, the total payout for all named executive officers would be \$37.5 million, representing approximately 0.3% of such net income over the three-year period.

No payout is made with a cumulative annual ROE over a three-year period of 33% or less (annualized at approximately 11%), representing approximately \$10 billion¹ or less in net income attributable to common stock over the period.

The Compensation Committee believes that the ROE measure is both a reasonable and cost-effective means for the company to encourage consistent success in achieving superior returns on equity. These returns contribute to long-term sustainable growth in stockholder value. Fifty percent of the long-term, at-risk target incentive value approved for the named executive officers in July 2009 (see pages 18 through 20) was in the form of ROEIs.

Total Stockholder Return Incentives (TSRIs) —The Compensation Committee believes that the comparison of Occidental's total stockholder return over a specified period of time to peer companies' returns over the same period of time is an external measure of the company's effectiveness in translating its results into stockholder returns. Total stockholder return is the change in price of a share of common stock plus reinvested dividends over a specified period of time (TSR) and is an indicator of management's achievement of long-term sustainable increases in stockholder value. TSRI awards use both comparative peer company and S&P 500 Index TSRs to determine payout amounts. The TSRIs are designed to:

Align executive rewards with stockholder returns over a longer-term horizon of four years;

Reward growth in Occidental's total stockholder value compared to total stockholder value of a peer group², neutralizing major market variables that impact the entire oil and gas industry, thereby rewarding the executives for superior performance relative to the peer group companies; and

Prevent overpayment for less than superior performance relative to overall market performance by including the S&P 500 Index TSR as a threshold for payouts above target.

Payouts are split sixty percent in stock and forty percent in cash regardless of the payout percentage. Dividend equivalents are paid at target during the performance period. Fifty percent of the shares paid out pursuant to the TSRIs to individuals who were named executive officers as of the end of the preceding year are subject to a three-year restriction period.

The Compensation Committee's primary considerations in determining the peer group companies were:

Investors' alternatives for energy sector investment choices;

Occidental's global competitors for projects and acquisitions; and

Occidental's global competitors for employees.

Occidental can be characterized primarily as a global oil and gas production company with no refining and marketing operations, with low debt levels, and with a history of continuing production growth and increasing dividend payouts. Therefore, companies with narrow asset bases, no significant non-U.S. business, that have different debt structures, or are heavily weighted toward refining and marketing were eliminated from consideration in determining the peer group. The peer comparison companies are all significant enterprises within the oil and gas industry. The Compensation Committee regularly reviews the peer group companies and modifies the group to take into account mergers and other developments in such companies.

The table below illustrates the respective TSRs for Occidental, the peer comparison companies and the S&P 500 Index over 3, 5 and 10 years.

Total Cumulative Stockholder Return
Over 3, 5 and 10 Years

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	2007-2009	2005-2009	2000-2009
Occidental	76 %	204 %	870 %
P e e r G r o u p Companies	2 %	48 %	169 %
S&P 500 Index	(16)%	2 %	(9)%

The TSRI permits maximum award payouts only for performance in the top third of the peer companies and provides no payout for performance in the bottom third of the peer companies. Fifty percent of the long-term, at-risk target incentive value approved for the named executive officers in July 2009 (see pages 18 through 20) was in the form of TSRI's.

1 Assumes no change to stockholders equity other than dividends at the current payout levels and income.

2 In addition to Occidental, the peer companies are Anadarko Petroleum Corporation, Apache Corporation, BP p.l.c., Chevron Corporation, Conoco Philips, Devon Energy Corporation, ExxonMobil Corporation and Royal Dutch Shell plc.

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The following chart shows the target and maximum payouts of 2009 TSRI awards as a percentage of the company's outstanding shares.

Shares Payable to Named Executive Officers at Target	Target Payout as Percentage of Shares Outstanding as of June 30, 2009	Maximum Shares Payable to Named Executive Officers	Maximum Payout as Percentage of Shares Outstanding as of June 30, 2009
561,886	0.07%	1,123,772	0.14%

Summary of At-Risk Compensation. The following table summarizes key features of the long-term and short-term incentive components of the at-risk portion of the 2009 executive compensation program.

Compensation Component	Performance Period	Form of Payout	Payout Basis	Summary of At-Risk Compensation Payout Range		Performance Resulting in Minimum Payout	Performance Required for Maximum Payout
				Minimum Payout (1)	Maximum Payout (1)		
Return on Equity Incentive Award (ROEI)	3 Years	Cash	Cumulative annual ROE	0%	ROE ≤ 33% (2)	200%	ROE ≥ 54% (2)
Total Stockholder Return Incentive (TSRI) (3)	4 Years	60% Stock 40% Cash	TSR relative to peer group and, for above target payout, to S&P 500 Index	0%	Bottom Third TSR	200%	Top Third TSR and out-perform S&P 500 Index
Executive Incentive Compensation Plan (EICP)							
Non-Equity Incentive Portion – 60% of target	1 Year	Cash	EPS	0%(4)	EPS ≤ \$2.00	200%(4)	EPS ≥ \$4.00
Bonus Portion – 40% of target(5)	1 Year	Cash	Key performance areas: Governance and ethical conduct Functional and operating accomplishments Health, environment and safety Diversity	0%	Subjective Performance Assessment	200%	Subjective Performance Assessment

Organizational
development

- (1) Percent of target payout.
- (2) Returns are compounded on a quarterly basis.
- (3) Payout percent for total stockholder return in the middle third of the peer group is based on a linear interpolation of values between the minimum and maximum payout percentages.
- (4) Target payout is achieved at \$2.50 per share. Payout percent for EPS of \$2.00-\$2.50 is based on a linear interpolation of values between 0 percent and 100 percent and for EPS of \$2.50-\$4.00 is based on a linear interpolation of values between 100 percent and 200 percent.
- (5) Because of the subjective assessment of performance, bonus targets are shown under “Non-Performance-Based Compensation” in the Total Compensation Value tables beginning on page 18.

Salary and other short-term compensation. The Compensation Committee believes that meaningful, short-term achievements alone may not translate to sustainable long-term stockholder value creation. Accordingly, the most significant portion of compensation program value should come from awards with performance periods longer than one year and short-term compensation value should be limited. Salary and other short-term compensation represents 11.9% of the 2009 compensation package of the named executive officers. Short-term compensation is comprised of base salary and other compensation, plus an Executive Incentive Compensation Plan (EICP) award. The Compensation Committee reviews publicly available base salary and short-term bonus information for the oil and gas industry and sets executive officer base salary and EICP targets.

Salary and other compensation - As part of a corporate-wide initiative to reduce costs, each of Dr. Irani and Messrs. Chazen, de Brier and Olson agreed to a ten percent salary reduction effective January 1, 2009. Certain other compensation and benefits that apply to senior executives are described under "Other Compensation and Benefits" beginning on page 22.

Executive Incentive Compensation Plan Award (EICP) - The EICP Award is comprised of a Non-Equity Incentive portion (60% of target value) and a Bonus portion (40% of target value). The Compensation Committee sets target amounts consistent with industry practices for each executive officer based on a review of commercially available compensation surveys and other publicly available information. In setting targets for each executive the Compensation Committee considers each executive's ability to influence Occidental's performance during the one-year performance period.

Non-Equity Incentive Award - The Non-Equity Incentive portion (60% of target value) is a cash award that is at-risk and based on Occidental's performance during the year as measured against Core, Basic Earnings Per Share³ (EPS) targets established in the first quarter of the year. EPS was chosen as the financial target for all corporate executives because it directly impacts stockholder value, is a readily determinable measure of annual performance and rewards the executives for current operating performance. The Compensation Committee set the 2009 EPS targets (see table above) based on consideration of management's financial-results scenarios, as well as a review of analysts' estimates of Occidental's earnings per share for 2009 and West Texas Intermediate ("WTI") oil prices for 2009. In February 2009, when the Compensation Committee made this determination, WTI prices averaged around \$40.00 per barrel, which was significantly lower than the 2008 average WTI price of approximately \$100 per barrel. The EPS for 2009 as certified by the Compensation Committee was \$3.80, which resulted in a payout percentage of 187%.

Bonus Award - The Bonus portion (40% of target value) is based on the Compensation Committee's subjective assessment of an executive's handling of certain key performance areas, as well as the executive's response to unanticipated challenges during the year. Key performance areas include organizational development; succession planning; governance and ethical conduct; functional and operating accomplishments; health, environment and safety responsibilities; and encouraging diversity.

Risk Management of Compensation Policies and Practices. While the executive compensation program has a high pay-at-risk profile, the Compensation Committee believes that the program does not encourage excessive risk or unnecessary risk-taking. The Compensation Committee believes that the program, through a balanced set of performance metrics, enhances Occidental's business interests by encouraging appropriate levels of risk-taking by executives. The Compensation Committee believes that any potential risk that the executive compensation program, or any of its elements, could influence behavior that may be inconsistent with the overall interests of Occidental and its stockholders is mitigated by several factors:

Program elements that utilize both annual and longer-term performance periods, with the most substantial portion having terms of three or four years.

Transparent performance metrics that utilize absolute and relative measures which are readily ascertainable from public information.

Payouts of all performance-based awards are capped at 200% of the target award amount.

Stringent share ownership guidelines for executives and the additional requirement that named executive officers retain at least 50% of net after-tax shares acquired through equity awards granted after 2008 for at least three years following vesting of such awards. Dr. Irani is Occidental's largest individual shareholder and Occidental holdings represent sizable portions of the personal net worth of Messrs. Chazen, de Brier and Olson.

Forfeiture provisions for unvested awards in the event of violations of Occidental's Code of Business Conduct.

Attainment of performance measures that must be certified by the Compensation Committee.

Summary of Executive Compensation Program Considerations. In devising and reviewing the compensation packages of the executive officers, the Compensation Committee determined that the awards are both aligned with the goal of achieving increased stockholder value and are reasonable and affordable to the company. The awards allow for the retention of management and result in the maximum payouts only upon the achievement of exceptional long-term results. In balancing desired management focus on both long-term and short-term results, the Compensation Committee noted that compensation levels will be significantly depressed if threshold ROE or relative TSR performance levels

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are not achieved. Executives can derive meaningful value from the ROE component and continue to be motivated by TSRI's which, as discussed above, require superior performance for payout.

³ For the purposes of the EICP Award, Core, Basic Earnings Per Share (EPS) is computed by excluding the "Significant Items Affecting Earnings" from Occidental's Net Income and dividing this amount by the weighted-average basic shares outstanding. For a discussion of "Significant Items Affecting Earnings," see "Management Discussion and Analysis of Financial Condition and Results of Operations" in Occidental's Annual Report on Form 10-K for the year ended December 31, 2009.

Individual Compensation Considerations

Overall, the Compensation Committee concluded that the senior executive management team has delivered financial results that have been consistently superior compared to the performance of its peer group and has delivered exceptional growth in stockholder value over the long term. See 2009 Performance Highlights beginning on page 25. The Compensation Committee believes the management team is uniquely qualified to continue Occidental's superior performance while growing stockholder value over the long term. Nevertheless, effective January 1, 2009, as part of a corporate-wide initiative to reduce costs, each of Dr. Irani and Messrs. Chazen, de Brier and Olson agreed to a ten percent salary reduction.

Considerations for each of the named executive officers with respect to 2009 compensation are discussed below. The table accompanying the discussion of each executive's compensation sets forth the minimum to maximum total compensation value range established by the Compensation Committee for each executive for 2009, 2008 and 2007. In addition to salary and other compensation, the total compensation value ranges shown in the tables below include each at-risk component of compensation at its minimum payout level and maximum payout level for the specified year without regard to if and when the award will vest or, if applicable, the value of the equity when the award vests. The portion of the at-risk components that is attributable to awards under the 2005 Long-Term Incentive Plan is subject to the individual award limit contained in that Plan. The amounts shown in the total compensation value tables differ from the amounts reported in the Summary Compensation Table, which includes grant date fair value amounts attributable to equity awards, but does not include non-equity awards payable in future years.

dr. irani – Dr. Irani is the Chairman and Chief Executive Officer of Occidental. Under his leadership, Occidental has grown to become the fourth-largest oil and gas company in the U.S., based on market capitalization as of December 31, 2009. Dr. Irani consults with the Board as it sets the strategic direction for Occidental and, in his role as Chief Executive Officer, oversees the implementation of the strategy.

In setting the total compensation value for Dr. Irani, the Compensation Committee considered:

Enhanced Value Creation and Consistent Performance: As shown under the 2009 Performance Highlights beginning on page 25, Occidental's performance, as demonstrated by key financial measures, has been consistent with recent years' achievements and continues to place Occidental among the best performers in the oil and gas industry. During the difficult economic environment of 2009, Occidental optimized the allocation of capital by focusing on projects with strong financial returns. As a result of the disciplined business approach led by Dr. Irani, the company:

Announced a significant discovery of oil and gas reserves in Kern County, California, with initial estimated reserves of 150 million to 250 million gross barrels of oil equivalent.

Announced partnership in a consortium led by Eni SpA, which has been awarded a license for the development of the Zubair Field in Iraq, making Occidental one of a few companies with access to this type of opportunity.

Signed a Development and Production Sharing Agreement, along with partner Mubadala Development Company, with the National Oil and Gas Authority of Bahrain to further develop the Bahrain Field, which is expected to triple the oil production to more than 100,000 barrels of oil per day over a span of seven years and increase gas production by more than 65 percent to over 2.5 billion cubic feet per day.

Maintained a debt to capitalization ratio of 9%.

Occidental has increased the dividend to stockholders by 164% since 2002.

Maintained a "Single A" credit rating by Standard & Poor's and DBRS and an "A2" credit rating by Moody's.

In anticipation of fluctuating commodity prices and world-wide economic deterioration, increased the focus on expense and cost management in order to maximize earnings and financial strength.

Production and Reserve Growth: Under Dr. Irani's leadership, Occidental replaced 206% of its 2009 oil and gas production. Occidental's competency in applying appropriate technology and advanced reservoir-management techniques has allowed it to extend the life and advance the development of existing and acquired fields, both domestic and international. During 2009, the Company:

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Completed multiple water treatment facilities at the giant Mukhaizna oilfield in south-central Oman, where Occidental has a major steam flood project for enhanced oil recovery. As of year-end 2009, gross daily production was nearly 90,000 BOE, an 80% increase from 2008 and over 10 times higher than the production rate in September 2005, when Oxy assumed operation of the field.

Continued with the construction of a carbon dioxide plant in the Permian Basin with the potential to significantly expand current production.

Increased overall production volumes by 7% to an average of 645,000 BOE per day for 2009, including production from the new Kern County, California discovery, which at the end of 2009 was 32,000 BOE per day.

Achieved operational and capital efficiencies resulting in 5% production improvements to existing beam pump wells in the U.S. and 40% to 50% improvements in well drilling times and costs for large-scale drilling programs.

Other Growth: Under Dr. Irani's direction, Occidental continues to expand other areas of its core businesses. During 2009, the company:

Acquired Phibro LLC, an investor in commodities and securities, from Citigroup Inc., for approximately net asset value. This acquisition is expected to add to income and to enhance Occidental's insight and trading depth in the oil and gas marketing and midstream arena, especially in international markets.

Acquired the largest U.S. calcium chloride producing unit from The Dow Chemical Company. Occidental is now the world's largest producer of calcium chloride.

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Organizational Effectiveness: Dr. Irani has established an organizational culture characterized by a strong senior leadership team supported by proactive talent development and business continuity plans; exemplary performance in Health, Environment and Safety; and a highly regarded reputation for social responsibility. During 2009, the company:

Developed, identified and recruited a group of high-performing individuals, including local nationals, for strategic roles throughout the organization.

Effectively reconfigured Occidental's international oil and gas organization in accordance with strategic succession plans.

Continued Occidental's industry leadership in Health, Environment and Safety programs, achieving a worldwide 2009 employee injury incidence rate (IIR) of 0.41 injuries per 100 employees, Occidental's second best performance ever and a 13-percent improvement over the prior three-year average. Occidental's worldwide 2009 contractor IIR of 0.67 is its best ever and represents a 36-percent improvement over the prior three-year average. As a comparison, the U.S. private industry average was 3.9 injuries per 100 employees in 2008, according to the most recent data from the U.S. Bureau of Labor Statistics.

Received high governance and sustainability index ratings from several entities including Governance Metrics International (GMI), where Occidental scored in the top 1% of all companies rated by GMI.

After considering Dr. Irani's contributions to Occidental's attainment of these achievements, the Compensation Committee concluded that:

Dr. Irani has added, and will continue to add, sustainable, significant value to Occidental and its stockholders.

Dr. Irani has personally developed and sustained strong relationships with government leaders in a number of Middle East countries, enabling Occidental to establish credibility similar to that enjoyed by significantly larger competitors in being considered for business opportunities.

The Compensation Committee also noted that:

Dr. Irani has retained more than 50% of the net after-tax shares he acquired through his equity awards even though his stock ownership far exceeds the amounts required to be held under the company's executive stock ownership guidelines (see page 23).

Dr. Irani is Occidental's largest individual stockholder and as such his interests are strongly aligned with Occidental's stockholders.

Accordingly, the Compensation Committee believes that Dr. Irani provides unique value to Occidental and that his compensation package should provide him with the opportunity to realize significant value consistent with the amounts he has received in prior years. The components of Dr. Irani's compensation for 2009, 2008 and 2007 are set forth below.

Year	At-Risk Compensation			Non-Performance-Based Compensation			Total Compensation Value	
	Non-Equity Incentive Compensation Plan Award (\$ (1))	Return on Equity-Based Awards (\$ (2))	Total Stockholder Return-Based Awards (\$ (3))	Option Awards (\$ (4))	Salary and Other (\$ (5))	Bonus Target (\$ (6))	Minimum (\$ (7))	Maximum (\$ (8))
2009	\$ 1,365,000	\$ 22,500,000 (2)	\$ 22,500,000	\$ 0	\$ 2,889,979	\$ 910,000	\$ 2,889,979	\$ 97,439,979
2008	\$ 1,365,000	\$ 29,250,000	\$ 15,750,000	\$ 0	\$ 3,149,627	\$ 910,000	\$ 3,149,627	\$ 89,824,627
2007	\$ 1,287,000	\$ 29,250,000	\$ 17,895,000	\$ 0	\$ 3,775,582	\$ 858,000	\$ 3,775,582	\$ 94,480,582

- (1) Dr. Irani's actual payout amounts are shown in the "Non-Equity Incentive Compensation" column of the Summary Compensation Table on page 27.
- (2) The ROEI award represents 50 percent of the \$45 million target incentive value approved for Dr. Irani in July 2009. For a discussion of the terms of the awards, see page 13 and Grants of Plan-Based Awards on page 28.
- (3) The TSRI award represents 50 percent of the \$45 million target incentive value approved for Dr. Irani in July 2009. The 2007 amount included the Total Stockholder Return Incentive Award and the Performance Stock Award.

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- (4) Salary and Other includes the amounts shown in the “Salary”, “Change in Pension Value and Nonqualified Deferred Compensation Earnings” and “All Other Compensation” columns of the Summary Compensation Table on page 27.
- (5) Payout of his bonus is based on the Compensation Committee’s subjective assessment of Dr. Irani’s accomplishment of his objectives for the year. In addition to the key performance areas for bonuses described on page 16, for 2009, his objectives included: enhancing the value of Occidental’s portfolio of assets; improving the quality and consistency of earnings; emphasizing corporate leadership quality by optimizing productivity, communications and incentives; and maintaining focus on Occidental’s commitment to safety, health, the environment, diversity, governance and the highest standards of ethical conduct. The Bonus earned for 2009 is shown in the “Bonus” column of the Summary Compensation Table on page 27.
- (6) Total Compensation Value at minimum assumes zero payout for all at-risk compensation and for Dr. Irani’s bonus. The amount shown is the sum of Option Awards and Salary and Other. For the ROEI and TSRI awards, payout will not occur unless threshold performance is achieved, at which level payout would be only one percent.
- (7) Total Compensation Value at maximum is the sum of Salary and Other, Bonus (calculated at the maximum amount), the Option Awards plus the dollar value on the date of grant at the respective maximum award levels of the at-risk compensation. Maximum payouts of at-risk compensation are made only upon the achievement of targets requiring exceptional performance. For 2009, the threshold, target and maximum amounts for the at-risk compensation are shown in the Grants of Plan-Based Award chart on page 28.

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mr. chazen – Mr. Chazen has been the President and Chief Financial Officer of Occidental since 2007. As President, Mr. Chazen is responsible for the worldwide oil and gas exploration function; corporate development, which includes implementing Occidental’s overall acquisition strategy; the midstream, marketing and other segment; and the chemical segment. As Chief Financial Officer, Mr. Chazen is responsible for the overall financial management of the company, as well as investor relations and the tax, treasury and controller functions.

