



China Industrial Steel, Inc.

www.chinaindustrialsteel.com

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OVERVIEW

China Industrial Steel, Inc., ("CIS" or the "Company") is a holding company that, through its subsidiary Nuosen Handan Trading Co. Ltd., a wholly foreign-owned enterprise (WFOE) organized under the laws of the People's Republic of China, and its variable interest entity (VIE) Handan Hongri Metallurgy Co., Ltd., (Hongri) produces and sells four products; steel plate, steel bar, steel wire, and steel billet. Steel plate, steel wire and steel bar are primarily used in the construction of buildings and in large scale infrastructure projects, including roads and bridges. The Company also manufactures and sells steel billet, a semi-finished product, which is utilized as a raw material by other manufacturers. China Industrial Steel also sells some of the byproducts of its production process, including offcuts of steel plate and steel drop. Based on market conditions for these byproducts, the company may alternatively utilize them in its own manufacturing processes.

In total, the Company has an aggregate capacity of 2.3 million metric tons of steel and 2.6 million metric tons of steel rolling production capacity, including steel plate and steel wire/bar. CIS is currently seeking capital to supplement the funding of further expansion and the diversification of its production and processing capacity to take advantage of market demand.

OPERATION

The Company serves various industries and produces a variety of steel products including: steel billet, steel plate and steel bar/wire. While the vast majority of our sales are made to distributors and traders, our products are typically used in construction, equipment manufacturing, and infrastructure projects. Steel billet is also occasionally sold to end users to develop into plates and bars

The Company's first production process transforms iron to steel for further fabrication. At this stage impurities such as sulfur, phosphorus, and excess carbon are removed from the raw iron, and alloying elements such as manganese, nickel, chromium and vanadium are added to produce specific types of steel. Upon completion of the process the iron becomes steel billet, a cast semi-finished product which can then be formed into steel coil, medium plate or bar.

The second production process, steel rolling, uses hot rolling technology to produce steel plate and wire. The facilities produce thin, flat sheets that are used in metalworking, and can be cut and bent into a variety of

different shapes. The medium plate line produce carbon element structural armor plate, high quality carbon element structural armor plate, low alloy structural armor plate, shipbuilding armor plate, boiler armor plate, pressure vessel plate, automotive frame plate, automotive frame plate and pipeline steel.

The second plate production line was increased from 600,000 to 1,400,000 tons per year in 2009. In addition, the construction of a new 600,000 ton steel bar production line was completed in 2009, which has been temporarily converted to the production of steel wire production to take advantage of market demand.

The Company added an additional 600,000 ton steel wire production line in January 2013. Total steel rolling capacity, including steel plate, bar and wire production is now 2.6 million tons.

MARKET

With an estimated 1,000 steel mills throughout the country, China's steel manufacturing sector was initially dominated by state-owned enterprises. However, the substantial demand and potential for profit resulted in numerous private steel makers, some of which grew to a sizable scale, but with many smaller independent facilities. In an effort to eliminate obsolete and inefficient producers, in May of 2010, the central government established a detailed set of guidelines with regard to the operation of existing plants including energy usage, plant emissions and production levels. The guidelines also prohibit local governments from approving projects that increase steel production capacity before the end of 2011. More specifically, the guidelines propose new capacity levels for iron-making and steel-making projects, and do not apply to steel processing projects. Accordingly, since the Company does not have any investments in new or expanded iron-making or steel-making projects, these guidelines have not to date impacted the Company's business development.

Also in 2010 the Chinese government implemented broad, temporary shutdowns in particular geographic markets, including Hebei. While unpopular with steel producers in the short run, the shutdowns did have several positive effects. They reduced the steel supply, thus strengthening pricing, while decreasing demand for raw materials, specifically weakening the pricing strength of leading iron ore suppliers. Smaller firms that were unable to sustain their operation through the shutdown were closed, eliminating inefficient manufactures.

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Current crude steel production for the 63 countries reporting to the World Steel Association for the first four months of 2013 was just over 521 million tonnes, 1.9% higher than the same period in 2012. China leads all countries in production, with raw steel production totaling 258.1 million metric tons, an 8.4% rise for the January-April 2012 period.

