

CHINA PRECISION STEEL, INC.

COMPENSATION COMMITTEE CHARTER

MEMBERS

The Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”) will be composed entirely of directors who satisfy the definition of “independent” under the listing standards of The NASDAQ Stock Market, Inc., except as may otherwise be permitted by the NASDAQ Marketplace Rule 4350(c)(3) from time to time. The Committee members will be appointed by the Board of Directors, on the recommendation of the Nominating Committee and may be removed by the Board in its discretion. The Committee may act only by majority vote.

The Committee will meet at least twice a year to carry out its responsibilities. The Chief Executive Officer shall be an advisor to the Committee and may be delegated such responsibilities as the Committee deems appropriate.

The Committee shall make regular reports to the Board.

PURPOSE

The purpose of the Committee shall be to: (i) review the Company’s compensation programs to determine that they effectively and appropriately motivate performance that is consistent with the Company’s business goals and tie executives’ financial interests to those of the stockholders; (ii) assure that the Chief Executive Officer’s annual objectives are consistent with the Company’s business goals, are explicit, and that performance against these objectives is reviewed annually; and (iii) define, oversee and ensure that the Company develops and maintains a program of management succession planning, particularly with respect to the position of Chief Executive Officer.

RESPONSIBILITIES AND DUTIES

The Committee shall have the following responsibilities and duties:

1. Establishing a total compensation philosophy and policy for the Company that fairly rewards performance benefiting the stockholders and which effectively attracts and retains the human resources necessary to successfully lead and manage the Company;
2. Reviewing and approving goals and objectives relevant to the compensation for the Chief Executive Officer, evaluating the Chief Executive Officer’s performance in light of those goals and objectives and determining and approving the compensation level of the Chief Executive Officer based upon this evaluation and competitive market data;
3. Making recommendations to the Board with respect to the compensation, incentive compensation plans and equity-based plans for executives other than the Chief Executive Officer;

4. Approving and monitoring cash incentive and deferred compensation plans for executives (including any modifications to such plans), and annually establishing the performance objectives for the incentive plans;
5. Preparing an annual report for inclusion in the Company's annual proxy statement or Annual Report on Form 10-K summarizing top executives' compensation levels and explaining the relationship of executive compensation to the Company's performance, as required by the Securities and Exchange Commission;
6. Reviewing periodically executive supplementary benefits and, as appropriate, the Company's retirement, benefit, and special compensation programs involving significant cost;
7. Reviewing director compensation on at least a bi-annual basis, and making recommendations to the Board with respect to the form and amount of such compensation;
8. Participating in the development of, reviewing and approving management succession planning recommendations; and
9. Hiring independent consultants and commissioning special surveys if the committee deems them advisable.

DELEGATION TO SUBCOMMITTEE

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

PERFORMANCE EVALUATION

The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to the Committee's charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

RESOURCES AND AUTHORITY

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. With respect to consultants or search firms used to identify director candidates, this authority shall be vested solely in the Committee.

ADOPTED JUNE 22, 2007