The components of Mr. Chazen’s compensation for 2009, 2008 and 2007 are set forth below.

Year	At-Risk Compensation			Non-Performance-Based Compensation			Total Compensation Value	
	Non-Equity Incentive Compensation Plan Award (\$ (1))	Return on Equity-Based Awards (\$ (2))	Total Stockholder Return-Based Awards (\$ (3))	Option Awards (\$ (4))	Salary and Other (\$ (4))	Bonus Target (\$ (5))	Minimum (\$ (6))	Maximum (\$ (7))
2009	\$ 552,000	\$ 10,000,000 (2)	\$ 10,000,000	\$ 0	\$ 1,029,269	\$ 368,000	\$ 1,029,269	\$ 42,869,269
2008	\$ 552,000	\$ 13,000,000	\$ 7,000,000	\$ 0	\$ 1,200,792	\$ 368,000	\$ 1,200,792	\$ 39,540,792
2007	\$ 475,200	\$ 13,000,000	\$ 7,720,000	\$ 0	\$ 1,176,892	\$ 316,800	\$ 1,176,892	\$ 40,700,892

- (1) Mr. Chazen's actual payout amounts are shown in the “Non-Equity Incentive Compensation” column of the Summary Compensation Table on page 27.
- (2) The ROEI award represents 50 percent of the \$20 million target incentive value approved for Mr. Chazen in July 2009. For a discussion of the terms of the awards, see page 13 and Grants of Plan-Based Awards on page 28.
- (3) The TSRI award represents 50 percent of the \$20 million target incentive value approved for Mr. Chazen in July 2009. The 2007 amount included the Total Stockholder Return Incentive Award and the Performance Stock Award.
- (4) Salary and Other includes the amounts shown in the “Salary”, “Change in Pension Value and Nonqualified Deferred Compensation Earnings” and “All Other Compensation” columns of the Summary Compensation Table on page 27.
- (5) Payout of his bonus is based on the Compensation Committee’s subjective assessment of Mr. Chazen's accomplishment of his objectives for the year. In addition to the key performance areas for bonuses described on page 16, for 2009, his objectives included: purchasing or finding reserves at reasonable prices, ensuring that Occidental has sufficient cash flow to meet its needs and ensuring adequate succession planning for the units reporting to him. The Bonus earned for 2009 is shown in the “Bonus” column of the Summary Compensation Table on page 27.
- (6) Total Compensation Value at minimum assumes zero payout for all at-risk compensation and for Mr. Chazen's bonus. The amount shown is the sum of Option Awards and Salary and Other. For the ROEI and TSRI awards, payout will not occur unless threshold performance is achieved, at which level payout would be only 1 percent.
- (7) Total Compensation Value at maximum is the sum of Salary and Other, Bonus (calculated at the maximum amount), the Option Awards plus the dollar value on the date of grant at the respective maximum award levels of the at-risk compensation. Maximum payouts of at-risk compensation are made only upon the achievement of targets requiring exceptional performance. For 2009, the threshold, target and maximum amounts for the at-risk compensation are shown in the Grants of Plan-Based Award chart on page 28.

mr. de brier – Mr. de Brier is Executive Vice President, General Counsel and Corporate Secretary. As Executive Vice President and General Counsel, he is responsible for Occidental’s worldwide legal and compliance, health, environment and safety and communications and public affairs functions.

The components of Mr. de Brier’s compensation for 2009, 2008 and 2007 are set forth below.

Year	At-Risk Compensation			Non-Performance-Based Compensation			Total Compensation Value	
	Non-Equity Incentive Compensation Plan Award (\$ (1))	Return on Equity-Based Awards (\$ (2))	Total Stockholder Return-Based Awards (\$ (3))	Option Awards (\$ (4))	Salary and Other (\$ (4))	Bonus Target (\$ (5))	Minimum (\$ (6))	Maximum (\$ (7))
2009	\$ 231,420	\$ 2,000,000 (2)	\$ 2,000,000	\$ 0	\$ 749,078	\$ 154,280	\$ 749,078	\$ 9,520,478
2008	\$ 231,420	\$ 2,600,000	\$ 1,400,000	\$ 0	\$ 806,266	\$ 154,280	\$ 806,266	\$ 8,877,666

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2007	\$ 214,890	\$ 2,470,000	\$ 1,715,700	\$ 0	\$ 865,549	\$ 143,260	\$ 865,549	\$ 9,288,249
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- (1) Mr. de Brier's actual payout amounts are shown in the "Non-Equity Incentive Compensation" column of the Summary Compensation Table on page 27.
- (2) The ROEI award represents 50 percent of the \$4 million target incentive value approved for Mr. de Brier in July 2009. For a discussion of the terms of the awards, see page 13 and Grants of Plan-Based Awards on page 28.
- (3) The TSRI award represents 50 percent of the \$4 million target incentive value approved for Mr. de Brier in July 2009. The 2007 amount included the Total Stockholder Return Incentive Award and the Performance Stock Award.
- (4) Salary and Other includes the amounts shown in the "Salary", "Change in Pension Value and Nonqualified Deferred Compensation Earnings" and "All Other Compensation" columns of the Summary Compensation Table on page 27.
- (5) Payout of his bonus is based on the Compensation Committee's subjective assessment of Mr. de Brier's accomplishment of his objectives for the year. In addition to the key performance areas for bonuses described on page 16, for 2009, his objectives included: further refining and upgrading all legal services for Occidental, including all of its business units, with the ultimate objective of providing more effective, practical and successful legal services. The bonus earned for 2009 is shown in the "Bonus" column of the Summary Compensation Table on page 27.
- (6) Total Compensation Value at minimum assumes zero payout for all at-risk compensation and for Mr. de Brier's bonus. The amount shown is the sum of Option Awards and Salary and Other. For the ROEI and TSRI awards, payout will not occur unless threshold performance is achieved, at which level payout would be only 1 percent.
- (7) Total Compensation Value at maximum is the sum of Salary and Other, Bonus (calculated at the maximum amount), the Option Awards plus the dollar value on the date of grant at the respective maximum award levels of the at-risk compensation. Maximum payouts of at-risk compensation are made only upon the achievement of targets requiring exceptional performance. For 2009, the threshold, target and maximum amounts for the at-risk compensation are shown in the Grants of Plan-Based Award chart on page 28.

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Mr. Albrecht – Mr. Albrecht has been Vice President of Occidental and President, Oxy Oil & Gas - U.S. since 2008. As such, Mr. Albrecht is responsible for oil and gas operations in the U.S.

The components of Mr. Albrecht's compensation for 2009 are set forth below.

Year	At-Risk Compensation			Non-Performance-Based Compensation			Total Compensation Value	
	Non-Equity Incentive Compensation Plan Award	Return on Equity-Based Awards	Total Stockholder Return-Based Awards	Option Awards	Salary and Other	Bonus Target	Minimum	Maximum
	(\$) (1)	(\$)	(\$) (3)	(\$)	(\$) (4)	(\$) (5)	(\$) (6)	(\$) (7)
2009	\$ 240,000	\$ 1,500,000	\$ 1,500,000	\$ 0	\$ 524,966	\$ 160,000	\$ 524,966	\$ 7,324,966

- Mr. Albrecht's actual payout amounts are shown in the "Non-Equity Incentive Compensation" column of the Summary Compensation Table on page 27.
- The ROEI award represents 50 percent of the \$3 million target incentive value approved for Mr. Albrecht in July 2009. For a discussion of the terms of the awards, see page 13 and Grants of Plan-Based Awards on page 28.
- The TSRI award represents 50 percent of the \$3 million target incentive value approved for Mr. Albrecht in July 2009.
- Salary and Other includes the amounts shown in the "Salary", "Change in Pension Value and Nonqualified Deferred Compensation Earnings" and "All Other Compensation" columns of the Summary Compensation Table on page 27.
- Payout of his bonus is based on the Compensation Committee's subjective assessment of Mr. Albrecht's accomplishment of his objectives for the year. In addition to the key performance areas for bonuses described on page 16, for 2009, his objectives included increasing total domestic average daily production and continuing successful efforts on reserve replacement for domestic production. The Bonus earned for 2009 is shown in the "Bonus" column of the Summary Compensation Table on page 27.
- Total Compensation Value at minimum assumes zero payout for all at-risk compensation and for Mr. Albrecht's bonus. The amount shown is the sum of Option Awards and Salary and Other. For the ROEI and TSRI awards, payout will not occur unless threshold performance is achieved, at which level payout would be only 1 percent.
- Total Compensation Value at maximum is the sum of Salary and Other, Bonus (calculated at the maximum amount), the Option Awards plus the dollar value on the date of grant at the respective maximum award levels of the at-risk compensation. Maximum payouts of at-risk compensation are made only upon the achievement of targets requiring exceptional performance. For 2009, the threshold, target and maximum amounts for the at-risk compensation are shown in the Grants of Plan-Based Awards chart on page 28.

Mr. Olson – As Executive Vice President of Occidental, until his retirement which began January 1, 2010, Mr. Olson was responsible for Occidental's oil and gas operations other than those in the U.S. and for the oil and gas segment's worldwide business development and engineering operations.

The components of Mr. Olson's compensation for 2009, 2008 and 2007 are set forth below.

Year	At-Risk Compensation			Non-Performance-Based Compensation			Total Compensation Value	
	Non-Equity Incentive Compensation Plan Award	Return on Equity-Based Awards	Total Stockholder Return-Based Awards	Option Awards	Salary and Other	Bonus Target	Minimum	Maximum
	(\$) (1)	(\$)	(\$) (3)	(\$)	(\$) (4)	(\$) (5)	(\$) (6)	(\$) (7)
2009	\$ 216,000	\$ 1,500,000 (2)	\$ 1,500,000	\$ 0	\$ 580,620	\$ 144,000	\$ 580,620	\$ 7,300,620
2008	\$ 216,000	\$ 2,600,000	\$ 1,400,000	\$ 0	\$ 663,057	\$ 144,000	\$ 663,057	\$ 8,683,057
2007	\$ 201,600	\$ 2,600,000	\$ 1,736,000	\$ 0	\$ 618,037	\$ 134,400	\$ 618,037	\$ 9,262,037

- Mr. Olson's actual payout amounts are shown in the "Non-Equity Incentive Compensation" column of the Summary Compensation Table on page 27.

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- (2) The ROEI award represents 50 percent of the \$3 million target incentive value approved for Mr. Olson in July 2009. For a discussion of the terms of the awards, see page 13 and Grants of Plan-Based Awards on page 28.
- (3) The TSRI award represents 50 percent of the \$3 million target incentive value approved for Mr. Olson in July 2009. The 2007 amount included the Total Stockholder Return Incentive Award and the Performance Stock Award.
- (4) Salary and Other includes the amounts shown in the “Salary”, “Change in Pension Value and Nonqualified Deferred Compensation Earnings” and “All Other Compensation” columns of the Summary Compensation Table on page 27.
- (5) Payout of his bonus is based on the Compensation Committee’s subjective assessment of Mr. Olson’s accomplishment of his objectives for the year. In addition to the key performance areas for bonuses described on page 16, for 2009, his objectives included the negotiation and completion of agreements with respect to certain projects in the Middle East and North Africa. The Bonus earned for 2009 is shown in the “Bonus” column of the Summary Compensation Table on page 27.
- (6) Total Compensation Value at minimum assumes zero payout for all at-risk compensation and for Mr. Olson’s bonus. The amount shown is the sum of Option Awards and Salary and Other. For the ROEI and TSRI awards, payout will not occur unless threshold performance is achieved, at which level payout would be only 1 percent.
- (7) Total Compensation Value at maximum is the sum of Salary and Other, Bonus (calculated at the maximum amount), the Option Awards plus the dollar value on the date of grant at the respective maximum award levels of the at-risk compensation. Maximum payouts of at-risk compensation are made only upon the achievement of targets requiring exceptional performance. For 2009, the threshold, target and maximum amounts for the at-risk compensation are shown in the Grants of Plan-Based Awards chart on page 28.

Succession Planning

The Board of Directors annually considers persons to succeed all of the Company's key executive officers and more than 50 other senior level positions at Occidental and its subsidiaries to assure that management of the Company is not disrupted by changes in key management positions. For each position, the review includes the background, training, qualities and other characteristics that would be desirable in candidates, as well as consideration of possible successors. Possible successors include individuals in the same business group or function as well as individuals in other business groups and functions. Consideration is also given to deliberate rotational moves which have proven to be an effective means to prepare highly capable employees for roles of increasing responsibility. In cases where there is not a strong internal candidate, the succession plan identifies a candidate who could fill the position on an interim basis while an outside search is conducted for a permanent replacement. Dr. Irani leads the review with respect to the successors to the executive officers other than himself and the other executive officers as well as division and functional heads present to the Board with respect to positions that report to them. As to its succession plan with respect to the Chairman and Chief Executive Officer, the Board also discusses this issue both with the Chairman and Chief Executive Officer, and separately in executive session with no members of management present. The effectiveness of this regular and thorough process is demonstrated by the smooth transitions that occurred with respect to the retirements of several named executive officers during the past two years.

Role of Management in Executive Compensation

The Compensation Committee sets compensation for Occidental's senior executives. Dr. Irani's compensation is set only by the Compensation Committee. Dr. Irani recommends compensation for Messrs. Chazen, de Brier, Albrecht and Olson to the Compensation Committee. Dr. Irani and the Executive Vice President - Human Resources may be present for a portion of each of the Compensation Committee meetings, but are not present when compensation decisions regarding Dr. Irani are discussed and made. Mr. Chazen may be present for a portion of certain meetings to provide the Compensation Committee information regarding Occidental's financial and operating plans and results. Mr. de Brier may be present for a portion of certain meetings to discuss legal matters. Management prepares materials for each Compensation Committee meeting to assist the Compensation Committee in its consideration of executive compensation programs and policies and its administration of plans and programs.

Role of Investors and Proxy Advisory Services

Occidental maintains an ongoing dialogue with its stockholders and certain stockholder advisory groups. Occidental's Lead Independent Director and the Chairman of the Compensation Committee participated in a meeting with some of Occidental's institutional investors in July 2009. Discussions at the meetings included, among other things, succession planning and selection of performance targets and other compensation practices. Feedback obtained from the meeting was provided to the Compensation Committee and the full Board. Comments from investor meetings have been taken into consideration in Occidental's ongoing efforts to improve its compensation program and the quality of its compensation disclosures.

Role of Compensation Consultants

In 2009, Occidental participated in compensation surveys conducted by Towers Perrin, Frederic W. Cook & Co. and other compensation consultants in order to better understand general external compensation practices, including executive compensation. From time to time, Occidental, through its executive compensation department or the Compensation Committee, will engage a consultant to provide advice on specific compensation issues. The Board's policy on retention of independent compensation consultants adopted in 2008 is set forth in Exhibit A under "Other Governance Measures."

In 2009, the Compensation Committee retained Pearl Meyer & Partners, a leading independent compensation consulting firm, to advise on the continued appropriateness of the Company's long-term incentive plan features, including the performance metrics utilized, brief the Committee on compensation risk assessment approaches, and brief the Committee on regulatory and legislative trends. Pearl Meyer & Partners did not provide any other services to Occidental in 2009. No other compensation consultant provided services to the Compensation Committee.

Certification of Previously Granted Performance Stock Awards

Performance-Based Restricted Stock Awards (PRSU) – In July 2006, the Compensation Committee granted the then named executive officers PRSUs. The PRSU was an equity award, which used as the performance measure cumulative ROE over a three-year period ending June 30, 2009. The PRSUs were certified for payment at the July 2009 Compensation Committee meeting. Occidental's cumulative ROE for the performance period was 66.87%, which exceeded the 60% cumulative ROE required for maximum payout. As a result, the payout was at 200 percent for all of the participating named executive officers. The number of shares earned by Dr. Irani, Mr. Chazen, Mr. de Brier and Mr. Olson were 1,000,000, 300,000, 72,000 and 72,000, respectively. The payout amounts for those awards, including the dividend equivalents that were paid upon vesting, are included in the Options Exercised and Stock Vested table on page 31.

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Performance Stock Awards (PSAs) – No future grants of PSAs are planned at this time. Prior to 2008, a Performance Stock Award was granted effective January 1 of each year. The PSA is an equity award similar to a TSRI award except that (1) the payout was determined by reference to a matrix of possible results included in the award agreement, and (2) the amounts earned in excess of target were settled in cash. The PSAs for which the performance period ended on December 31, 2008 were certified for payment at the February 2009 Compensation Committee meeting. The payout amounts for those awards are included in the Options Exercised and Stock Vested table on page 31.

In February 2010, the Compensation Committee certified the total stockholder return calculations for the performance period from January 1, 2006, through December 31, 2009, in order to determine the payout for the PSAs granted in December 2005. The values of these vested PSAs are not included in the Options Exercised and Stock Vested table on page 31 because certification and payout occurred in 2010. Occidental ranked first out of the eight remaining peer companies⁴ at December 31, 2009, and, as a result, the payout was at 200 percent for all of the participating named executive officers. The number of equivalent shares earned by Dr. Irani, Mr. Chazen, Mr. de Brier and Mr. Olson were 107,412, 36,056, 19,316, and 14,424, respectively, of which the target share amount was settled in stock and the balance in cash.

⁴The remaining peer companies in addition to Occidental were: Anadarko Petroleum Corporation, Apache Corporation, Chevron Corporation, ConocoPhillips, Devon Energy Corporation, ExxonMobil Corporation and Hess Corporation.

other compensation and benefits

Occidental does not have a defined benefit pension program that provides salaried employees a fixed monthly retirement payment.

Qualified Defined Contribution Plans – All salaried employees on the U.S. dollar payroll, including the named executive officers, are eligible to participate in one or more tax-qualified, defined contribution plans. The defined contribution retirement plan, which provides for periodic contributions by Occidental based on annual cash compensation and age, up to certain levels pursuant to Internal Revenue Service (IRS) regulations, was implemented as a successor plan to the defined benefit pension plan that was terminated in 1983. For 2009, the defined contribution 401(k) savings plan permitted employees to save a percentage of their annual salary up to the \$245,000 limit set by IRS regulations, and the employee pre-tax contribution was limited to \$16,500. Employees may direct their contributions to a variety of investments. Occidental generally matches employee contributions with Occidental common stock on a dollar-for-dollar basis, in an amount up to 6 percent of the employee's base salary. The amounts contributed to the qualified plans on behalf of the named executive officers are detailed under "All Other Compensation" in the Summary Compensation Table on page 27. As of December 31, 2009, the aggregate balances under the qualified plans were \$5,382,852 for Dr. Irani, \$1,461,615 for Mr. Chazen, \$2,467,020 for Mr. de Brier, \$122,721 for Mr. Albrecht and \$1,173,254 for Mr. Olson. The named executive officers, except for Mr. Albrecht, are fully vested in their account balances under the qualified plans.

Nonqualified Defined Contribution Retirement Plan – Occidental's nonqualified retirement plan is described on page 32. The amounts contributed to the nonqualified retirement plan on behalf of the named executive officers are detailed under "All Other Compensation" in the Summary Compensation Table on page 27. Company contributions, aggregate earnings and aggregate balances for the named executive officers in the nonqualified retirement plan are included in the Nonqualified Deferred Compensation table on page 32.

Nonqualified Deferred Compensation Plan – Occidental's nonqualified deferred compensation plan is described on page 32. The amounts of salary and bonuses deferred by the named executive officers are included as compensation in the "Salary," "Bonus" and "Non-Equity Incentive Compensation" columns of the Summary Compensation Table on page 27, as appropriate, in the year of deferral. The above-market portion of the accrued interest on deferred amounts is reported in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table. Contributions, aggregate earnings and aggregate balances for the named executive officers for the nonqualified deferred compensation plans are shown in the Nonqualified Deferred Compensation Table on page 32.

Employment Agreements – Employment agreements may be offered to key executives for recruitment and retention purposes and to ensure the continuity and stability of management. The employment agreements for Dr. Irani, Mr. Chazen and Mr. de Brier, the only named executive officers with employment agreements, are discussed under "Potential Payments Upon Termination or Change of Control" beginning on page 33.

Security – Personal security services, including home detection and alarm systems and personal security guards, are provided to executives to address perceived risks, at costs which are presented to the Compensation Committee.

Tax Preparation and Financial Planning – A select group of executives, including the named executive officers, receive reimbursement for financial planning and investment advice, including legal advice related to tax and financial matters, and in Dr. Irani's case, investment services. Eligible executives are required to have their personal tax returns prepared by a tax professional qualified to practice before the Internal Revenue Service in order to ensure compliance with applicable tax laws.

Corporate Aircraft Use – Executives and directors may use corporate aircraft for personal travel, if space is available. The named executive officers and directors reimburse Occidental for personal use of company aircraft, including any guests accompanying them, at not less than the standard industry fare level rate (which is determined in accordance with IRS regulations).