FINANCIAL DISCUSSION

China Industrial Steel reported revenue of \$188,363,697 for the three months ended March 31, 2013 an increase of \$11,335,049, or 6% compared to \$177,028,648 in the same period of 2012. The increase in sales was mainly due to the increase in sales of steel plates and steel wires, offset by the decrease in sales of steel billets and the decrease in unit sales price in the three months ended March 31, 2013. The average unit sales price was \$501 per ton, a decrease of \$70, or 12%, compared to \$571 per ton in the comparable period of 2012.

The Company reported net income of \$1,353,839 in the three months ended March 31, 2013, a decrease of \$3,352,205, or 71%, compared to the net income of \$4,706,044 for the same period of 2012. The decrease in net income was primarily the result of the decrease in steel product prices (12%) being sharper than the decrease in the prices of raw materials (10%).

CHINA INDUSTRIAL STEEL INC. AND SUBSIDIARIES SUMMARY CONSOLIDATED STATEMENTS OF INCOME For The Periods

	Three Months Ended		Year Ended
	3/31/2013	3/31/2012	12/31/2012
Revenues	\$188,363,697	\$177,028,648	\$ 649,318,792
Cost of Revenue	183,489,161	168,204,565	634,462,676
Gross Profit	4,874,536	8,824,083	14,856,116
SG&A	1,230,375	1,242,162	3,372,835
Operating Income	3,644,161	7,581,921	11,483,281
Other (Expense)	(1,556,157)	(1,855,487)	(4,162,351)
Income before taxes	2,088,004	5,726,434	7,320,930
Net Income	<u>\$1,353,839</u>	<u>\$4,706,044</u>	<u>\$5,934,990</u>
EPS	<u>\$0.02</u>	<u>\$0.06</u>	<u>\$0.08</u>
Shares outstanding	<u>73,620,391</u>	<u>73,542,058</u>	<u>73,594,852</u>

MANAGEMENT AND DIRECTORS

Liu Shenghong, Chairman and General Manager Handan Hongri Metallurgy Co., Ltd.,

Mr. Liu brings 20 years of expertise in ferrous metallurgy to the Company. He has been with the Company and/or its parent the Yuanbao Group since 1988, where he first served as the Deputy Plant Chief, then was promoted to Deputy General Manager of the Yuanbao group in 1993, where he helped increase the company's assets from 10 million RMB to 150 million. From 1999 to 2007, he served as the Group General Manager, where he was instrumental in increasing sales to 4.8 billion RMB, with profits of 500 million RMB. In 2007 he became Chairman and General Manager of, Handan Hongri Metallurgy Co., Ltd. Mr. Liu, graduated from Hebei Tangshan Project Technology Institute in 1987.

Xiaolong Zhou, Chief Financial Officer

Mr. Zhou was appointed CFO in February 2010. He had been a senior accountant at a CPA firm in Great Neck, New York for the prior nine years. He is a certified public accountant, registered in the state of New York, a member of the American Institute of Certified Public Accountants, and a member of the New York State Society of Certified Public Accountants. Mr. Zhou obtained an M.B.A. in accountancy from Baruch College of CUNY and an M.A. in economics from City College of CUNY. He obtained a B.A. in economics from Fudan University, Shanghai, China.

Pan Rutai, Handan Hongri Metallurgy Co., Ltd., Chief Engineer and Manager, Plant Operations

Mr. Pan joined the Yuanbao Industry Group as Production Chief of the cement division in 1983. In 1989 he joined the Company as Deputy Director of Production, a position he held for 10 years. From 2000 to 2006, he served as Factory Manager of the Company's iron to steel production facility. In 2007 he was promoted to his current position as Chief Engineer and Manager of the Company, where he has been extremely instrumental in increasing the efficiency of the operation and reducing the energy consumption.

Frank J. Pena, Director

Mr. Pena has spent over 27 years in the financial services arena primarily in banking, brokerage and consulting. From January 2000 to the present day, Mr. Pena has been the Principal of Winthorp Capital Group, raising capital for public and private companies. Prior to forming Winthorp Capital, Mr. Pena was the Director of Sales & Marketing for the Breen Capital Group, and Vice President of First Fidelity Bank Mr. Pena has a BS degree from Kean University in Management Science.

For a full description of these, and all of the Company's activities, please review the Company's filings at www.sec.gov.

The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date thereof. Readers should carefully review the risks described in other documents the company files from time to time with the Securities and Exchange Commission, including Registration Statements, Annual Reports, Quarterly Reports and Current Reports on Form 8-K.