Insurance – Occidental offers a variety of health coverage options to all employees. Senior executives participate in these plans on the same terms as other employees. In addition, for all employees above a certain job level, Occidental pays for an annual physical examination. The company provides all salaried employees with life insurance equal to twice the employee's base salary. For certain senior employees, Occidental increases that to three times base salary. Occidental also provides senior executives with excess liability insurance coverage.

Other – Other benefits are included under "All Other Compensation" in the Summary Compensation Table on page 27.

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stock ownership guidelines

Occidental has had minimum stock ownership guidelines for Occidental's senior management since 1996. For more information and detail on Occidental's stock ownership guidelines, see www.oxy.com. As of February 28, 2010, all of the named executive officers held stock in excess of the guidelines. Additionally, named executive officers are required to retain 50 percent of the net after-tax shares received pursuant to equity awards granted after 2008 for at least three years from the vesting date.

The target ownership requirements and the named executive officers' compliance with the requirements are set forth in the table below.

EXECUTIVE STOCK OWNERSHIP GUIDELINES				
Executive Ownership as of February 28, 2010				
	Target Ownership Requirement		Actual Ownership	
Name	Multiple of Base Salary	Multiple Expressed in Dollars	Multiple of Base Salary(1)	Value of Shares Held by Executive(2)
Ray R. Irani	10	\$ 11,700,000	568	\$ 665,107,780
Stephen I. Chazen	5	\$ 3,600,000	262	\$ 188,993,931
Donald P. de Brier	5	\$ 2,479,500	123	\$ 60,802,022
William E. Albrecht	5	\$ 2,000,000	8	\$ 3,119,340
R. Casey Olson	5	\$ 2,160,000	28	\$ 12,041,300

(1) The following forms of stock ownership are counted toward satisfaction of the guidelines:

- ÿ

Direct stock holdings, including shares held in a living trust or by a family partnership or corporation controlled by the officer unless the officer expressly disclaims beneficial ownership of such shares.
- ÿ

Shares held in the Occidental Petroleum Corporation Savings Plan.
- ÿ

Long-term stock awards, including, without limitation, restricted stock awards, restricted stock units, performance stock awards and performance stock units. Stock options and stock appreciation rights are not included.

(2) Value is based on the closing price on the New York Stock Exchange of the Common Stock as of February 28, 2010, which was \$79.85.

Equity Grant Practices

The Compensation Committee grants equity awards at regularly scheduled meetings normally held the day before regularly scheduled Board meetings. Board meeting dates are set in the prior year. The grant date value of Occidental stock is based on the closing price on the New York Stock Exchange on the day the Compensation Committee grants equity awards. As specifically authorized by the terms of the 2005 Long-Term Incentive Plan, the Compensation Committee has delegated to the Chairman and Chief Executive Officer the authority to grant awards in the event a new employee is hired between Compensation Committee meeting dates, and an equity award has been deemed to be an important element in persuading the employee to join Occidental. In such cases, the award is generally made on the date the employee starts employment. Any such award granted to an executive officer is reported to the Compensation Committee.

The Compensation Committee does not anticipate granting any additional options, stock appreciation rights or restricted stock units to Occidental's named executive officers at this time. To the extent that any such awards are granted in the future, such grants would vest on a pro rata basis in the event of the grantee's death; and, if such awards are performance-based, payout of any vested portion would continue to be subject to satisfaction of the performance objective.

The 2005 Long-Term Incentive Plan provides that no individual may be granted awards under that Plan in excess of the specified Plan limits. For purposes of applying the share limit, the target incentive value of awards, regardless of whether equity or cash awards, may be converted to a share unit equivalent.

Consequences Of Misconduct

In 1997, Occidental's Board of Directors adopted a Code of Business Conduct that prohibits any officer, employee or director from violating or circumventing any law of the United States or a foreign country during the course of his or her employment. The Audit Committee of the Board

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of Directors oversees compliance with the Code of Business Conduct and has put in place procedures, including a compliance hotline, to ensure that all violations or suspected violations of the Code of Business Conduct are reported promptly, without fear of retaliation. In general, misconduct may have several consequences, including the following:

If a named executive officer were found to have violated the Code of Business Conduct, the officer would be subject to disciplinary action, which may include termination, referral for criminal prosecution and reimbursement to Occidental or others for any losses or damages resulting from the violation.

Stock awards may be forfeited in whole or in part in the case of an employee's termination for cause.

Beginning with the awards granted in 2008, awards for continuing employees may be forfeited in whole or in part for violations of the Code of Business Conduct or other provisions of the award agreement.

Tax and Accounting Considerations

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, places a limit of \$1 million on the amount of compensation that Occidental may deduct in any one year with respect to each of its five highest-paid executive officers, other than the Chief Financial Officer. Certain performance-based compensation elements approved by stockholders are not subject to the deduction limit. Although tax consequences are considered in its compensation decisions, the Compensation Committee has not adopted a policy that all compensation must be deductible. Rather, the Compensation Committee gives priority to the overall compensation objectives discussed above.

It is expected that certain performance-based awards will not be subject to the deduction limits prescribed by Section 162(m) of the Internal Revenue Code. In order to assure the continued possibility of obtaining deductions for such awards, the company has submitted a proposal to stockholders recommending the re-approval of material terms of the performance goals for such awards. See "Proposal 3: Re-Approval of Material Terms of Performance Goals for Section 162(m) Awards Under the 2005 Long-Term Incentive Plan Pursuant to Tax Deduction Rules" on page 39.

COMPENSATION COMMITTEE REPORT

The Executive Compensation and Human Resources Committee of the Board has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2009, including the Committee's commitment to pay for performance and the decisions made by the Executive Compensation and Human Resources Committee that recognize the exceptional performance of Occidental under the leadership of Dr. Irani and the other named executive officers. Based on these reviews and discussions, the Executive Compensation and Human Resources Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Proxy Statement for the 2010 Annual Meeting of Stockholders.

Respectfully submitted,

THE EXECUTIVE COMPENSATION AND
HUMAN RESOURCES COMMITTEE

Spencer Abraham (Chair)
John S. Chalsty
Avedick B. Poladian
Rodolfo Segovia
Rosemary Tomich

2009 PERFORMANCE HIGHLIGHTS

Occidental Petroleum Corporation (NYSE:OXY) is the fourth-largest oil and gas company based in the U.S. measured by market capitalization of \$66 billion as of December 31, 2009. The following graphs illustrate Occidental's performance for 2007, 2008 and 2009 with respect to net income, return on equity ("ROE"), return on capital employed ("ROCE"), oil and natural gas sales volumes, oil and natural gas proved reserves and employee injury and illness rate. See Occidental's Annual Report on Form 10-K for the year ended December 31, 2009, for more information about these and other performance measures, the factors that affect Occidental's results and risks associated with future performance.

2009 PERFORMANCE HIGHLIGHTS

The following graph compares the yearly percentage change in Occidental's cumulative total return on its common stock with the cumulative total return of the Standard & Poor's 500 Stock Index (S&P 500) and with that of Occidental's peer group over the five-year period ended December 31, 2009. The graph assumes that \$100 was invested in Occidental common stock, in the stock of the companies in the S&P 500 Index and in a portfolio of common stock of the peer group companies weighted by their relative market values each year and that all dividends were reinvested. Occidental's peer group consists of Anadarko Petroleum Corporation, Apache Corporation, BP p.l.c., Chevron Corporation, ConocoPhillips, Devon Energy Corporation, ExxonMobil Corporation, Royal Dutch Shell plc and Occidental.

Comparative Total Return

12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
\$100	\$139	\$173	\$277	\$220	\$304
100	116	144	181	137	148
100	105	121	128	81	102

The information provided in this Performance Graph shall not be deemed "soliciting material" or "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 (Exchange Act), other than as provided in Item 201 to Regulation S-K under the Exchange Act, or subject to the liabilities of Section 18 of the Exchange Act and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent Occidental specifically requests that it be treated as soliciting material or specifically incorporates it by reference.

EXECUTIVE COMPENSATION TABLES

Set forth below are tables showing for Dr. Irani, Occidental's principal executive officer, Mr. Chazen, Occidental's principal financial officer, and the three other highest-paid executive officers of Occidental serving as executive officers on December 31, 2009: (1) in summary form, the compensation attributed to such executives for 2009, 2008 and 2007, as applicable, (2) the equity and non-equity incentive awards granted to such executives in 2009; (3) the outstanding equity awards held by such executives as of December 31, 2009; (4) the options exercised by such executives and their stock awards vested; and (5) the required information related to the nonqualified deferred compensation plans for such executives. The compensation tables should be read in conjunction with the Compensation Discussion and Analysis (see page 12), which explains Occidental's compensation plans and philosophy and provides information about the compensation decisions made with respect to the named executive officers for 2009.

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SUMMARY COMPENSATION TABLE

The table below and the accompanying footnotes summarize the compensation attributed to the principal executive officer, principal financial officer and the three other highest-paid executives in 2009, 2008 and 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	Option Awards (\$)	Non-Equity Incentive Compensation (\$ (3))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$ (4))	All Other Compensation (\$)	Total (\$)
Ray R. Irani, Chairman and Chief Executive Officer	2009	\$ 1,170,000	\$ 1,200,000	\$ 24,758,827(5)	\$ 0	\$ 2,552,550	\$ 0	\$ 1,719,979(6)	\$ 31,401,356
	2008	\$ 1,300,000	\$ 900,000	\$ 15,747,997	\$ 0	\$ 2,730,000	\$ 0	\$ 1,849,627	\$ 22,527,624
	2007	\$ 1,300,000	\$ 1,716,000	\$ 16,614,425	\$ 0	\$ 2,574,000	\$ 584,168	\$ 1,891,414	\$ 24,680,007
Stephen I. Chazen, President and Chief Financial Officer	2009	\$ 720,000	\$ 420,000	\$ 11,003,956(7)	\$ 0	\$ 1,032,240	\$ 0	\$ 309,269(8)	\$ 13,485,465
	2008	\$ 800,000	\$ 346,000	\$ 6,999,161	\$ 0	\$ 1,104,000	\$ 47,540	\$ 353,252	\$ 9,649,953
	2007	\$ 720,000	\$ 633,600	\$ 7,118,407	\$ 0	\$ 950,400	\$ 201,158	\$ 255,734	\$ 9,879,299
Donald P. de Brier, EVP, General Counsel and Secretary	2009	\$ 495,900	\$ 170,000	\$ 2,200,850(9)	\$ 0	\$ 432,755	\$ 0	\$ 253,178(10)	\$ 3,552,683
	2008	\$ 551,000	\$ 137,160	\$ 1,399,832	\$ 0	\$ 462,840	\$ 0	\$ 255,266	\$ 2,806,098
	2007	\$ 551,000	\$ 170,220	\$ 1,636,064	\$ 0	\$ 429,780	\$ 80,544	\$ 234,005	\$ 3,101,613
William E. Albrecht, Vice President and President, Oxy Oil & Gas - U.S.	2009	\$ 400,000	\$ 220,000	\$ 1,650,637(11)	\$ 0	\$ 448,800	\$ 0	\$ 122,944(12)	\$ 2,842,381
R. Casey Olson, Executive Vice President	2009	\$ 432,000	\$ 150,000	\$ 1,650,637(13)	\$ 0	\$ 403,920	\$ 0	\$ 161,627(14)	\$ 2,798,184
	2008	\$ 480,000	\$ 168,000	\$ 1,399,832	\$ 0	\$ 432,000	\$ 0	\$ 183,057	\$ 2,662,889
	2007	\$ 480,000	\$ 246,800	\$ 1,642,508	\$ 0	\$ 403,200	\$ 0	\$ 138,037	\$ 2,910,545

- (1) The amounts shown represent the discretionary portion of the executive's annual Executive Incentive Compensation Plan award.
- (2) Awards that are payable in stock are valued at the grant date fair value, which incorporates the value of Occidental's stock as well as the estimated payout percentage as of the grant date. See Note 12 to Consolidated Financial Statements in Occidental's Annual Reports on Form 10-K for the year ended December 31, 2009, regarding assumptions underlying valuation of equity awards.
- (3) The amounts represent the performance-based portion of the executive's annual Executive Incentive Compensation Plan award. The payout was determined based on Occidental's attainment of specified earnings per share targets. For information on the amounts earned for 2009, see "Compensation Discussion and Analysis" on page 12.

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- (4) The amounts represent the above-market portion of interest the executives earned during the year on their nonqualified deferred compensation balances (see page 32 for a description of the nonqualified deferred compensation plan).
- (5) The maximum number of Occidental stock and share equivalents that can be issued under the TSRI award is 674,260 shares which, using \$66.74, the closing price of Occidental common stock on the New York Stock Exchange on the grant date, would have a value of approximately \$45 million.
- (6) Includes \$14,700 credited pursuant to the Occidental Petroleum Corporation Savings Plan (the "Savings Plan"); \$626,160 credited pursuant to the Occidental Petroleum Corporation Supplemental Retirement Plan II (the "Supplemental Retirement Plan") described on page 32; \$119,616 for life insurance premiums; and \$959,503 in the aggregate for personal benefits. Personal benefits include security services (\$568,396) and tax preparation and financial planning services (\$391,107).
- (7) The maximum number of Occidental stock and share equivalents that can be issued under the TSRI award is 299,672 shares which, using \$66.74, the closing price of Occidental common stock on the New York Stock Exchange on the grant date, would have a value of approximately \$20 million.
- (8) Includes \$14,700 credited pursuant to the Savings Plan; \$283,560 credited pursuant to the Supplemental Retirement Plan; and \$11,009 for life insurance premiums.
- (9) The maximum number of Occidental stock and share equivalents that can be issued under the TSRI award is 59,936 shares which, using \$66.74, the closing price of Occidental common stock on the New York Stock Exchange on the grant date, would have a value of approximately \$4 million.
- (10) Includes \$14,700 credited pursuant to the Savings Plan; \$141,222 credited pursuant to the Supplemental Retirement Plan; \$48,361 for life insurance premiums; and \$48,895 in the aggregate for personal benefits. Personal benefits include security services; tax preparation and financial counseling; club dues; and excess liability insurance.
- (11) The maximum number of Occidental stock and share equivalents that can be issued under the TSRI award is 44,952 shares which, using \$66.74, the closing price of Occidental common stock on the New York Stock Exchange on the grant date, would have a value of approximately \$3 million.
- (12) Includes \$14,700 credited pursuant to the Savings Plan; \$93,960 credited pursuant to the Supplemental Retirement Plan; and \$3,870 for life insurance premiums; and \$10,414 in the aggregate for personal benefits. Personal benefits include tax preparation and financial counseling; and excess liability insurance.
- (13) The maximum number of Occidental stock and share equivalents that can be issued under the TSRI award is 44,952 shares which, using \$66.74, the closing price of Occidental common stock on the New York Stock Exchange on the grant date, would have a value of approximately \$3 million.
- (14) Includes \$14,700 credited pursuant to the Savings Plan; \$129,720 credited pursuant to the Supplemental Retirement Plan; \$4,200 for life insurance premiums; and \$13,007 in the aggregate for personal benefits. Personal benefits include tax preparation and financial counseling; executive physical; and excess liability insurance.

GRANTS OF PLAN-BASED AWARDS

The table below summarizes the plan-based awards granted by the Compensation Committee to the named executive officers in 2009: Executive Incentive Compensation Plan (Non-Equity Incentive Portion) — EICP, Total Stockholder Return Incentive Awards — TSRI, Return on Equity Incentive Awards — ROEI. Immediately following the table is a summary of key terms of the award agreements.

For additional information on the performance objectives and determination of threshold, target and maximum payouts for these awards, see Compensation Discussion and Analysis beginning on page 12. For the actual amounts earned under the EICP awards, see the Summary Compensation Table on page 27.

The equity incentive awards listed below are the only stock awards granted to the named executive officers for 2009. No option awards or non-performance-based stock awards were granted in 2009.

Grants of Plan-Based Awards

Name/ Type of Grant	Grant Date(1)	Date Awarded by Compensation Committee	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards Number of Shares or Units (# Shares)	All Other Option Awards: Number of Securities Underlying Options (# Shares)	Exercise Price of Option Awards (\$)	Grant Date Fair Value of Stock and Option Awards (\$)(2)
			Threshold \$	Target \$	Maximum \$	Threshold # Shares	Target # Shares	Maximum # Shares				
Ray R. Irani												
EICP (3)	1/01/09	2/04/09	\$ 27,300	\$ 1,365,000	\$ 2,730,000							
TSRI (4)	7/15/09	7/15/09				3,371	337,130	674,260				\$ 24,758,827
ROEI (5)	7/15/09	7/15/09	\$ 225,000	\$ 22,500,000	\$ 45,000,000							
Stephen I. Chazen												
EICP (3)	1/01/09	2/04/09	\$ 11,040	\$ 552,000	\$ 1,104,000							
TSRI (4)	7/15/09	7/15/09				1,498	149,836	299,672				\$ 11,003,956
ROEI (5)	7/15/09	7/15/09	\$ 100,000	\$ 10,000,000	\$ 20,000,000							
Donald P. de Brier												
EICP (3)	1/01/09	2/04/09	\$ 4,628	\$ 231,420	\$ 462,840							
TSRI (4)	7/15/09	7/15/09				300	29,968	59,936				\$ 2,200,850
ROEI (5)	7/15/09	7/15/09	\$ 20,000	\$ 2,000,000	\$ 4,000,000							
William E. Albrecht												
EICP (3)	1/01/09	2/04/09	\$ 4,800	\$ 240,000	\$ 480,000							
TSRI (4)	7/15/09	7/15/09				225	22,476	44,952				\$ 1,650,637
ROEI (5)	7/15/09	7/15/09	\$ 15,000	\$ 1,500,000	\$ 3,000,000							
R. Casey Olson												
EICP (3)	1/01/09	2/04/09	\$ 4,320	\$ 216,000	\$ 432,000							
TSRI (4)	7/15/09	7/15/09				225	22,476	44,952				\$ 1,650,637
ROEI (5)	7/15/09	7/15/09	\$ 15,000	\$ 1,500,000	\$ 3,000,000							

(1) The date in this column for EICP awards is the date the performance period for the awards started.

(2) Actual payout may range from \$0 to the maximum. Awards are valued at the grant date fair value, which incorporates the value of Occidental's stock as well as the estimated payout percentage as of the grant date. See Note 12 to Consolidated Financial Statements in Occidental's Annual Reports on Form 10-K for the year ended December 31, 2009, regarding assumptions underlying valuation of equity awards.

(3) Payout at threshold assumes EPS of \$2.01.

(4) Awards will be paid out 60 percent in stock and 40 percent in cash in an amount equal to the closing price of the common stock on the New York Stock Exchange on the date when attainment of the performance goals is certified. Payout at threshold is shown at 1 percent.

(5) Payout at threshold is shown at 1 percent.

Summary of Award Terms

	Executive Incentive Compensation Plan (Non-Equity Incentive Portion)	Total Stockholder Return Incentive Awards	Return on Equity Incentive Awards
PERFORMANCE MEASURE	Earnings per Share	Total Stockholder Return	Return on Equity
PERFORMANCE PERIOD	1 year	4 years	3 years
FORM OF PAYMENT	Cash	Stock/Cash (1)	Cash
FORFEITURE PROVISIONS	The Chief Executive Officer may determine eligibility for target awards and any payout to participants who exit employment during the Plan year.	If the grantee dies, becomes disabled, retires or is terminated for the convenience of Occidental during the performance period, then the grantee will forfeit a pro rata portion of the payout based on the days remaining in the performance period after the termination event. If the grantee fails to comply with any provision of Occidental's Code of Business Conduct or any provision of the grant agreement, the Company may reduce the award.	If the grantee dies, becomes disabled, retires or is terminated for the convenience of Occidental during the performance period, then the grantee will forfeit a pro rata portion of the payout based on the days remaining in the performance period after the termination event. If the grantee fails to comply with any provision of Occidental's Code of Business Conduct or any provision of the grant agreement, the Company may reduce the award.
CHANGE IN CONTROL	The Plan may be amended as a result of acquisition, divestiture or merger with Oxy.	In the event of a Change in Control (2), the grantee's right to receive the number of target shares becomes nonforfeitable.	In the event of a Change in Control (2), the grantee's right to receive cash equal to the target incentive amount becomes nonforfeitable.
RESTRICTION PERIOD FOR STOCK		50% of net after-tax shares acquired to be retained for 3 years after vesting.	

(1) Forty percent of the awards earned will be paid out in cash in an amount equal to the closing price of the common stock on the New York Stock Exchange on the date when attainment of the performance goals is certified, and the balance will be paid in common stock. Dividend equivalents are paid during the performance period.

(2)

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A Change in Control Event under the 2005 Long-Term Incentive Plan generally includes a 20 percent or more change in ownership, certain changes in a majority of the Board, certain mergers or consolidations, sale of substantially all of Occidental's assets or stockholder approval of a liquidation of Occidental.

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OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2009

The following table sets forth the outstanding option awards and stock awards held by the named executive officers as of December 31, 2009, including options, Stock Appreciation Rights (SAR), Restricted Stock Units (RSU), Performance Stock Awards (PSA) and Total Stockholder Return Incentives (TSRI). These were granted to the named executive officers over a period of several years, including 2009. The grant date fair values for the awards granted in 2009 are shown in the "Grants of Plan-Based Awards" table above. For a description of the performance criteria for equity plan awards made in 2009, see Compensation Discussion and Analysis on page 12.

		Option Awards				Stock Awards			
		Option Awards				Equity Incentive Plan		Equity Incentive Plan Awards:	
Name / Type of Award	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$ (1))	Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$ (1))
Ray R. Irani									
RSU	12/5/05					30,800(2)	\$ 2,505,580		
PSA	1/1/06							107,412(3)	\$ 8,737,966(3)
PSA	1/1/07							87,856(4,5)	\$ 7,147,086(4)
TSRI	7/18/07							381,480(4,6)	\$ 31,033,398(4)
TSRI	7/16/08							306,819(4,7)	\$ 24,959,726(4)
TSRI	7/15/09							674,260(4,8)	\$ 54,851,051(4)
Stephen I. Chazen									
RSU	12/5/05					11,200(2)	\$ 911,120		
PSA	1/1/06							36,056(3)	\$ 2,933,156(3)
PSA	1/1/07							29,492(4,5)	\$ 2,399,174(4)
TSRI	7/18/07							169,547(4,6)	\$ 13,792,648(4)
TSRI	7/16/08							136,365(4,7)	\$ 11,093,293(4)
TSRI	7/15/09							299,672(4,8)	\$ 24,378,317(4)
Donald P. de Brier									
Options	7/16/03	50,000		\$15.565	7/16/13				
Options	7/14/04	35,946		\$24.660	7/14/14				
SAR	7/13/05	280,000		\$40.805	7/13/15				
SAR	7/19/06	200,000		\$50.445	7/19/16				
RSU	12/5/05					2,400(2)	\$ 195,240		
PSA	1/1/06							19,316(3)	\$ 1,571,357(3)
PSA	1/1/07							15,798(4,5)	\$ 1,285,167(4)
TSRI	7/18/07							32,214(4,6)	\$ 2,620,609(4)
TSRI	7/16/08							27,273(4,7)	\$ 2,218,659(4)
TSRI	7/15/09							59,936(4,8)	\$ 4,875,794(4)
William E. Albrecht									
RSU	6/18/07					3,000(9)	\$ 244,050		
TSRI	7/16/08							13,637(4,7)	\$ 1,109,370(4)
TSRI	7/15/09							44,952(4,8)	\$ 3,656,845(4)
R. Casey Olson									
RSU	12/5/05					2,800(2)	\$ 227,780		
PSA	1/1/06							14,424(3)	\$ 1,173,392(3)
PSA	1/1/07							13,764(4,5)	\$ 1,119,701(4)
TSRI	7/18/07							33,911(4,6)	\$ 2,758,660(4)
TSRI	7/16/08							27,273(4,7)	\$ 2,218,659(4)
TSRI	7/15/09							44,952(4,8)	\$ 3,656,845(4)

(1)

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The amounts shown represent the product of the number of shares or units shown in the column immediately to the left and the closing price on December 31, 2009 of Occidental common stock as reported in the NYSE Composite Transactions, which was \$81.35.

- (2) The RSU vests December 5, 2010.
- (3) Payout for all PSAs depends upon the ranking of Occidental's Total Stockholder Return compared to the peer companies specified in the award agreement. The performance period for the PSAs ended December 31, 2009. Payout of the PSA at the number of shares shown (200 percent of target for all of the named executives) was certified at the February 2010 meeting of the Compensation Committee. See Compensation Discussion and Analysis on page 12.

- (4) Payout value as shown assumes maximum payout. However, the ultimate payout may be significantly less than the amounts shown, with the possibility of no payout, depending on the outcome of the performance criteria and the value of Occidental stock at payout.
- (5) The performance period for the PSA ends December 31, 2010.
- (6) The performance period for the TSRI ends July 17, 2011.
- (7) The performance period for the TSRI ends July 15, 2012.
- (8) The performance period for the TSRI ends July 14, 2013.
- (9) The RSU was granted in connection with the recruitment of Mr. Albrecht and vests on June 18, 2010.

OPTION EXERCISES AND STOCK VESTED IN 2009

The following table summarizes, for the named executive officers, the options exercised and the stock awards vested during 2009, including Performance Stock Awards for which the performance period ended December 31, 2008, but which were not eligible for payment until certification by the Compensation Committee in 2009. The amounts reported as value realized are shown on a before-tax basis. The actual number of shares received upon exercise of options by the named executive officers is less than the number of options exercised, because of the deduction of the exercise price and withholding for taxes, and because certain stock appreciation rights settled in cash rather than shares. Each of the option awards was issued either in 2003 or 2006 at an exercise price, which was the closing price of Occidental's common stock on the New York Stock Exchange on the applicable grant date. Therefore, the value realized on exercise reflects in its entirety the significant appreciation in the price of Occidental's common stock from the option grant date to the date of exercise.

The stock awards that vested in 2009 were issued to the named executive officers between 2004 and 2006. During the period from 2004 through 2009, Occidental's total market capitalization increased from approximately \$16.3 billion to \$66.0 billion. The value realized on vesting includes the appreciation in Occidental's common stock price after the dates when the stock awards were granted. Occidental's common stock price increased from \$25.235 on July 16, 2004, to \$81.35 on December 31, 2009.

Previously Granted Vested Option Awards Exercised and Previously Granted Stock Awards Vested in 2009

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Ray R. Irani	400,000	\$ 13,050,000(3)	1,196,456	\$ 83,377,869
Stephen I. Chazen	192,000	\$ 6,271,680(4)	367,616	\$ 25,596,984
Donald P. de Brier	100,000	\$ 6,343,500(5)	104,436	\$ 7,056,458
William E. Albrecht	0	\$ 0	3,000	\$ 193,350
R. Casey Olson	133,333	\$ 2,783,326(6)	90,224	\$ 6,191,080

(1) Represents the difference between the closing price of the common stock on the New York Stock Exchange on the exercise date and the option exercise price multiplied by the number of shares exercised.

(2) Represents the product of the number of shares vested and the closing price of the common stock on the New York Stock Exchange on the vesting date plus dividend equivalents paid upon vesting of the PRSUs. The following table shows the number of shares of each type of award that vested:

Name	Number of Shares of Performance Stock Awards(a)	Number of Shares of Performance-Based Restricted Stock Units	Number of Shares of Restricted Stock Units
Ray R. Irani	133,656	1,000,000	62,800
Stephen I. Chazen	44,416	300,000	23,200

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Donald P. de Brier	26,436	72,000	6,000
William E. Albrecht	0	0	3,000
R. Casey Olson	15,424	72,000	2,800

(a) Payout is split fifty percent in stock and fifty percent in cash.

- (3) The SARs exercised were granted in 2006 with an exercise price of \$50.445 per share. Includes \$6,091,744, which represents the value of shares canceled to satisfy taxes.
- (4) The SARs exercised were granted in 2006 with an exercise price of \$50.445 per share. Includes \$2,927,688, which represents the value of shares canceled to satisfy taxes.
- (5) The options exercised were granted in 2003 with an exercise price of \$15.565 per share. Includes \$2,933,770, which represents the value of shares canceled to satisfy taxes.
- (6) The SARs exercised were granted in 2006 with an exercise price of \$50.445 per share. Includes \$1,273,391, which represents the value of shares canceled to satisfy taxes.

NONQUALIFIED DEFERRED COMPENSATION

Nonqualified Defined Contribution Retirement Plan

Substantially all employees whose participation in Occidental's qualified defined contribution retirement and savings plans is limited by applicable tax laws are eligible to participate in Occidental's nonqualified defined contribution retirement plan, which provides additional retirement benefits outside of those limitations.

Annual plan allocations for each participant restore the amounts that would have accrued for salary, bonus and non-equity incentive compensation under the qualified plans, but for the tax law limitations.

Account balances are fully vested after three years of service and are payable following separation from service, or upon attainment of a specified age elected by the participant, as described below.

Interest on nonqualified retirement plan accounts is allocated monthly to each participant's account, based on the opening balance of the account in each monthly processing period. The amount of interest earnings is calculated using a rate equal to the five-year U.S. Treasury Note rate on the last business day of the processing month plus 2 percent, converted to a monthly allocation factor.

In order to provide greater financial planning flexibility to participants while not increasing costs under the plan, the SRP II allows in-service distribution of a participant's account at a specified age, but not earlier than age 60, as elected by the participant when they initially participate in the plan.

Dr. Irani and Messrs. Chazen and de Brier made specified age elections such that their SRP II accounts, shown below, were distributed in June 2009. After a participant receives a specified age distribution, future allocations under the SRP II and earnings on those allocations will be distributed in the first 70 days of each following year.

Nonqualified Deferred Compensation Plan

Under the Modified Deferred Compensation Plan, the maximum amount that may be deferred for any one year is limited to \$75,000.

A participant's overall plan balance must be less than \$1 million at the end of any given year to enable a participant to defer compensation for the subsequent year.

Deferred amounts earn interest at a rate equal to the five-year U.S. Treasury Note rate plus 2 percent, except for amounts deferred prior to 1994, which will continue to earn interest at a minimum interest rate of 8 percent.

The following table sets forth for 2009 the contributions, earnings, withdrawals and balances under Supplemental Retirement Plan II – SRP II and Modified Deferred Compensation Plan – MDCP in which the named executive officers participate. Each of the executive officers, except Mr. Albrecht, is fully vested in his aggregate balances shown below. The footnotes provide information about other amounts that were reported as earned in the Summary Compensation Table on page 27 for 2009 and prior years.

		Nonqualified Deferred Compensation				
Name	Plan	Executive Contributions in 2009 (\$)(1)	Occidental Contributions in 2009 (\$)	Aggregate Earnings in 2009 (\$)	Aggregate Withdrawals/ Distributions in 2009 (\$)	Aggregate Balance at 12/31/09 (\$)
Ray R. Irani (2)	SRP II	\$ 0	\$ 626,160	\$ 127,137	\$ 7,751,031(7)	\$ 141,073
Stephen I. Chazen (3)	SRP II	\$ 0	\$ 283,560	\$ 53,083	\$ 3,211,824(7)	\$ 80,878
	MDCP	\$ 0	\$ 0	\$ 67,909	\$ 0	\$ 1,645,255
Donald P. de Brier (4)	SRP II	\$ 0	\$ 141,222	\$ 41,859	\$ 2,530,077(7)	\$ 50,900
William E. Albrecht (5)	SRP II	\$ 0	\$ 93,960	\$ 5,438	\$ 0	\$ 159,771
	SRP II	\$ 0	\$ 129,720	\$ 50,440	\$ 0	\$ 1,260,162

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R. Casey Olson

(6)

- (1) No employee contributions are permitted to the SRP II.
- (2) Of the aggregate balance shown for the SRP II, \$626,160 is reported elsewhere in this proxy statement as Occidental contributions.
- (3) Of the aggregate balances shown for the SRP II, \$283,560 is reported elsewhere in this proxy statement as Occidental contributions.
- (4) Of the aggregate balance shown for the SRP II, \$141,222 is reported elsewhere in this proxy statement as Occidental contributions.
- (5) Of the aggregate balance shown for the SRP II, \$93,960 is reported elsewhere in this proxy statement as Occidental contributions.
- (6) Of the aggregate balance shown for the SRP II, \$129,720 is reported elsewhere in this proxy statement as Occidental contributions.
- (7) Distribution made in June 2009 in accordance with the specified age elections described under Nonqualified Defined Contribution Retirement Plan above.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

Change of Control

Occidental's new Golden Parachute Policy provides that, subject to certain exceptions, Occidental will not grant Golden Parachute Benefits (as defined in the Policy) to any senior executive which exceed 2.99 times his or her salary plus non-equity incentive pay unless the grant of such benefits is approved by a vote of the corporation's stockholders or the obligation pre-dated adoption of the Policy. The complete Golden Parachute Policy is available at www.oxy.com.

The 2005 Long-Term Incentive Plan has provisions that, in the event of a change of control of Occidental, require the outstanding awards, including stock options, granted under such plans to become fully vested and exercisable unless the Plan Administrator determines, prior to the occurrence of the event, that benefits will not accelerate. Both plans were approved by Occidental's stockholders.

Except as described below under "Potential Payments Upon Termination," Occidental does not have any other agreements or plans that will require it to provide compensation to named executive officers in the event of a termination of employment or a change of control.

Potential Payments Upon Termination

In the discussion that follows, payments and other benefits payable upon various terminations and change of control situations are set out as if the conditions for payments had occurred and the terminations took place on December 31, 2009. The amounts set forth below are estimates of the amounts which would be paid out to each named executive officer upon his termination. The "Maximum Payout" is the maximum amount, including incentive awards and certain benefits, that could have been payable in the event of a change of control situation. The actual amounts to be paid out can be determined only at the time of such named executive officer's separation from Occidental. The disclosures below do not take into consideration any requirements under Section 409A of the Internal Revenue Code, which could affect, among other things, the timing of payments and distributions.

The following payments and benefits, which are potentially available to all full-time salaried employees when their employment terminates, are not included in the amounts shown below:

Amounts vested under the Qualified Plans (see page 22 for the named executive officers' balances as of year end).

Amounts vested under the Nonqualified Deferred Compensation arrangements (see page 32 for the named executive officers' balances as of year end).

Bonus and non-equity incentive compensation (collectively, "bonus") under the Executive Incentive Compensation Plan that is earned as of year end. Any Plan participant who leaves on or after that date for any reason is entitled to such amounts when payment is made in the first quarter of the following year. The amounts that were earned in 2009 by the named executive officers are included in the Summary Compensation Table on page 27.

Equity awards for which the performance period was completed at year end. Equity awards with performance periods that ended on December 31, 2009 were certified for payout in the first quarter of 2010 and are shown in the "Outstanding Equity Awards at December 31, 2009" table on page 30.

Short-term disability benefits. During any period of disability, all salaried employees are eligible for six months of continued salary at half pay, full pay or a combination thereof, depending on years of service.

Long-term disability benefits. Occidental provides a Long-Term Disability Plan, which makes third-party disability insurance coverage available to all salaried employees. Premiums are paid through salary deductions by the employees who elect to participate.

Medical benefits are available to all eligible employees during periods of disability at the same premium rates as active employees. Following termination of employment, other than for cause, medical benefits are available pursuant to the requirements of the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for up to 18 months at premium rates equal to 102 percent of the full cost of coverage. Retiree medical coverage is available if the employee satisfies the eligibility requirements. Premiums paid by retirees depend on age and years of service.

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dr. irani. Potential payments to Dr. Irani are governed by his amended and restated employment agreement dated October 9, 2008, which provides that he will be employed as Chairman and Chief Executive Officer and as a member of the Board until the earlier of Occidental's 2015 Annual Meeting of Stockholders or May 30, 2015. The following is a summary of the payments and benefits he would have been entitled to receive if the event specified occurred as of December 31, 2009:

Retirement with the Consent of Occidental. If Dr. Irani had retired with the consent of Occidental, he would have been entitled to receive:

1. Long-term incentive awards:
 - Full and immediate vesting of RSUs — \$2,505,580 (1)
 - PSA target shares reduced on a pro rata basis as of the termination date — \$2,680,769 (2)
 - TSRI target shares reduced on a pro rata basis as of the termination date — \$21,989,502 (3)
 - ROEI target incentive amount reduced on a pro rata basis as of the termination date — \$42,861,921 (4)
2. Unused vacation pay (one-time lump-sum payment of \$504,000);
3. Life insurance for the remainder of his life equal to three times his highest career annual salary (\$5,700,000) (current annual premium of approximately \$119,616);

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4. Comparable medical and dental benefits for Dr. Irani and his spouse to those provided to all eligible salaried employees; and
5. The personal benefits he received before retirement (estimated annual expense of approximately \$960,000 until his death). 2009 benefits included security services (\$568,396) and tax preparation and financial planning services (\$391,107).

Payments in the Event of Disability. Dr. Irani may be terminated if he is disabled for an aggregate of six months in any 18-month period. If Occidental had terminated him for disability, he would be entitled to receive:

1. A lump sum payment equal to three times his highest annual salary and bonus (\$16,770,000); and
2. The payments and benefits disclosed under "Retirement with the Consent of Occidental."

Payments in the Event of Death. In the event of Dr. Irani's death, his beneficiaries would have been entitled to receive:

1. Proceeds in the amount of approximately \$5.7 million from life insurance policies for which premiums are disclosed above under "Retirement with the Consent of Occidental;"
2. Proceeds in the amount of \$7.6 million from insurance policies purchased under a 1994 split-dollar arrangement. Occidental has the right to receive any proceeds in excess of the death benefit; and
3. The payments and benefits disclosed in paragraphs 1, 2 and 4 under "Retirement with the Consent of Occidental."

Termination by Occidental. If Occidental had terminated Dr. Irani for any reason other than retirement or death, Dr. Irani would have been entitled to receive:

1. The payments and benefits disclosed under "Retirement with the Consent of Occidental," and the payment under paragraph 1 of "Payments in the Event of Disability."

Termination by Dr. Irani. Dr. Irani may terminate his agreement in the event of a material breach by Occidental, which is not cured within 15 days of notice of the breach. If Dr. Irani had terminated the agreement, he would have been entitled to receive:

1. The payments and benefits disclosed under "Termination by Occidental."

Change of Control. Had a change of control occurred, Dr. Irani would have been entitled to receive:

1. All unvested long-term incentive awards as disclosed under "Retirement with the Consent of Occidental" except that performance awards would have fully vested at target and the right to receive the amounts in excess of target would have been forfeited. Vesting at target would increase the values shown under "Retirement with the Consent of Occidental" by:

PSAs — \$892,774 (5)

TSRIs — \$42,764,772 (6)

ROEIs — \$38,138,079 (7)

2. A tax gross-up for all effects of any excise and other taxes payable by Dr. Irani by reason of the change of control (\$0); and
3. If the change of control resulted in a material breach of his agreement that was not cured within 15 days of notice of the breach, Dr. Irani would have been entitled to receive the other payments and benefits disclosed in paragraphs 2, 3, 4 and 5 under "Retirement with the Consent of Occidental" and in paragraph 1 under "Payments in the Event of Disability."

Maximum Payout. The maximum payable to Dr. Irani under any of the scenarios was \$169,107,397 (representing cash and equity payments) and \$1,079,616 (representing the estimated value per year for continuation of other benefits) which would have occurred in the Change of Control situation followed by a material breach of his employment agreement.

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Mr. Chazen. Potential payments to Mr. Chazen are governed by his employment agreement, dated January 28, 2010, which is for a term expiring in January 2015. Under his new contract, if he is eligible for retiree medical benefits, Mr. Chazen may retire upon 90 days' notice. In such event, the Compensation Committee will consider whether to provide for a cash payment with respect to unvested awards, any such payment to be made only at the time and to the extent the award performance objectives are achieved. If he is terminated by the company without cause, and if Mr. Chazen is eligible for retiree medical benefits, he will be deemed to be retired with the consent of the company and will receive, in lieu of continued employment, an amount equal to two times his highest base salary, payable over a two-year period. Except as noted above, the other terms are consistent with his prior agreement. The following is a summary of the payments and benefits he would have been entitled to receive under his prior employment agreement that was in effect on December 31, 2009.

Retirement with the Consent of Occidental. If Mr. Chazen had retired with the consent of Occidental, he would have been entitled to receive:

1. Long-term incentive awards:

Full and immediate vesting of RSUs — \$911,120 (1)

PSA target shares reduced on a pro rata basis as of the termination date — \$899,896 (2)

TSRI target shares reduced on a pro rata basis as of the termination date — \$9,773,131 (3)

ROEI target incentive amount reduced on a pro rata basis as of the termination date — \$19,049,743 (4)

2. Unused vacation pay (one-time lump-sum payment of \$606,115).

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Termination by Occidental with Cause. Occidental may discharge Mr. Chazen for material cause at any time upon 30 days' written notice. Mr. Chazen would not have received severance or other pay and he would have forfeited any unvested long-term incentive awards, but he would have been entitled to receive:

1. Unused vacation pay as disclosed under "Retirement with the Consent of Occidental."

Termination by Occidental without Cause. If Occidental had terminated Mr. Chazen for any reason other than cause, retirement or death, Mr. Chazen would have been entitled to receive:

1. The payments and benefits disclosed under "Retirement with the Consent of Occidental;"
2. Two times his highest annual salary and annual cash bonus target payable over a two-year period between January 1, 2010, and December 31, 2011 (the "compensation period") (\$1,720,000 annually);
3. Within 90 days following the end of each calendar year, during the compensation period, a lump sum payment equal to the annual contribution he would have received under the defined contribution retirement plans had he not been terminated:

Savings Plan — \$14,700

SRP II — \$289,560

4. Cash payments in lieu of the forfeited portion of all long-term performance-based incentive awards granted prior to his termination that would have vested during the compensation period resulting in the following additional value to that shown under "Retirement with the Consent of Occidental" at the time and subject to the attainment and certification of the underlying performance objectives:

PSAs — \$299,692 (5)

TSRIs — \$ 13,328,985 (6)

ROEIs — \$15,289,674 (7)

Payments in the Event of Disability. If Occidental were to have terminated Mr. Chazen for disability, he would have been entitled to receive:

1. The payments and benefits disclosed under "Retirement with the Consent of Occidental."

Payments in the Event of Death. In the event of Mr. Chazen's death, his beneficiaries would have been entitled to receive:

1. Life insurance proceeds equal to two times his base salary (\$1,440,000); and
2. The payments and benefits disclosed under "Retirement with the Consent of Occidental."

Termination by Mr. Chazen. Mr. Chazen may terminate his agreement at any time upon 60 days' written notice. If Mr. Chazen had terminated the agreement, he would have been entitled to receive:

1. Unused vacation pay as disclosed under "Retirement with the Consent of Occidental."

Change of Control. Had a change of control occurred, Mr. Chazen would have been entitled to receive:

1. All unvested long-term incentive awards as disclosed under "Retirement with the Consent of Occidental" and in paragraph 4 under "Termination by Occidental without Cause," except that performance awards would have vested fully at target and the right to receive amounts in excess of target would have been forfeited. The additional amounts attributable to vesting at target would have been:

TSRIs — \$5,677,643 (6)

ROEIs — \$1,660,584 (7)

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2. If he were terminated as part of the change of control, the payments and benefits shown under "Termination by Occidental without Cause."

Maximum Payout. The maximum payable to Mr. Chazen under any of the scenarios was \$71,240,843 (representing cash and equity payments) which would have occurred in the Change of Control situation and his termination as part of the change of control.

Mr. de Brier. Potential payments to Mr. de Brier are governed by his amended and restated employment agreement, dated October 9, 2008, which is for a term expiring in May 2013. The only changes effected by the amendment and restatement were to conform to the requirements of Section 409A. The following is a summary of the payments and benefits he would have been entitled to receive if the event specified occurred as of December 31, 2009:

Retirement with the Consent of Occidental. If Mr. de Brier had retired with the consent of Occidental, he would have been entitled to receive:

1. Long-term incentive awards:

Full and immediate vesting of RSUs — \$195,240 (1)

PSA target shares reduced on a pro rata basis as of the termination date — \$482,048 (2)

TSRI target shares reduced on a pro rata basis as of the termination date — \$1,898,122 (3)

ROEI target incentive amount reduced on a pro rata basis as of the termination date — \$3,701,417 (4)

2. Unused vacation pay (one-time lump-sum payment of \$91,908; and

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3. Life insurance for the remainder of his life equal to his highest career annual salary (\$551,000) (current annual premium of approximately \$48,361).

Termination by Occidental with Cause. If Occidental had terminated Mr. de Brier for cause, Mr. de Brier would not have received severance or other pay and he would have forfeited any unvested long-term incentive awards, but he would have been entitled to receive:

1. The unused vacation pay as disclosed under “Retirement with the Consent of Occidental.”

Termination by Occidental without Cause. If Occidental had terminated Mr. de Brier for any reason other than cause, retirement or death, Mr. de Brier would have been entitled to receive:

1. The payments and benefits disclosed under “Retirement with the Consent of Occidental;”
2. Two times his highest annual salary and annual cash bonus target payable over a two-year period between January 1, 2010, and December 31, 2011 (the “compensation period”) (\$936,700 annually). During the compensation period, Mr. de Brier may not accept employment with, or act as a consultant or perform services for any entity engaged in any energy-related business without Occidental’s consent;
3. Within 90 days following the end of each calendar year, during the compensation period, a lump sum payment equal to the annual contribution he would have received under the defined contribution retirement plans had he not been terminated:

Savings Plan — \$14,700

SRP II — \$148,566

4. Cash payments in lieu of the forfeited portion of all long-term performance-based incentive awards granted prior to his termination that would have vested during the compensation period resulting in the following additional value to that shown under “Retirement with the Consent of Occidental” at the time and subject to the attainment and certification of the underlying performance objectives:

PSAs — \$160,536 (5)

TSRIs — \$2,630,400 (6)

ROEIs — \$3,036,466 (7)

Payments in the Event of Disability. If Occidental were to have terminated Mr. de Brier for disability, he would have been entitled to receive:

1. The payments and benefits disclosed under “Retirement with the Consent of Occidental;” and
2. Sixty percent of his salary less the amount paid annually pursuant to Occidental’s Long-Term Disability Plan through age 70 (assuming the disability continues for the maximum covered period) — \$117,540 annually.

Termination by Mr. de Brier. If Mr. de Brier terminated his contract, he would have been entitled to receive:

1. Unused vacation pay as disclosed under “Retirement with the Consent of Occidental.”

Payments in the Event of Death. In the event of Mr. de Brier’s death, his beneficiaries would have been entitled to receive:

1. Life insurance proceeds equal to three times his base salary (\$1,487,700); and
2. The payments and benefits disclosed in paragraphs 1 and 2 under “Retirement with the Consent of Occidental.”

Change of Control. Had a change of control occurred, Mr. de Brier would have been entitled to receive:

1. All unvested long-term incentive awards as disclosed under “Retirement with the Consent of Occidental” and in paragraph 4 under “Termination by Occidental without Cause,” except that performance awards would have vested fully at target and the right to receive amounts in excess of target would have been forfeited. The additional

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amounts attributable to vesting at target would have been:

TSRIs — \$1,135,554 (6)

ROEIs — \$332,117 (7)

2. If he were terminated as part of the change of control, the payments and benefits shown under “Termination by Occidental without Cause.”

Maximum Payout. The maximum payable to Mr. de Brier under any of the scenarios was \$15,700,474 (representing cash and equity payments) and \$48,361 (representing the estimated value per year for continuation of other benefits) which would have occurred in the Change of Control situation and his termination as part of the change of control.

mr. albrecht. Mr. Albrecht does not have an employment agreement.

Retirement with the Consent of Occidental. If Mr. Albrecht had retired with the consent of Occidental, he would have been entitled to receive:

1. Long-term incentive awards:

Full and immediate vesting of RSUs — \$244,050 (1)

TSRI target shares reduced on a pro rata basis as of the termination date — \$483,062 (3)

ROEI target incentive amount reduced on a pro rata basis as of the termination date — \$903,606 (4)

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2. Unused vacation pay (one-time lump-sum payment of \$36,750).

Termination by Occidental with Cause. If Occidental had terminated Mr. Albrecht for cause, Mr. Albrecht would not have received severance or other pay and he would have forfeited any unvested long-term incentive awards, but he would have been entitled to receive:

1. The unused vacation pay as disclosed under “Retirement with the Consent of Occidental.”

Termination by Occidental without Cause. If Occidental had terminated Mr. Albrecht for any reason other than cause, retirement or death, Mr. Albrecht would have been entitled to receive:

1. The payments and benefits disclosed under “Retirement with the Consent of Occidental;” and
2. Notice and severance pay equal to 12 months base salary (\$400,000) pursuant to the Occidental Notice and Severance Pay Plan and, as provided in such Plan, two months of contributions pursuant to the Savings Plan (\$4,000) and the SRP II (\$4,667) and continued medical and dental coverage for the 12 month notice and severance period at the active employee rate.

Payments in the Event of Disability. If Occidental were to have terminated Mr. Albrecht for disability, he would have been entitled to receive:

1. The payments and benefits disclosed under “Retirement with the Consent of Occidental.”

Termination by Mr. Albrecht. If Mr. Albrecht terminated his employment, he would have been entitled to receive:

1. Unused vacation pay as disclosed under “Retirement with the Consent of Occidental.”

Payments in the Event of Death. In the event of Mr. Albrecht’s death, his beneficiaries would have been entitled to receive:

1. Life insurance proceeds equal to two times his base salary (\$800,000); and
2. The payments and benefits disclosed in paragraphs 1 and 2 under “Retirement with the Consent of Occidental.”

Change of Control. Had a change of control occurred, Mr. Albrecht would have been entitled to receive:

1. All unvested long-term incentive awards as disclosed under “Retirement with the Consent of Occidental” except that performance awards would have vested fully at target and the right to receive amounts in excess of target would have been forfeited. The additional amounts attributable to vesting at target would have been:

TSRIs — \$2,084,914 (6)

ROEIs — \$1,896,394 (7)

2. If he were terminated as part of the change of control he would also receive the unused vacation pay as disclosed under “Retirement with the Consent of Occidental;” and
3. If he were terminated as part of the change of control he would also receive the severance pay and benefits disclosed in paragraph 2 under “Termination by Occidental without Cause.”

Maximum Payout. The maximum payable to Mr. Albrecht under any of the scenarios was \$5,648,776 (representing cash and equity payments) which would have occurred in the Change of Control situation and his termination as part of the change of control.

Mr. Olson. Mr. Olson did not have an employment agreement. The following is a summary of the payments and benefits he is entitled to receive under the agreement effective July 12, 2009, entered into with respect to his retirement with the consent of the Company after the close of business on December 31, 2009. In consideration for the amounts payable to him under the agreement, Mr. Olson has agreed to be available to assure a smooth transition and, except as otherwise permitted, not to make public statements about Occidental:

1. Retirement pay for one year — \$432,000
2. His long-term incentive awards:

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Full and immediate vesting of RSUs — \$227,780 (1)

PSA target shares reduced on a pro rata basis as of his retirement date — \$419,984 (2)

TSRI target shares reduced on a pro rata basis as of his retirement date — \$1,883,756 (3)

ROEI target incentive amount reduced on a pro rata basis as of the termination date — \$3,726,007 (4)

3. Cash payments in lieu of the forfeited portion of the long-term, performance-based awards listed in 2 above payable at the time and to the extent the underlying awards performance objectives are attained and certified:

PSA forfeited target shares — \$139,867 (5)

TSRI forfeited target shares — \$3,262,852 (6)

ROEI forfeited target incentive awards — \$2,973,993 (7)

An amount equal to the dividend equivalents that would have been payable on the forfeited awards for the balance of the respective performance periods — \$149,339 (8)

4. Unused vacation pay (one-time lump-sum payment of \$86,392).

(1) Represents the product of the year-end price and the number of unvested RSUs.

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- (2) Represents the product of the year-end price of \$81.35 and the pro rata target number of PSAs. Actual payout will vary from zero to 200 percent of target depending on attainment of performance objectives and the price of common stock at payout.
- (3) Represents the product of the year-end price, and the pro rata target number of TSRI's. Actual payout will vary from zero to 150 percent of target or zero to 200 percent of target depending on attainment of performance objectives and the price of common stock at payout.
- (4) Represents the ROEI pro rata target incentive amount. Actual payout will vary from zero to 200 percent of target depending on attainment of performance objectives.
- (5) Represents the product of the year-end price, and the additional target number of PSAs that will further vest or, in the case of Mr. Olson, be settled in cash pursuant to his retirement agreement. In the event of termination without cause, actual payout will vary from zero to 200 percent of pro-rated target depending on attainment of performance objectives and the price of common stock at payout.
- (6) Represents the product of the year-end price, and the additional target number of TSRI's that will further vest or, in the case of Mr. Olson, be settled in cash pursuant to his retirement agreement. In the event of termination without cause, actual payout will vary from zero to 150 percent of pro-rated target or zero to 200 percent of target depending on attainment of performance objectives and the price of common stock at payout.
- (7) Represents the additional ROEI target incentive amount that will further vest or, in the case of Mr. Olson, be settled in cash pursuant to his retirement agreement. In the event of termination without cause, actual payout will vary from zero to 200 percent of pro-rated target depending on attainment of performance objectives.
- (8) The amount assumes the quarterly dividend payment will remain at \$.33 per share of Occidental Common Stock. Actual payout will vary depending on the dividends actually declared.

PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS

Audit and Other Fees

audit and non-audit services pre-approval policy and procedures - The Audit Committee must give prior approval to any management request for any amount or type of service (audit, audit-related and tax services or, to the extent permitted by law, non-audit services) Occidental's independent auditor provides to Occidental. Additionally, the Audit Committee has delegated to the Committee Chair and Vice Chair full authority to approve any such request provided the Audit Committee Chair presents any approval so given to the Audit Committee at its next scheduled meeting. All audit and audit-related services rendered by KPMG LLP in 2009 were approved by the Audit Committee or the Audit Committee Chair before KPMG was engaged for such services. No services of any kind were approved pursuant to a waiver permitted pursuant to 17 CFR 210.2-01(c)(7)(i)(C).

audit fees - The aggregate audit fees incurred for professional services rendered by KPMG LLP for the years ended December 31, 2009, and December 31, 2008, were \$7,881,000 and \$8,217,500, respectively. These amounts include fees necessary to perform the annual audit and quarterly reviews in accordance with Generally Accepted Auditing Standards, annual attestation on internal controls over financial reporting and services that generally only the independent auditor can reasonably provide, such as comfort letters, statutory audits, other attestation services, consents and assistance with, and review of, documents filed with the Securities and Exchange Commission.

audit related fees - Fees of \$770,500 and \$685,361 were incurred for professional services rendered by KPMG LLP for the years ended December 31, 2009, and December 31, 2008, respectively, for assurance and related services that are traditionally performed by the independent auditor. More specifically, these services include, among others: employee benefit plan audits, reviews of proposed or consummated transactions and consultation concerning financial accounting and reporting standards.

tax fees - No fees were incurred for tax services rendered by KPMG LLP for the years ended December 31, 2009, and December 31, 2008, respectively.

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all other fees - For the years ended December 31, 2009, and December 31, 2008, no fees were incurred for services rendered by KPMG LLP, other than the services described under "Audit Fees" and "Audit Related Fees."

Report of the Audit Committee

The Audit Committee has reviewed and discussed Occidental's audited financial statements for the fiscal year ended December 31, 2009, including management's annual assessment of and report on Occidental's internal control over financial reporting, with management and KPMG LLP. In addition, the Audit Committee has discussed with KPMG LLP, Occidental's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended and currently in effect. The Audit Committee received from KPMG LLP written disclosures and the letter regarding its independence as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended and currently in effect. The Audit Committee has also considered whether the provision of non-audit services provided by KPMG LLP to Occidental is compatible with maintaining their independence and has discussed with KPMG LLP the firm's independence.

Based upon the reports and discussions described in this report, the Audit Committee recommended to the Board that the audited financial statements be included in Occidental's Annual Report on Form 10-K for the year ended December 31, 2009, to be filed with the Securities and Exchange Commission.

Respectfully submitted,

THE AUDIT COMMITTEE

Aziz D. Syriani (Chair)
John S. Chalsty
John E. Feick
Irvin W. Maloney
Avedick B. Poladian
Rosemary Tomich
Walter L. Weisman

Ratification of Selection of Independent Auditors

The Audit Committee of the Board of Directors of Occidental has selected KPMG LLP as independent auditors to audit the consolidated financial statements of Occidental and its subsidiaries for the year ending December 31, 2010. KPMG LLP has audited Occidental's financial statements since 2002. A member of that firm will be present at the Annual Meeting, will have an opportunity to make a statement, if so desired, and will be available to respond to appropriate questions.

A majority of the shares of common stock represented at the Annual Meeting and entitled to vote at the Annual Meeting must vote FOR this proposal to ratify the selection of auditors. Abstentions and broker nonvotes will have the same effect as votes against the proposal. If the stockholders do not ratify the selection of KPMG LLP, the Audit Committee will appoint the independent auditors for 2010, which may be KPMG LLP. If KPMG LLP should decline to act or otherwise become incapable of acting or if its employment is discontinued, the Audit Committee will appoint the independent auditors for 2010.

The Board of Directors recommends that you vote FOR the ratification of the selection of auditors. Your proxy will be so voted unless you specify otherwise.

PROPOSAL 3: RE-APPROVAL OF MATERIAL TERMS OF PERFORMANCE GOALS FOR SECTION 162(M) AWARDS UNDER THE 2005 LONG-TERM INCENTIVE PLAN PURSUANT TO TAX DEDUCTION RULES

Introduction

The U.S. Internal Revenue Code limits the tax deductibility of compensation paid to certain executive officers unless the compensation satisfies certain exemptions, one of which is the exception for "performance-based compensation" as defined under Section 162(m). IRS regulations require that if the compensation committee is given the authority under the plan to set specific targets under a performance goal, the material terms of the performance goal must be re-approved by the stockholders every five years. Under these regulations, the material terms include the employees eligible to receive compensation, a description of the business criteria on which the performance goal is based, and the maximum amount of compensation that can be paid to an employee under the performance goal. The Compensation Committee of the Board grants a subset of performance-based awards under the 2005 Long-Term Incentive Plan that are intended to comply with Section 162(m). Therefore, to comply with the IRS tax deduction regulations, Occidental is asking stockholders once again to approve the material terms set forth in the 2005 Plan of the Section 162(m) Awards (other than options or stock appreciation rights). There have been no changes to the material terms previously approved by the stockholders and discussed below, except for the adjustment to reflect the 2006 two-for-one stock split.

Eligible Employees. All officers or employees of Occidental or any of its subsidiaries and any non-employee directors of Occidental are eligible to receive awards under the 2005 Plan (except that non-employee directors are not eligible to receive incentive stock options). The group of employees eligible for Section 162(m) Awards whose compensation generally is subject to performance goals includes senior executives of Occidental and its subsidiaries, including the executive officers and significant employees who are required to file reports under the Securities Exchange Act of 1934.

Performance Goals. The Performance Goals are pre-established targeted levels of any one or more Performance Objectives, and Performance Objectives may be one or more of the following business criteria: A/R day sales outstanding, A/R to sales, debt, debt to debt plus stockholder equity, debt to EBIT or EBITDA, EBIT, EBITDA, EPS, EVA, expense reduction, interest coverage, inventory to sales, inventory turns, net income, operating cash flow, pre-tax margin, return on assets, return on capital employed, return on equity, sales, stock price appreciation, and total stockholder return (TSR), each as defined further in Exhibit B to this Proxy Statement.

Individual Maximum Amounts. Under the terms of the 2005 Plan, no individual may be granted options, stock appreciation rights or other awards in any 36-month period covering more than eight million shares. This share limit is applied to cash-based awards granted to employees covered by Section 162(m) by dividing the target incentive cash amount by the closing price of a share of Occidental common stock on the date of grant of the award.

This proposal and the foregoing description address only the material terms of the Performance Objectives that apply to Section 162(m) Awards under the 2005 Plan, and the description is qualified in its entirety by the full text of the 2005 Plan. Additional information regarding the 2005 Plan, including a summary description, is contained in Exhibit B to this Proxy Statement. A full copy of the 2005 Plan is available on the company's website at www.oxypublications.com. In addition, the 2005 Plan is available at the Securities and Exchange Commission's website at

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www.sec.gov, where it is an exhibit to the electronic version of this Proxy Statement. Occidental will provide you with a copy of the 2005 Plan without charge if you write to the Corporate Secretary, 10889 Wilshire Blvd. Los Angeles, California 90024.

Board Recommendation

The Board of Directors believes that the re-approval of the material terms of the performance goals for Section 162(m) Awards (other than stock options and stock appreciation rights) under the 2005 Plan is in the best interest of Occidental and its stockholders and will permit the Compensation Committee to continue to grant Performance-Based Awards that meet the requirements for tax deductibility under Section 162(m).

Voting Information

A majority of the shares represented at the meeting and entitled to vote at the meeting, must vote FOR this proposal. Your broker may vote your shares on this matter only if you give voting instructions. Broker non-votes will be disregarded and have the same effect as votes against the proposal.

If the material terms of the performance goals for Section 162(m) Awards (other than options and stock appreciation rights) are not re-approved, the Compensation Committee will examine available alternatives, including granting awards under the 2005 Plan that are not Section 162(m) Awards, but the 2005 Plan will otherwise remain in effect.

The Board of Directors has approved and recommends that you vote FOR the re-approval of the material terms of the performance goals for Section 162(m) Awards under the 2005 Long-Term Incentive Plan. Your proxy will be so voted unless you specify otherwise.

PROPOSAL 4: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board welcomes the views of Occidental's stockholders as to the company's compensation programs. Accordingly, stockholders are hereby asked to cast a non-binding, advisory vote, commonly known as a "say-on-pay" proposal, to address the following resolution:

RESOLVED, that the stockholders approve the company's compensation philosophy, objectives and policies as described below:

Occidental's executive compensation program is designed to attract, motivate and retain outstanding executives, to incentivize them to achieve superior performance in the pursuit of Occidental's long-term strategic objectives and to reward them for unique or exceptional contributions to overall sustainable value creation for stockholders and the attainment of long- and short-term performance targets.

Specifically, the program is designed to:

Maintain a clear linkage between performance and compensation by ensuring that a high percentage of the total compensation of executive officers is "at-risk", i.e., contingent on the achievement of objectively identifiable performance targets;

Apply clear performance measures and associated time horizons that measure both long-term stockholder value creation and the consistent annual execution of Occidental's business plan;

Develop and execute a business model that produces returns well in excess of Occidental's estimated cost of capital by focusing compensation targets on the following key elements of value creation: capital allocation, risk management, cash flow, and financial strength and flexibility; and

Align executive and stockholder interests by requiring a substantial ongoing equity ownership position for executives.

Consistent with the foregoing philosophy, objectives and policies, the company has implemented the following practices:

Over 90% of compensation at risk for the Chief Executive Officer and the President. At-risk compensation has a payout range from 0% to 200% depending on the award.

Shift in equity awards away from stock options, stock appreciation rights and restricted stock awards to performance-based awards. Occidental has not granted options or SARS since 2006 and has not granted restricted stock since 2005.

Increased emphasis on total stockholder return performance targets based upon peer companies and S&P 500 performance comparisons

Transparent performance metrics, including return on equity and earnings per share, that are readily ascertainable from Occidental's public reports

Stringent share ownership guidelines, including the requirement that at least 50 percent of the net after-tax shares received pursuant to equity awards granted after 2008 be retained for at least three years after the vesting date.

A majority of the shares of common stock represented at the annual meeting and entitled to vote at the annual meeting must vote for this proposal to approve it. Your vote will not directly affect or otherwise limit or enhance any existing compensation or award arrangement of any of our named executive officers, but the outcome of the say-on-pay vote will be taken into account by the Compensation Committee when considering future compensation arrangements.

The Board recommends that you vote FOR Occidental's executive compensation philosophy objectives and policies. Your proxy will be so voted unless you specify otherwise.

STOCKHOLDER PROPOSALS

General Information

Occidental has been advised that eight stockholder proposals may be introduced at the Annual Meeting. The Board of Directors disclaims any responsibility for the content of the proposals and for the statements made in support thereof, which, except for any reference to the proposal number, are presented in the form received from the stockholders.

Vote Required to Approve

A majority of the shares of common stock represented at the Annual Meeting and entitled to vote must vote FOR a proposal for a stockholder proposal to be approved. Your broker may vote your shares on these proposals only if you give voting instructions. Abstentions and broker nonvotes have the same effect as votes AGAINST the proposals.

Voting Results

The Report of Inspector of Elections will be included in a Current Report on Form 8-K and published on Occidental's web site, www.oxy.com, within four business days following the Annual Meeting.

Legal Effect of Approval

The stockholder proposal set forth below is a request to the Board of Directors to consider a matter. If the proposal passes, the Board of Directors may consider, in its business judgment, whether to take the requested action or not, but it is not legally obligated to do so.

Board Action with Respect to Approved Proposals

It has been the practice of Occidental's Board of Directors to consider matters that are approved by the stockholders and, if appropriate, to refer the matter to the appropriate Board committee for further study and recommendation to the full Board. Generally, this initial consideration and referral takes place at the next regularly scheduled meeting of the Board. Depending on the complexity of the issue and the desire of the committee to seek advice from independent advisors, the committee usually reports to the full Board no later than the final meeting of the calendar year, which is usually held in early December. The final action taken by the Board with respect to the proposals and, if applicable, a timetable for implementation of the Board action, will be posted on www.oxy.com. In prior years, stockholder proposals with respect to poison pills and golden parachutes were approved, and the Board took action to adopt policies responsive to the concerns raised in those proposals.

Stockholder Right to Enforce a Proposal

As explained above, generally stockholder proposals are requests to the Board to consider a matter. If a proposal that is approved requests that the Board take, or refrain from taking, some action and the Board does not do so, then the stockholder may submit the same proposal for consideration at the next Annual Meeting by following the procedures described on page 48. In the alternative, a stockholder may challenge the Board's business judgment not to implement the proposal by commencing litigation in the Chancery Court of the State of Delaware, Occidental's state of incorporation. Delaware law contains certain procedural requirements that must be followed before a suit may be commenced, including a requirement that, unless it would otherwise be futile, a demand be made to Occidental identifying the alleged wrongdoers, the wrongdoing allegedly perpetrated and the resultant injury to Occidental and the legal action the stockholder wants the Board to take on Occidental's behalf.

PROPOSAL 5: ELIMINATION OF COMPENSATION OVER \$500,000 PER YEAR

Mr. Robert D. Morse, 212 Highland Ave., Moorestown, NJ 08057, the owner of 3,800 shares of common stock, has notified Occidental that he intends to present the following proposal at the 2010 Annual Meeting:

PROPOSAL:

I propose that the Directors eliminate all remuneration for any one of the Management in an amount above \$500,000.00 per year, eliminating possible severance pay and funds placed yearly in a retirement account. This excludes minor perks and necessary insurance, and required Social Security payments. The proposal is to become effective after any existing programs are completed.

REASONS:

It is possible for a person to enjoy a profitable and enjoyable life with the proposed amount, and even to underwrite their own retirement plan. The Proxy is required to publish remuneration of only five upper Management personnel. YOUR assets are being constantly diverted for Management's gain. Most asset gains are the result of a good product or service, produced by the workers, successful advertising, and acceptance by the public market. Just being in a Management position does not materially affect these results, as companies seldom founder due to a changeover.

The only present way to reform excess remuneration at present is to vote "Against" all Directors until they change to lower awards. Several years ago, Ford Motor Company was first to agree with self to return this item, since followed by many but not all companies.

You are asked to take a closer look for your voting decisions, as Management usually nominates Directors, whom may then favor their selectors. The Directors are the group responsible for the need of this Proposal, as they determine remuneration..

Any footnote stating that signed but not voted shares will be voted "at the discretion of Management", is unfair, as the shareowner may only be wishing to stop further solicitations, and as, on other matters, can "Abstain". The voting rights are not given voluntarily by not voting.

Please vote "FOR" this Proposal, it benefits you, the owners of the Company.

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The Board of Directors' Statement in Opposition

The Board of Directors does not believe that this proposal is in the best interests of Occidental and its stockholders. Attracting and retaining qualified management personnel and motivating them to contribute to the success of Occidental depends in part on its ability to remain competitive with other major corporations and their compensation policies. Using a combination of cash and stock-based compensation ties executive compensation to Occidental's performance and links management's goals with stockholder interests. The proposal, if implemented, would frustrate those efforts.

Moreover, executive compensation matters at Occidental are overseen by the Executive Compensation and Human Resources Committee of the Board that is comprised exclusively of independent directors who do not receive compensation from Occidental other than in their capacity as directors. The Compensation Committee is responsible for maintaining an executive compensation program designed to attract, motivate and retain the most talented and experienced leadership for Occidental. The program is designed around various components of compensation, including base salaries, incentive bonuses, and equity awards. The Board believes that limiting total compensation to \$500,000 annually would put Occidental at a competitive disadvantage and significantly impede its ability to recruit and retain talented executive leadership.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

PROPOSAL 6: POLICY TO SEPARATE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Legal and General Assurance (Pensions Management) Limited, One Coleman Street, London, EC2R 5AA, the owners of 30,795 shares of common stock, together with the American Federation of Labor and Congress of Industrial Organizations, 815 Sixteenth Street, N.W. Washington, D.C. 20006, the owners of 614 shares of common stock, has notified Occidental that it intends to present the following proposal at the 2010 Annual Meeting:

Resolved: The shareholders of Occidental Petroleum Corporation (the "Company") request that the Board of Directors establish a policy whereby, whenever possible, the roles of Chairman of the Board of Directors and Chief Executive Officer shall be separate, such that an independent director who has not served as an executive officer of the company shall serve as Chairman of the Board. This proposal shall not apply to the extent that compliance would breach any contractual obligations in effect at the time of the 2010 shareholder meeting.

SUPPORTING STATEMENT

We support separating the roles of Board Chairman and CEO as a basic element of sound corporate governance. The task of the CEO is to manage the company. The primary task of the Board of Directors is to protect shareholders' interests by providing independent oversight of management and the CEO. It is difficult for a manager to oversee his or her performance.

In our view, the Board will likely accomplish both roles more effectively by separating the roles of Chairman and CEO. An independent Chairman can enhance investor confidence in a company and strengthen the integrity of its Board of Directors.

A number of respected institutions recommended such separation. CalPERS' Corporate Core Principles and Guidelines state that "the independence of a majority of the Board is not enough" and that "the leadership of the Board must embrace independence, and it must ultimately change the way in which directors interact with management." A commission of The Conference Board stated in a 2003 report: "Each corporation should give careful consideration of separating the offices of Chairman of the Board and CEO...The Chairman would be one of the independent directors." In 2009 the Milstein Center at Yale School of Management issued a report, endorsed by a number of investors and board members, that recommended splitting the two positions as the default provision for U.S. companies.

Occidental Petroleum currently entrusts both responsibilities to one individual, with a "lead independent director" appointed by the non-management directors. We do not view this arrangement as a satisfactory alternative to a clean division of responsibilities between a CEO and an independent chairman.

We believe that independent monitoring of management's performance at this crucial time is imperative and can be best achieved by having an independent Chairman leading the Board.

We urge you to vote FOR this resolution.

The Board of Directors' Statement in Opposition

The Board believes that its current governance structure supports the independent oversight of management, including the Chief Executive Officer; and that accordingly, it is not necessary to separate the office of Chairman and Chief Executive Officer. Specifically, Occidental maintains the following governance structure:

Designated Lead Independent Director, whose duties, in addition to serving as a liaison between the Chairman and the other independent directors, include:

- advising the Chairman on the schedule and agenda of Board meetings,
- recommending the retention of consultants for the Board,
- assisting in assuring compliance with corporate governance policies,
- coordinating and moderating the agenda for executive sessions of the independent directors,
- and
- along with the members of the Executive Compensation and Human Resources Committee, evaluating the performance of the Chief Executive Officer.

Two-thirds of the Board must be independent. Currently, twelve of thirteen directors are independent. All key Board Committees are composed entirely of independent directors.

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Long-established Governance Policies (See Exhibit A).
Regular investor engagement.

In addition, Occidental has demonstrated:

Excellent Total Shareholder Return Performance relative to its peers.
Compensation practices that emphasize performance as measured by transparent and readily verifiable measures.
Good corporate governance practices as evidenced by independent ratings.

The Board believes that its current policies already allow for independent oversight of the Chief Executive Officer and management. Moreover, these governance policies and practices are reflected in Occidental's superior performance relative to its peers. Therefore, the Board believes that splitting the roles of Chairman and Chief Executive Officer would be an unnecessary change.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

PROPOSAL 7: PERCENTAGE OF STOCKHOLDER OWNERSHIP REQUIRED TO CALL SPECIAL MEETINGS

Mr. Emil Rossi, P.O. Box 249, Boonville, CA 95415-0249, the owner of 552 shares of common stock, has notified Occidental that he intends to present the following proposal at the 2010 Annual Meeting:

RESOLVED, Shareowners ask our board to take the steps necessary to amend our bylaws and each appropriate governing document to give holders of 10% of our outstanding common stock (or the lowest percentage allowed by law above 10%) the power to call special shareowner meetings. This includes a large number of small shareowners who can combine their holdings to equal the above 10% of holders. This includes that such bylaw and/or charter text will not have any exception or exclusion conditions (to the fullest extent permitted by state law) that apply only to shareowners but not to management and/or the board.

Special meetings allow shareowners to vote on important matters, such as electing new directors, that can arise between annual meetings. If shareowners cannot call special meetings investor returns may suffer. Shareowners should have the ability to call a special meeting when a matter merits prompt attention. This proposal does not impact our board's current power to call a special meeting.

This proposal topic won more than 66% support at our 2008 annual meeting. This proposal topic also won more than 60% support the following companies in 2009: CVS Caremark (CVS), Sprint Nextel (s), Safeway (SWY), Motorola (MOT) and R.R. Donnelley (RRD).

The merits of this Special Shareowner Meetings proposal should also be considered in the context of the need for improvements in our company's 2008 and 2009 reported corporate governance status:

The Corporate Library www.thecorporatelibrary.com, an independent investment research firm, rated our company "D" with "High Governance Risk," "High Concern" in Board Composition and "Very High Concern" in Executive Pay - \$222 million for Ray Irani.

CEO Ray Irani's total realized compensation of \$222 million was the second highest total realized compensation figure in The Corporate Library database (as of April 2009) – a considerable portion attributed to exercising options. Additionally, Mr. Irani received \$400,000 for tax preparation and financial planning.

"Pay for performance? You must be joking," by the Corporate Library highlighted Occidental. Meanwhile an October 15, 2009 Time magazine cover article highlighted how OXY retirees fared after OXY discontinued their pensions. This included an age 68 OXY retiree's "cart mechanic" job and his lifting of 84-lb batteries.

Mr. Irani could receive a payout if total shareholder return was 33% to 49% compared to peers, which is essentially pay for failure – not a policy that represented shareholder interests. Our five executive pay committee members received approximately 25% in withheld votes: Spencer Abraham, John Chalsty, Irvin Maloney, Rodolfo Segovia and Rosemary Tomich.

We did not have an Independent Chairman plus our Lead Director, Aziz Syriani, had 26-years director tenure – independence concerns. Three directors had 25 to 29 years tenure each and seven directors were age 70-to-78 – independence and succession planning concerns. There was no identifiable director succession planning according to The Corporate Library.

The above concerns show there is need for improvement. Please encourage our board to respond positively to this proposal: Special Shareowner Meetings – Yes on 7.

The Board of Directors' Statement in Opposition

Last year Occidental's Board took the steps, including obtaining stockholders' approval to amend Occidental's Restated Certificate of Incorporation to provide that the Board of Directors, Chairman of the Board or holders of at least 25 percent of the outstanding common stock may call a special meeting of stockholders subject to compliance with the procedures set forth in the By-laws.

Accordingly, the Board of Directors has no objection to stockholders having the power to call a special meeting of stockholders for any proper purpose. However, the Board of Directors believes that, given the time and significant expense involved in calling a special meeting of stockholders, the threshold for doing so should be significant and that 10 percent of the outstanding holders would be too low.

The Board believes that a meaningful aggregate share ownership requirement properly balances the dual goals of stockholder democracy and efficient corporate governance. The Board believes that requiring stockholders calling a special meeting to own an aggregate of 25 percent or more of the outstanding common stock will prevent a small minority of stockholders from imposing on Occidental the significant financial and

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administrative burdens associated with special stockholders meetings. For example, given the concentration of significant share ownership among a relatively small number of Occidental stockholders, a 10 percent ownership threshold would mean that just three stockholders would have the power to call a special meeting without regard to the holders of the other 90 percent of the shares.

Allowing a small minority of stockholders to call an unlimited number of special meetings for any reason would be disruptive to Occidental's normal business operations and potentially expensive. Occidental is required to provide each holder of its common stock a notice and proxy materials for every special meeting of stockholders, which results in significant legal, printing and mailing expenses in addition to other costs normally associated with a special meeting. Moreover, preparing for stockholders meetings requires significant attention of Occidental's directors, officers and employees, diverting their attention away from performing their primary function, which is to operate the business of Occidental in the best interests of the stockholders.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

PROPOSAL 8: REPORT ON ASSESSMENT OF HOST COUNTRY LAWS

The Office of the Comptroller of the City of New York, 1 Centre Street, New York, New York 10007-2341 as the custodian and trustee for the New York City Employees' Retirement System, the New York City Fire Department Pension Fund, the New York City Police Pension Fund, and the New York City Board of Education Retirement System (the "Funds"), the owners of 960,139 shares, 159,636 shares, 428,365 shares and 47,731 shares, respectively, of common stock, has notified Occidental that it intends to present the following proposal at the 2010 Annual Meeting:

WHEREAS, between 1971 and 2000 Occidental Petroleum conducted oil exploration operations in the Corrientes River region of the Peruvian Amazon, and

WHEREAS, during those years, the company:

Dumped an estimated nine billion barrels of toxic wastewater in local rivers and streams (The Independent(UK), 5/4/07 "Oil Company Accused of Dumping Waste in Amazon")
Stored wastes in unlined earthen pits, and
(Powers, Bill. Occidental's Pollution Prevention Practices in Block 1AB Violated Industry Standards From Inception of Operations in 1975. E-Tech International, 2006. p. 2)

WHEREAS, these toxic wastes contained heavy metals, including arsenic and lead, as well as petroleum hydrocarbons, which caused significant damage to the health of the indigenous Achuar people (Peruvian Ministry of Environmental Health study, DIGESA Informe No 995-2006/DEPA-APRHI/DIGESA, May 2006.)

Elevated lead levels have been found in nearly half of Achuar children tested.

(A Legacy of Harm. April 2007.

http://www.amazonwatch.org/amazon/PE/blocklab/a_legacy_of_harm.pdf, p.31)

Tests conducted by the Peruvian health ministry in 2005 found dangerous levels of cadmium in almost all indigenous people tested, and

(<http://www.minsa.gob.pe/portalMinsa/destacados/archivos/242/RIO%20CORRIENTES.pdf>)

WHEREAS, it has been reported that these toxic wastes have also seriously damaged the regions ecosystem, threatening the Achuar people whose livelihoods depend on hunting, fishing, and subsistence agriculture, and
(Los Angeles Times 3/29/08. "Oil and power in Latin America.")

WHEREAS, a 2009 study by U.S. consulting firm E-Tech International found ongoing soil contamination including metals and chloride at sites formerly operated by Occidental Petroleum, and
(E-Tech International, Evaluation of the Success of Remediation Efforts at Petroleum-impacted Sites in the Corrientes Region of Northern Peru, March 2009)

WHEREAS, in 1984, the Peruvian government classified the area in which Occidental Petroleum operated as "one of the critical environmental zones most damaged in the country," and
(ONERN: Inventario y evaluación de recursos naturales de la microregión Pastaza-Tigre (departamento de Loreto. Lima, 1984.)

WHEREAS, organizations representing the indigenous population of the Corrientes region have accused Occidental Petroleum of violations of the Peruvian General Health Law (Law 26842) and the Peruvian General Water Law (Decree 17752), which prohibit the dumping of waste that has the potential to contaminate water and/or endanger human health, and
(A Legacy of Harm.

http://www.amazonwatch.org/amazon/PE/blocklab/a_legacy_of_harm.pdf , p. 41)

WHEREAS, Occidental has been accused in a pending civil action brought by the Achuar plaintiffs in 2007 of causing harm to the Achuar people by its environmental practices in Peru, and
(Tomas Maynas Carijano et al v. Occidental Petroleum Corporation et al, California Central District Court)

THEREFORE, be it resolved that shareholders request the Board of Directors to conduct a review of the company's policies and procedures that guide Occidental's assessment of host country laws and regulations in the company's overseas operations, with respect to their adequacy to protect the environment and the health and human rights of indigenous populations. Furthermore, be it resolved that a report on the results of this

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review shall be made available to shareholders by November, 2010. This report is to be prepared at reasonable expense and contain no proprietary or confidential information.

The Board of Directors' Statement in Opposition

Occidental assesses host country laws, including those relating to environmental protection, health and human rights, as a part of its ordinary business operations. Further, as part of its mandate, the Corporate Governance, Nominating and Social Responsibility Committee of the Board of Directors (the Social Responsibility Committee) periodically reviews both Occidental's social responsibility policies, programs and practices as well as the Human Rights Policy. Occidental's Human Rights Policy already addresses the issues that are the subject of this proposal, including giving appropriate regard to the health, safety and environment of communities in which Occidental operates.

In addition, the Environmental, Health and Safety Committee of the Board of Directors reviews and discusses with management the status of health, environment and safety (HES) issues, including compliance with applicable HES laws and regulations, the adequacy of HES policies and procedures, results of internal compliance reviews and remediation projects; and reports periodically to the Board of Directors with respect to HES matters.

Each year, Occidental publishes a Social Responsibility Report which includes, among other things, a description of any areas for improvement identified by the Social Responsibility Committee or the Environmental, Health and Safety Committee. The Social Responsibility Report and web pages addressing social responsibility practices in connection with Occidental's operations are available at www.oxy.com.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

PROPOSAL 9: DIRECTOR ELECTION MAJORITY VOTE STANDARD

The United Brotherhood of Carpenters and Joiners of America, 101 Constitution Ave., N.W., Washington, DC 20001, the owners of 12,415 shares of common stock, has notified Occidental that it intends to present the following proposal at the 2010 Annual Meeting:

Director Election Majority Vote Standard Proposal

Resolved: That the shareholders of Occidental Petroleum Corporation (“Company”) hereby request that the Board of Directors initiate the appropriate process to amend the Company’s governance documents (certificate of incorporation or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

Supporting Statement: In order to provide shareholders a meaningful role in director elections, the Company’s director election vote standard should be changed to a majority vote standard. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be elected. The standard is particularly well-suited for the vast majority of director elections in which only board nominated candidates are on the ballot. We believe that a majority vote standard in board elections would establish a challenging vote standard for board nominees and improve the performance of individual directors and entire boards. Occidental Petroleum presently uses plurality vote standard in all director elections. Under the plurality vote standard, a nominee for the board can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are “withheld” from the nominee.

In response to strong shareholder support for a majority vote standard in director elections, a strong majority of the nation’s leading companies, including Intel, General Electric, Motorola, Hewlett-Packard, Morgan Stanley, Wal-Mart, Home Depot, Gannett, Marathon Oil, and Safeway have adopted a majority vote standard in company bylaws or articles of incorporation. Additionally, these companies have adopted director resignation policies in their bylaws or corporate governance policies to address post-election issues related to the status of director nominees that fail to win election. However, Occidental Petroleum has responded only partially to the call for change, simply adopting a post-election director resignation policy that sets procedures for addressing the status of director nominees that receive more “withhold” votes than “for” votes. The plurality vote standard remains in place.

We believe that a post-election director resignation policy without a majority vote standard in Company bylaws or articles is an inadequate reform. The critical first step in establishing a meaningful majority vote policy is the adoption of a majority vote standard. With a majority vote standard in place, the Board can then consider action on developing post-election procedures to address the status of directors that fail to win election. A majority vote standard combined with a post-election director resignation policy would establish a meaningful right for shareholders to elect directors, and reserve for the Board an important post-election role in determining the continued status of an unelected director. We feel that this combination of majority vote standard with a post-election policy represents a true majority vote standard.

The Board of Directors' Statement in Opposition

The Board of Directors believes that this proposal does not significantly benefit Occidental and its stockholders for four reasons:

The Company currently does require that any Director who fails to win a majority vote must submit his or her resignation to the Board.

There can be no assurance whatsoever that the proposal “would result in a more effective Board;” in fact, the contrary may be the case.

It is not at all clear that the proposal would make it easier to replace an incumbent Director who has fallen out of favor with the stockholders.

The proposal would increase the cost of the Annual Meetings by increasing proxy solicitation costs.

Occidental currently elects its directors, other than first-time nominees, by a plurality standard, meaning that the nominees who receive the most affirmative votes are elected to the board. Pursuant to Occidental’s By-laws, if an incumbent director does not receive a majority of votes cast in an uncontested election, then he or she must tender his or her resignation. The Corporate Governance, Nominating and Social Responsibility Committee then will consider the resignation and possible responses to it, and make a recommendation to the full Board of Directors, which the

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Board must consider within 90 days of the certification of the stockholder vote.

The Board does not believe that electing directors under a majority voting standard would result in a more effective board. For the past five years, no director has received less than a majority of the votes cast at any annual meeting. Consequently, this proposal would have had no effect on the results of director elections during that period. Even without this proposal, Occidental stockholders have been successful in electing responsible, objective directors, who consistently protect the best interests of Occidental and its stockholders.

Additionally, plurality voting makes it easier to replace an incumbent director who has fallen out of favor with many stockholders. Delaware law provides that a director is elected to serve until his or her successor is elected and qualified. In the case of majority voting, if an incumbent director fails to receive a majority vote, or if no candidate in a contested election receives a majority vote, the incumbent would remain in office until removed by stockholders or until a successor was elected even if the opposing candidate received more favorable votes than the incumbent. Occidental's policy, however, would allow the Board of Directors to replace a director fairly quickly.

Further, this proposal could unnecessarily increase the cost of soliciting stockholder votes. Occidental may be required to take additional actions, such as conducting telephone solicitation campaigns, second mailings or other vote-getting strategies, to obtain the required vote to elect directors, all of which would likely result in increased spending by Occidental for routine elections. The Board does not believe this would be an appropriate use of Occidental and stockholder resources.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

PROPOSAL 10: REPORT ON INCREASING INHERENT SECURITY OF CHEMICAL FACILITIES

Green Century Capital Management, 114 State Street, Ste 200, Boston, MA 02109, the owners of 120 shares of common stock, has notified Occidental that it intends to present the following proposal at the 2010 Annual Meeting:

Report on Increasing Inherent Security of Chemical Facilities

Whereas: Security at chemical facilities has become one of the most important issues facing our country. Across the United States, thousands of facilities use, store and transport extremely hazardous substances in large quantities that pose major risks to surrounding communities, employees, and the environment.

According to Risk Management Plans (RMPs) filed by companies with the U.S. Environmental Protection Agency (EPA), at over 100 of these facilities more than one million people live in an area where they could be seriously injured or killed in the event of a catastrophic incident such as a chemical accident or terrorist attack.

A report by the Army Surgeon General in 2003 ranked an attack on a chemical plant second only to a widespread biological attack in the magnitude of its hazard to the public. Numerous other government agencies and private groups have published warnings about these dangers.

Occidental operates chemical facilities in the United States through its chemical segment, Occidental Chemical (OxyChem). Four OxyChem plants put at least one million people at risk in the event of a catastrophic release of chemicals caused by an accident or terrorist attack.

OxyChem also transports hazardous chemical by rail. According to a February 2008 news release from the Association of American Railroads, "It is time for the nation's big chemical companies to stop making the dangerous chemicals that can be replaced by safer substitutes or new technologies... If chemical companies would take that step, the threat of a terrorist attack would be greatly reduced and America would be a safer place."

It is often possible for a company to increase the inherent security of a facility and decrease the number of people at risk of harm by switching to chemicals that are less acutely hazardous, reducing the quantities of extremely hazardous substances stored at facilities, altering the processes used at facilities, or locating facilities outside densely populated areas.

Improving physical security through such steps as hiring additional security guards, building perimeter fences and designing stronger railcars may not reduce the number of people endangered by a facility or transport route.

Clorox, another chemical company that uses chlorine, announced in November 2009 that it is converting all of its facilities using chlorine to safer chemical processes, which will "strengthen [its] operations and add another layer of security."

RESOLVED: Shareholders request that the independent directors of the Board prepare a report, at reasonable cost and omitting proprietary information, on the implications of a policy for reducing potential harm and the number of people in danger from potential catastrophic chemical releases by increasing the inherent security of OxyChem facilities through steps including reducing the use, storage and transportation of extremely hazardous substances, reengineering processes, and locating facilities outside high-population areas. The report should be available to investors by August 2010.

The Board of Directors' Statement in Opposition

The safety and security of Occidental's operations worldwide is a core value of Occidental's Board of Directors, management and employees, as reflected in the Board's Health, Environment and Safety (HES) Principles which are available at www.oxy.com. Occidental has a long-standing HES management system, with specific HES policies and procedures to evaluate and mitigate potential risks to people and the environment in the communities where the Company operates. The Environmental, Health and Safety Committee of the Board actively oversees Occidental's HES management system and provides consistent attention to potential safety and security risks.

Occidental Chemical Corporation, through its subsidiaries and affiliates (collectively, OxyChem), is a leading manufacturer of chlorine, vinyl chloride and other commodity chemicals that provide substantial benefits to society. OxyChem's HES Risk Management Program encompasses process safety, transportation and security risks. This program includes detailed procedures to identify, evaluate and mitigate risks and thereby enhance the safety and security of its facilities and operations. These policies and procedures comply with regulatory requirements of the

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Department of Homeland Security (DHS), Coast Guard, Environmental Protection Agency, Department of Transportation and Occupational Safety and Health Administration. In addition, OxyChem was one of the first chemical companies to engage cooperatively with the DHS to enhance the security of facilities and chemical transportation through a combination of physical, procedural and technological measures. OxyChem also meets the more stringent requirements of the American Chemistry Council's Responsible Care® Program. Under the Responsible Care Security Code, members must complete vulnerability assessments, develop and implement security plans, and verify the implementation of physical enhancements through independent third parties such as local law enforcement and emergency response officials. The DHS has also designated this Code as a "Qualified Anti-Terrorism Technology." OxyChem rigorously audits compliance with regulatory and Company requirements, and the results of these audits are reported to the Environmental, Health and Safety Committee of the Board.

Through the efforts of its dedicated employees and significant capital investment, OxyChem has streamlined its manufacturing and logistics, enabling it to reduce stored volumes and surface transportation of certain chemicals, to change manufacturing processes, including eliminating the use of mercury in its North American chlor-alkali manufacturing facilities, and to install redundant systems that enhance safety and security. OxyChem continues to evaluate other projects and opportunities through its HES Risk Management Program.

The Board of Directors believes that Occidental's HES management system, including its detailed policies, procedures and HES Risk Management Program, already address the concerns stated in the Proposal, and that the requested report is unnecessary. Furthermore, the specific measures that OxyChem has implemented reflect confidential security information and proprietary financial and operational data, so disclosure in a report could compromise the security of OxyChem's facilities, its employees, and the surrounding communities.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

PROPOSAL 11: POLICY ON ACCELERATED VESTING IN THE EVENT OF A CHANGE IN CONTROL

The Amalgamated Bank's LongView LargeCap 500 Index Fund, 275 Seventh Avenue, New York New York 10001 the owners of 189,045 of common stock, has notified Occidental that it intends to present the following proposal at the 2010 Annual Meeting:

RESOLVED: The shareholders hereby ask the board of directors of Occidental Petroleum Corporation (the "Company") to adopt a policy that in the event of a change of control of the Company, there shall be no acceleration in the vesting of any equity award to a senior executive, provided that any unvested award may vest on a pro rata basis up to the time of a change of control event. To the extent any such unvested awards are based on performance, the performance goals must have been met. This policy shall apply to future awards without affecting any contractual obligations that may exist at the time.

SUPPORTING STATEMENT

Under various employment agreements and plans, the Company's senior executives will receive "golden parachute" awards under specified circumstances following a change in control of the Company.

We support the concept of performance-based equity awards to senior executives to the extent that such awards are tailored to promote performance and align executives' interests with those of the shareholders. We also believe that severance payments may be appropriate in some circumstances following a change of control.

We are concerned, however, that the Company's current practices can disregard performance criteria upon a change of control. Instead, they can permit full and immediate accelerated vesting of unearned equity awards.

Occidental Petroleum's March 2009 proxy summarizes the Company's potential exposure if unvested equity awards should vest upon a change in control. According to the Company's 2009 proxy, if there had been a change of control at the end of 2008, Dr Irani would have been eligible to receive approximately \$131 million in long-term incentive awards, \$76 million of which would have represented full accelerated vesting of those awards, plus a gross-up payment to cover any tax liability (the amount of which the Company did not estimate). Other senior executives would have received full accelerated vesting of awards worth between \$6.8 and \$32.5 million apiece.

Moreover, the Company's current incentive plans use a "single trigger" for eligibility, which enables senior executives to receive payments from accelerated equity awards upon a change of control, regardless of whether the executive has been terminated. Such payments can occur with only a 20% ownership change.

The Company has previously recognized that unjustified windfalls can occur if unvested equity awards fully accelerate upon certain events. In 2009 the Company announced that future awards of stock options, stock appreciation rights or restricted stock units would vest only on a pro rata basis upon death; if those awards were performance-based, the performance goals must have been met. The announced modification does not affect accelerated vesting of equity awards following a change of control, however. We believe that this omission is unwarranted.

The vesting of equity awards over a period of time is intended to promote long-term improvements in performance. The link between pay and long-term performance can be severed if awards pay out on an accelerated schedule.

We urge you to vote FOR this proposal.

The Board of Directors' Statement in Opposition

The Board of Directors believes that the acceleration of equity awards in the event of change of control generally is warranted and, to the extent it is not, Occidental's 2005 Long-Term Incentive Plan permits the Compensation Committee to override acceleration. Since 2006 the only equity

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awards that Occidental has granted have been performance-based awards that used total stockholder return relative to Occidental's peers and, since 2009, the S&P 500 Index, to determine payout. Occidental believes that the acceleration of vesting and the payout of these awards at target in the event of a change of control are appropriate for the following reasons:

- Reinforces the awards objective of incentivizing executives to increase stockholder value;
- Ensures that executives generally receive the incentive intended at the time the award was granted;
 - Vesting and payout at target means the executive has forgone the opportunity to receive up to 200% of target, even if it appears that attainment would be more likely than not.
- Simplifies the calculation and disposition of the executive's compensation in connection with a change of control transaction as it streamlines the disposition of the award; and
- Eliminates the complexities associated with adjusting awards and the related performance objective to take the transaction into account or, in the event adjustment is not possible, eliminates replacement awards.

As noted by the Proponent, Occidental does endorse pro rata vesting in the event of death, retirement with the consent of Occidental or termination without cause, in each case with payout to be determined at the end of the performance period based on the performance level achieved. Those instances contemplate the continuation of the Company and the ability to determine performance level at a future date. However, in the event of a potential change of control transaction, Occidental believes the executives' judgment should not be influenced by the concern that the award will be significantly reduced and future measurement (if even possible) of the performance level will not reflect the executives' contributions through the consummation of the transaction or even thereafter.

Accordingly, the Board of Directors recommends that you vote AGAINST the foregoing stockholder proposal. Your proxy will be so voted unless you specify otherwise on the proxy card.

STOCKHOLDER PROPOSALS FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS

Stockholders interested in submitting a proposal for inclusion in the proxy statement and proxy card relating to the 2011 Annual Meeting of Stockholders may do so by following the procedures in Rule 14a-8 under the Securities Exchange Act of 1934. To be eligible for inclusion, stockholder proposals must be addressed to Occidental's Corporate Secretary at 10889 Wilshire Boulevard, Los Angeles, California 90024, facsimile number 310-443-6977, and be received no later than November 24, 2010.

Under Occidental's By-laws, stockholders must follow certain procedures to introduce an item of business at an annual meeting that is not included in the proxy materials. These procedures require that any such item of business must be submitted in writing to the Corporate Secretary at 10889 Wilshire Boulevard, Los Angeles, California 90024. Notice of the proposed item of business must be received between February 6, 2011, and February 26, 2011, and must include the information required by Occidental's By-laws. A copy of the By-laws may be obtained by writing to the Corporate Secretary at the address listed above.

In either case, the stockholder submitting the proposal or a representative of the stockholder must present the proposal in person at the meeting.

The chairman of the meeting may refuse to allow the transaction of any item of business not presented in compliance with Occidental's By-laws. In addition, the proxies solicited on behalf of the Board of Directors will have discretionary authority to vote against any such item of business.

NOMINATIONS FOR DIRECTORS FOR TERM EXPIRING IN 2012

Nominating Committee Policy

It is the policy of the Nominating Committee to consider nominees recommended by stockholders if the stockholder complies with the procedures outlined below. In prior years, the Nominating Committee has identified candidates through recommendations from other non-management directors, executive officers, including the Chief Executive Officer, and other third parties. The Nominating Committee anticipates that, if a vacancy on the Board were to occur for the term expiring in 2012, it would use these sources as well as stockholder recommendations to identify candidates.

In deciding if a candidate recommended by a stockholder or identified by another source is qualified to be a nominee, it is the Nominating Committee's policy to consider:

- Whether the candidate is independent as defined in Occidental's Corporate Governance Policies and as applied with respect to Occidental and the stockholder recommending the nominee, if applicable;
- Whether the candidate has the business experience, character, judgment, acumen and time to commit in order to make an ongoing positive contribution to the Board;
- Whether the candidate would contribute to the Board achieving a diverse and broadly inclusive membership, including the achievement of the diversity goals set forth in Occidental's corporate governance policies further described on page A-1, Exhibit A: Corporate Governance Policies and Other Governance Measures; and
- Whether the candidate has the specialized knowledge or expertise, such as financial or audit experience, necessary to satisfy membership requirements for committees where specialized knowledge or expertise may be desirable.

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If there is a vacancy and the Nominating Committee believes that a recommended candidate has good potential for Board service, the Nominating Committee will arrange an interview with the candidate. Pursuant to its Charter, the Nominating Committee will not recommend any candidate to the Board who has not been interviewed by the Nominating Committee.

In accordance with its charter, the Nominating Committee annually reviews its performance and reports its findings to the Board. The Nominating Committee also assists the Board in performing its self evaluation, which includes an assessment of whether the Board has the necessary diversity of skills, backgrounds and experiences to meet the company's ongoing needs.

Procedure to Recommend Candidates

Stockholder recommendations must be received by the Corporate Secretary of Occidental between September 1 and November 30 of the year preceding the meeting. Each recommendation must include the following information:

1. As to each person whom the stockholder proposes for election or reelection as a director:

- The name, age, business address and residence address of the person;
- The principal occupation or employment of the person;
- The class or series and number of shares of capital stock of Occidental which are owned beneficially or of record by the person; and
- Any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission.

2. As to the stockholder making the recommendation:

- The name and address of record of such stockholder; and
- The class or series and number of shares of capital stock of Occidental which are beneficially owned by the stockholder.

The stockholder's recommendation must include the recommended person's written consent to being named as a nominee and to serving as a director if elected.

Procedure to Nominate Candidates

Under Occidental's By-laws, stockholders may nominate a person to the Board by complying with the advance notice procedures of the By-laws and attending the annual meeting to make the necessary motion. The notice must be received between September 1 and November 30 of the year preceding the meeting and include the information required by the By-laws.

[ANNUAL REPORT](#)

Occidental's 2009 Annual Report on Form 10-K is concurrently mailed to stockholders. The Annual Report contains consolidated financial statements of Occidental and its subsidiaries and the reports thereon of KPMG LLP, independent auditors.

Sincerely,

Donald P. de Brier
Secretary

Los Angeles, California
March ____, 2010

It is important that proxies be returned promptly. Please complete, sign, date and return the accompanying form or forms of proxy in the enclosed envelope or follow the procedures outlined on the card to submit your proxy by telephone or Internet.

EXHIBIT A: CORPORATE GOVERNANCE POLICIES AND OTHER GOVERNANCE MEASURES

Over the past several years, the Board of Directors has adopted and put into effect a number of important corporate governance policies described below. The Board of Directors and the management of Occidental believe that good corporate governance enhances stockholder value. Occidental's corporate governance policies, principles and guidelines are intended to improve the performance of Occidental by taking advantage of the collective skills and experience of Occidental's directors and officers.

Board Structure and Operation

size of the board – In determining the size of the Board, the Board of Directors will consider the level of work required from each director, including the requirement that certain Committees be composed entirely of independent directors.

director criteria – Independent directors (as defined below) will comprise at least two-thirds of the members of the Board.

independent director – In order for a director to qualify as an “independent director,” the Board must affirmatively determine that the director has no material relationship with Occidental (either as a partner, stockholder or officer of an organization that has a relationship with Occidental) that would preclude that nominee from being an independent director. For the purpose of such determination, an “independent director” is a director who:

- Has not been employed by Occidental within the last five years;
- Has not been an employee or affiliate of any present or former internal or external auditor of Occidental within the last three years;
- Has not received more than \$60,000 in direct compensation from Occidental, other than director and committee fees, during the current fiscal year or any of the last three completed fiscal years;
- Has not been an executive officer or employee of a company that made payments to, or received payments from, Occidental for property or services in an amount exceeding the greater of \$1 million or 2 percent of such other company's consolidated gross revenues during the current fiscal year or any of the last three completed fiscal years;
- Has not been employed by a company of which an executive officer of Occidental has been a director within the last three years;
- Is not affiliated with a not-for-profit entity that received contributions from Occidental exceeding the greater of \$1 million or 2 percent of such charitable organization's consolidated gross revenues during the current fiscal year or any of the last three completed fiscal years;
- Has not had any of the relationships described above with an affiliate of Occidental; and
- Is not a member of the immediate family of any person described above. An “immediate family member” includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person's home.

tenure – Each director will be elected for a term of one year.

retirement – No person 75 or older will be elected a director, unless as to such person such requirement is unanimously waived by the members of the Corporate Governance, Nominating and Social Responsibility Committee and such Committee's action is ratified and approved by a majority of the disinterested directors on the Board of Directors.

board memberships – No director of Occidental will hold more than four “for-profit” corporate directorships (including his or her Occidental directorship) at any one time.

director stock ownership – Each director will beneficially own at least 5,000 shares of Occidental's stock within two years of his or her election to the Board.

director compensation – Compensation for directors will promote ownership of Occidental's stock to align the interests of directors and stockholders and the independence of directors.

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executive sessions – The independent directors will hold at least two regularly scheduled executive sessions each year at which employee directors and other members of management are not present. The Lead Independent Director will preside at such executive sessions.

board advisors – The Committees of the Board will have standing authorization (including funding), on their own decision, to consult with members of management and to retain legal or other advisors of their choice, which advisors will report directly to the Committee that retained them.

lead independent director – The Board will designate a Lead Independent Director to coordinate the activities of the independent directors and, in addition, to perform the following duties:

- Advise the Chairman as to an appropriate schedule of Board meetings and the receipt of information from management;
- Provide the Chairman with input on agendas for the Board and Committee meetings;
- Recommend to the Chairman the retention of consultants who report directly to the Board;
- Assist in assuring compliance with the corporate governance policies and recommend revisions to the policies;
- Coordinate, develop the agenda for and moderate executive sessions of the independent directors;

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- ÿ Evaluate, along with the members of the Executive Compensation and Human Resources Committee and the full Board, the Chief Executive Officer's performance; and
- ÿ Recommend to the Chairman the membership of the various Board Committees.

membership of committees – The Corporate Governance, Nominating and Social Responsibility Committee, the Executive Compensation and Human Resources Committee and the Audit Committee will be composed entirely of independent directors and will also satisfy all applicable membership requirements for such.

committee charters – The Corporate Governance, Nominating and Social Responsibility Committee, the Executive Compensation and Human Resources Committee and the Audit Committee will each have a written charter that addresses the committee's purpose, duties, responsibilities and annual performance evaluation. The committee charters will be available through the Internet at www.oxy.com.

board diversity – The Board is committed to achieving a diverse and broadly inclusive membership by creating equal opportunity for men and women of every race, color, religion, ethnicity, national origin and cultural background.

meetings – The Board will hold at least six regularly scheduled meetings each year.

director orientation and education – Each new director will be provided with materials and information concerning Occidental in order to enable the director to perform the duties of a director. In addition, the Board will provide or sponsor each year eight hours of continuing education designed to enhance the performance of individual directors and the Board of Directors.

director responsibilities – Each director will use his or her best efforts to attend, in person or by telephone, all meetings of the Board and the committees to which such director is appointed. Each director is responsible for being familiar with Occidental's Governance Principles, the provisions of the Code of Business Conduct applicable to directors and the charter of each committee on which such director serves and for reviewing materials provided in advance of Board and committee meetings.

performance criteria – The Board will establish performance criteria for itself and, annually, will evaluate each director, committee and the overall Board. Board evaluation will include an assessment of, among other things, whether the Board and its committees are functioning effectively and have the necessary diversity of skills, backgrounds and experiences to meet Occidental's needs. Individual director evaluations will include high standards for in-person attendance at Board and committee meetings.

succession planning – The Board of Directors will review on a regular basis Occidental's policies and principles for recruiting, developing and selecting the persons to succeed the Chief Executive Officer and other executive officers. The review will encompass the background, training, qualities and other characteristics that would be desirable in candidates to succeed the CEO and other executive officers, as well as consideration of possible successors.

communications with directors – Interested parties may communicate with any non-management director by sending a letter to such director's attention in care of Occidental's Corporate Secretary, 10889 Wilshire Boulevard, Los Angeles, California 90024.

Other Governance Measures

anti-takeover measures – Occidental does not have a stockholder rights plan ("poison pill"), classified board or similar anti-takeover devices. A copy of the Policy on Stockholder Rights Plans is available through the Internet at www.oxy.com.

confidential voting – All proxies, ballots and other voting material that identify how a stockholder voted are kept confidential, except to permit tabulation by an independent tabulator, to comply with law, to satisfy a stockholder's request for disclosure, in connection with a contested proxy solicitation, or if a stockholder writes a comment on a proxy card or ballot.

code of business conduct – On February 13, 1997, the Board of Directors adopted a comprehensive Code of Business Conduct applicable to all directors, officers and employees that reaffirms Occidental's commitment to high standards of ethical conduct and reinforces Occidental's business ethics, policies and procedures. The Code of Business Conduct includes Occidental's policies concerning, among other things, compliance with laws, rules and regulations (including insider trading laws); conflicts of interest (including corporate opportunities); and protection of corporate assets. The Audit Committee is responsible for monitoring compliance with the Code of Business Conduct. The Code of Business Conduct is available through the Internet at www.oxy.com.

human rights policy – In December 2004, Occidental adopted a formal Human Rights Policy that sets forth Occidental's commitment to promoting human rights in the areas where it operates. A summary of the policy is contained in the Code of Business Conduct. The Corporate Governance, Nominating and Social Responsibility Committee is responsible for monitoring compliance with the Human Rights Policy.

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golden parachute policy – The Golden Parachute Policy, as revised in 2005, provides that, subject to certain exceptions, Occidental will not grant Golden Parachute Benefits (as defined in the Policy) to any senior executive that exceed 2.99 times his or her salary plus bonus, unless the granting of such benefits is approved by a vote of Occidental’s stockholders. A copy of the complete Policy is available through the Internet at www.oxy.com.

majority vote director resignation policy – Article III of Occidental’s By-laws provides that, while directors will be elected by a plurality vote, a director who receives a greater number of votes “against” his or her election than votes “for” in any election (a “Majority Against Vote”) must tender his or her resignation. Section 12 of Article III of the By-laws requires the Nominating Committee to consider the resignation and possible responses to it based on the relevant facts and circumstances, and make a recommendation to the Board. The Board must act on the Nominating Committee’s recommendation within 90 days following certification of the stockholder vote by the Inspector of Elections. Any director who tenders his or her resignation pursuant to the By-laws provision cannot participate in the Nominating Committee’s recommendation or Board’s action regarding whether to accept the resignation. The By-laws require the Board of Directors to disclose promptly its decision-making process and decision whether to accept or reject the director’s resignation in a Current Report on Form 8-K furnished to the Securities and Exchange Commission.

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compensation consultants – In February 2008, the Board approved a policy requiring that all compensation consultants retained by the Executive Compensation and Human Resources Committee be independent. For purposes of the policy, a consultant is independent if (1) the consultant has not provided executive compensation services with respect to Occidental and its executive officers other than to the Compensation Committee and (2) the consultant firm has not received payment for services (other than to the Compensation Committee) which exceed one percent of such consultant's gross revenues.

advisory vote on executive compensation – In February 2009, the Board approved a policy that on a regular basis it will submit to stockholders an advisory vote on the executive compensation policy for the named executive officers, as such policy is described in the Proxy Statement.

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EXHIBIT B: PERFORMANCE GOALS AND ADDITIONAL INFORMATION REGARDING 2005 LONG-TERM INCENTIVE PLAN

Performance Goals

Under the 2005 Long-Term Incentive Plan, the Performance Goals are pre-established targeted levels of any one or more Performance Objectives. Performance Objectives may be one or more of the following business criteria, in each case as reported in the financial statements of the Company or applicable subsidiary, division, segment, or unit (“financial statements”):

“A/R Day Sales Outstanding” means trade accounts receivable (A/R)(net of reserves) divided by latest historical day Sales.

“A/R to Sales” means the ratio of accounts receivable to Sales.

“Debt” means all accounts classified as such in the financial statements.

“Debt to Debt plus stockholder equity” means the ratio of Debt to Debt plus stockholder equity.

“Debt to EBIT or EBITDA” means the ratio of Debt to EBIT or EBITDA.

“EBIT” means Net Income before interest expense and taxes, which may be adjusted for special charges, if any.

“EBITDA” means Net Income before interest expense, taxes, depreciation and amortization, which may be adjusted for special charges, if any.

“EPS” means Net Income divided by the weighted average number of Shares outstanding. The Shares outstanding may be adjusted to include the dilutive effect of stock options, restricted stock and other dilutive financial instruments as required by generally accepted accounting principles.

“EVA” means operating profit after tax (OPAT) (which is defined as Net Income after tax but before tax adjusted interest income and expense and goodwill amortization), less a charge for the use of capital (average total capital as such term is used below under “Return on Capital Employed”). Net Income may be adjusted for special charges and acquisition activity costs, if any. The charge for capital is the percentage cost of capital times the average total capital. The cost of capital is the weighted average cost of capital as calculated for the Company.

“Expense Reduction” means reduction in actual expense or an improvement in the expense to Sales ratio compared to a target or prior year actual expense to Sales ratio, which may be adjusted for special charges, if any.

“Interest Coverage” means the ratio of EBIT or EBITDA to interest expense. Net Income may be adjusted for special charges.

“Inventory to Sales” means the ratio of total inventory to Sales.

“Inventory Turns” means the ratio of total cost of goods sold on a historical basis to average net inventory. This ratio may be adjusted for special charges, if any.

“Net Income” means the difference between total Sales plus other revenues and net total costs and expenses, including income taxes.

“Operating Cash Flow” means the net cash provided by operating activities less net cash used by operations and investing activities as shown on the statement of cash flows. The numbers relating to the foregoing may be adjusted for special charges, if any.

“Pre-Tax Margin” means the ratio of earnings before income taxes to Sales. Earnings may be adjusted for special charges, if any.

“Return on Assets” means the ratio of Net Income to total average assets including goodwill. Earnings may be adjusted for special charges and goodwill amortization for comparative purposes.

“Return on Capital Employed” means the ratio of Net Income plus tax-effected interest expense to long-term Debt plus stockholder equity.

“Return on Equity” means the ratio of Net Income to stockholder equity.

“Sales” means sales, service and rental income from third parties net of discounts, returns and allowances.

“Stock Price Appreciation” means an increase, or an average annualized increase, in the stock price or market value of the Shares of the Company after purchase of, or the date of grant of, an award or above a specified stock price.

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“Total Stockholder Return or TSR” means the appreciation in the price of a Common Share plus reinvested dividends over a specified period of time.

Summary Description of the 2005 Plan

The following summary is qualified in its entirety by the full text of the 2005 Plan. Capitalized terms used in the summary are used as defined in the 2005 Plan.

awards - The 2005 Plan authorizes stock options, stock units, restricted stock, phantom stock, stock bonuses, stock appreciation rights, stock purchase rights, Performance-Based Awards, dividend equivalents, dividend rights, Shares, as well as other awards (described in Section 5 of the 2005 Plan) responsive to changing developments in management and director compensation. In addition, the 2005 Plan authorizes cash awards, which may be instead of, in addition to or as part of another award. Generally, an option or stock appreciation right will expire, or other award will vest, not more than 10 years after the date of grant.

shares available - Under the 2005 Plan, the aggregate share limit is 66 million Shares, but any Shares issued in connection with awards other than options or stock appreciation rights will be counted against this limit as three Shares for every one Share issued in connection with such award. No individual may be granted options, stock appreciation rights or other awards in any 36-month period covering more than eight million (8,000,000) Shares. See Securities Authorized for Issuance Under Equity Compensation Plans at page B-4.

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To prevent dilution or expansion of participants' rights, the number and kind of shares available under the 2005 Plan and then outstanding stock-based awards, as well as exercise or purchase prices, Performance Goals and share limits are subject to adjustment or awards may be exchanged for cash payments or other awards, in the event of certain reorganizations, mergers, combinations, consolidations, recapitalizations, reclassifications, stock splits, stock dividends, asset sales or other similar events, or extraordinary dividends or distributions of property to stockholders.

If an award is forfeited, cancelled, does not vest or is paid in cash, or if Shares are subject to awards that expire or for any reason are terminated, cancelled, or fail to vest, then any unissued Shares allocated to such award will again be available for subsequent awards under the 2005 Plan. Shares subject to options or stock appreciation rights that are exercised will not be available for subsequent awards and the following transactions involving Shares will not result in additional Shares becoming available for subsequent awards under this 2005 Plan: (a) Shares tendered in payment of an option; (b) Shares withheld for taxes; and (c) Shares repurchased by Occidental using option proceeds.

eligibility - All officers or employees of Occidental or any of its subsidiaries and any non-employee directors of Occidental are eligible to receive awards under the 2005 Plan (except that non-employee directors are not eligible to receive incentive stock options). As of December 31, 2009, Occidental had approximately 10,100 employees (9 of whom were executive officers) and 12 non-employee directors.

administration - The 2005 Plan is administered by the Executive Compensation and Human Resources Committee of the Board (the "Administrator"). The Administrator determines who is eligible to receive awards, the number of Shares that are to be subject to awards and the terms and conditions of such awards, including, subject to certain restrictions, the price (if any) to be paid for the shares or the award.

stock options - An option is the right to purchase Shares at a future date at a specified price (the "Option Price"). The Option Price per Share may be no less than the Fair Market Value of a share on the date of grant. An option may either be an incentive stock option or a nonqualified stock option.

stock appreciation rights - A stock appreciation right is the right to receive payment of an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right, but will not be less than the Fair Market Value of a Share on the date of grant. Stock appreciation rights may be granted independently or in connection with other awards.

restricted stock awards - Typically, a restricted stock award is an award for a fixed number of Shares subject to restrictions. The Administrator specifies the price, if any, the participant must pay for such Shares and the restrictions (which may include, for example, continued service) imposed on such Shares. Restricted stock may not vest over a period of less than three years.

performance-based awards - Performance-Based Awards are awards whose grant, vesting, exercisability or payment depends upon the satisfaction of any one or more Performance Goals. Performance-Based Awards may be stock-based (payable in Shares only or in cash and Shares) or may be cash-only awards. The performance period may range from one to five years. The Performance Goals are further described above.

stock bonuses - The Administrator may grant a stock bonus to any eligible person to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such Shares) as determined from time to time by the Administrator. The number of Shares so awarded will be determined by the Administrator and may be granted independently or in lieu of a cash bonus.

stock units - Stock units represent a fictitious share of Occidental stock and are generally credited to a recordkeeping account. Typically, the value of a stock unit is based upon the value of an actual share of Occidental stock.

dividend equivalents; dividend rights - Dividend rights or equivalents are amounts payable in cash or Shares (or additional Share units that may be paid in stock or cash) equal to the amount of dividends that would have been paid on shares had the shares been outstanding from the date the stock-based award was granted.

settlements - The Administrator may permit payment of awards under the 2005 Plan in the form of cash, Shares or any combination thereof.

transfer restrictions - Awards under the 2005 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by him or her.

change in control - Unless otherwise determined by the Administrator, generally upon a Change in Control, each option and stock appreciation right will become immediately exercisable, restricted stock will vest, cash and Performance-Based Awards and stock units will become payable and any other rights of a participant under any other award will be accelerated to give the participant the benefit intended under any such award. A Change in Control Event under the 2005 Plan generally includes a 20 percent or more change in ownership, certain changes in a majority of the Board, certain mergers or consolidations, sale of substantially all of Occidental's assets or stockholder approval of a liquidation of

Occidental.

amendments; plan termination - The Board may amend or terminate the 2005 Plan. However, no amendment or termination may impair the rights of a participant under an outstanding award in any material way without such participant's consent. Stockholder approval is required for any 2005 Plan amendment that would (a) materially increase the benefits accruing to participants; (b) materially increase the number of securities which may be issued; or (c) materially modify the requirements as to eligibility for participation. Additionally, the exercise price of stock options and stock appreciation rights may not be reduced without stockholder approval.

Federal Income Tax Consequences

The following is a brief summary of some of the federal income tax consequences of common transactions under the 2005 Plan based on federal income tax laws in effect on January 1, 2010.

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With respect to nonqualified stock options, Occidental is generally entitled to deduct (and the optionee recognizes taxable income in) an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, Occidental is generally not entitled to a deduction nor does the participant recognize income at the time of exercise, however, the difference between the option exercise price and the fair market value of the shares at the time of exercise will be an item of tax preference for determination of the alternative minimum tax (assuming the optionee has met the requisite holding periods). The current federal income tax consequences of other awards authorized under the 2005 Plan generally follow basic patterns: stock appreciation rights are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, Performance-Based Awards and dividend rights or equivalents are generally subject to tax at the time of payment; and cash-based awards are generally subject to tax at the time of payment. In each of the foregoing cases, Occidental will generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the 2005 Plan in connection with a change in control (as this term is used under the Code), Occidental may not be permitted to deduct the portion of the compensation attributable to the acceleration ("parachute payments") if it exceeds threshold limits under the Code (and certain related excise taxes may be triggered). Furthermore, if the compensation attributable to awards is not "performance-based" within the meaning of Section 162(m) of the Code, Occidental may not be permitted to deduct the aggregate nonperformance-based compensation in excess of \$1,000,000 in some circumstances.

Specific Benefits

Except as set forth in the table below, the number, amount and type of awards to be received by or allocated to eligible persons under the 2005 Plan in the future cannot be determined at this time. Occidental expects that future grants to officers, employees and non-employee directors will not be substantially different from those previously granted under the 2005 Plan. For information regarding options and other equity awards granted to named executive officers of Occidental under the 2005 Plan, see "Executive Compensation" beginning on page 12 and for information on the restricted stock awards granted to non-employee directors, see "Compensation of Directors" on page 10.

The following table sets forth the number and dollar value of restricted stock, which will be awarded in 2010 under the 2005 Plan to the eleven non-employee directors. The information provided assumes that each non-employee director currently chairing a Committee of the Board will continue in that position.

Name and Position	Dollar Value (\$) ⁽¹⁾	Number of Shares of Restricted Stock
Non-Employee Director		
Spencer Abraham (2)	\$ 501,458	6,280(2)
John S. Chalsty (3)	\$ 463,130	5,800
Edward P. Djerejian	\$ 399,250	5,000
John E. Feick	\$ 399,250	5,000
Carlos M. Gutierrez	\$ 399,250	5,000
Irvin W. Maloney	\$ 399,250	5,000
Avedick B. Poladian	\$ 399,250	5,000
Rodolfo Segovia (4)	\$ 463,130	5,800
Aziz D. Syriani (5)	\$ 527,010	6,600
Rosemary Tomich (6)	\$ 527,010	6,600
Walter L. Weisman	\$ 399,250	5,000
Non-Employee Directors as a Group (11 persons)	\$ 4,877,238	61,080

- (1) Based on the closing price of the common stock as reported on the New York Stock Exchange Composite Transactions on March ____, 2010. [TO BE UPDATED – USED \$79.85]
- (2) Chair of the Executive Compensation and Human Resources Committee. Number of shares shown includes 480 shares attributable to his service as Chairman of the Executive Compensation and Human Resources Committee during the 2009 – 2010 year.
- (3) Chair of the Finance and Risk Management Committee.
- (4) Chair of Environmental, Health and Safety Committee.
- (5) Lead Independent Director and Chair of Audit Committee.

(6) Chair of Corporate Governance, Nominating and Social Responsibility Committee and Charitable Contributions Committee.

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Securities Authorized For Issuance Under Equity Compensation Plans

All of Occidental's equity compensation plans for its employees and non-employee directors, pursuant to which options, rights or warrants or other equity awards may be granted, have been approved by the stockholders. Occidental has established several plans that allow it to issue stock-based awards in the form of options, restricted stock units, stock appreciation rights, performance stock awards, total shareholder return incentives and dividend equivalents. These include the 1995 Incentive Stock Plan (1995 ISP), 2001 Incentive Compensation Plan (2001 ICP), Phantom Share Unit Awards Plan and the 2005 Plan. No further awards will be granted under the 1995 ISP and 2001 ICP; however, certain 1995 ISP and 2001 ICP award grants were outstanding at December 31, 2009. An aggregate of 66 million shares of Occidental common stock are reserved for issuance under the 2005 Plan.

The following is a summary of the shares reserved for issuance as of December 31, 2009, pursuant to outstanding options, rights or warrants or other equity awards granted under Occidental's equity compensation plans:

a)	Number of securities to be issued upon exercise of outstanding options, warrants and rights	b)	Weighted-average exercise price of outstanding options, warrants and rights	c)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
	2,412,576		\$30.40		54,208,930 *

* Includes, with respect to:

- the 1995 ISP, 5,602 shares reserved for issuance pursuant to deferred stock unit awards;
- the 2001 ICP, 11,931 shares reserved for issuance pursuant to deferred stock unit awards and 1,197 shares reserved for issuance as dividend equivalents on deferred stock unit awards; and
- the 2005 Plan, 636,034 shares at maximum payout level (318,017 at target level) reserved for issuance pursuant to outstanding performance stock awards, 61,405 shares reserved for issuance pursuant to restricted stock unit awards and 2,952,779 shares at maximum payout level (1,700,390 at target level) reserved for issuance pursuant to total stockholder return incentive awards.

Of the 50,533,604 shares remaining available for future issuance under the 2005 Plan, approximately 43.2 million shares are available for issuance after giving effect to the provision of the plan that each award, other than options and stock appreciation rights, must be counted against the number of shares available for issuance as three shares for every one share covered by the award. Subject to this share count requirement, not more than the approximate 43.2 million shares may be issued or reserved for issuance for options, rights, warrants and other forms of stock compensation.

