

China Precision Steel, Inc.
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PROSPECTUS

8,819,814 Shares

CHINA PRECISION STEEL, INC.

Common Stock

3/43/43/43/4

This prospectus relates to the resale of up to 8,819,814 shares of our common stock. The shares of common stock may be offered from time to time by the Selling Stockholders identified on page 13 in this prospectus. We originally issued the shares in connection with private transactions. We will not receive any of the proceeds from the sale of shares by the Selling Stockholders.

The Selling Stockholders, or their pledgees, donees, transferees or other successors-in-interest, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded, in private transactions or otherwise. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at a varying price determined at the time of sale, or at negotiated prices. See "Plan of Distribution" beginning on page 16 for more information about how a selling stockholder may sell its shares of common stock.

Our common stock is listed on The NASDAQ Capital Market under the symbol "CPSL." On March 29, 2007, the last reported sale price of our common stock on The NASDAQ Capital Market was \$6.97 per share.

Investing in our common stock involves a high degree of risk. We urge you to carefully read the information included or incorporated by reference in this prospectus and any prospectus supplement for a discussion of factors you should consider before deciding to invest in any securities offered by this prospectus. **See "Risk Factors," beginning on page 6 of this prospectus.**

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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.

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The date of this prospectus is April 4, 2007.

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INFORMATION CONTAINED IN THIS PROSPECTUS

You should rely only on the information provided or incorporated by reference in this prospectus or any prospectus supplement. Neither we nor the Selling Stockholders have authorized anyone to provide you with additional or different information. The Selling Stockholders are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus and any prospectus supplement is accurate only as of the date on the front of the document and that information incorporated by reference in this prospectus or any prospectus supplement is accurate only as of the date of the document incorporated by reference. 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, and do not refer to the Selling Stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes “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 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, and in documents incorporated into this prospectus, including those set forth below in “Risk Factors,” describe factors, among others, that could contribute to or cause these differences.

Because the factors discussed in this prospectus or 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.

SUMMARY

The following is only a summary. 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. Investing in our common stock involves risks. Therefore, please carefully consider the information provided under the heading “Risk Factors” beginning on page 6.

THE 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 and chrome series stainless steel. We conduct our operations principally in China through our wholly-owned operating subsidiary, Shanghai Chengtong Precision Strip Co., Limited, or Chengtong. We intend to expand overseas into Japan, Taiwan, Korea, Thailand, the Philippines, the European Union and the United States in the future.

We currently produce extremely thin cold-rolled precision steel strips ranging from 3.0 mm to 0.03 mm. We also provide heat treatment and cutting of medium and high carbon hot-rolled steel strips and chrome stainless steel series 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.

As of December 31, 2006, we had an annual production capacity of approximately 250,000 tons. Two new Phase 2 production facilities, which added approximately 10,000 square meters of production area, and an office building were completed in August 2006 and product trial runs commenced in September 2006. Actual production commenced in October 2006. In addition, with the completion of the new production facilities, Chengtong installed one 1,400mm width cold mill, adding an additional 150,000 tons to our annual production capacity. The installation of a 1,700mm cold roll mill, with an additional 150,000 tons of capacity, is expected to be completed and actual production is expected to commence prior to the end of the fiscal year ending June 30, 2007.

Our Directors believe that the increased annual production capacity of approximately 400,000 tons will be fully utilized within two 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 December 31, 2006 and 2005, we earned net income of \$2,888,444 and \$2,687,628, respectively. At December 31, 2006, we had total assets of \$64,738,973. Chengtong currently has approximately 280 employees, including 24 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 ourself China Precision Steel, Inc. to reflect our continuing

operations.

Our corporate headquarters are located 8th Floor, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong, and our telephone number is (011) 86-21-5994-8500. 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.”

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THE OFFERING

Common stock offered by Selling Stockholders	8,819,814 shares
Use of proceeds	We will not receive any of the proceeds from the sale of the shares of our common stock by the Selling Stockholders named on page 13 of this prospectus.
Registration Rights	We have agreed to use reasonable best efforts to keep the registration statement, of which this prospectus forms a part, current and continuously effective for a period of twenty-four (24) months.
Trading	Our common stock is traded on The NASDAQ Capital Market under the symbol "CPSL."
Risk Factors	See "Risk Factors" beginning on page 6 of this prospectus for a discussion of factors you should carefully consider before investing in our common stock.

RISK FACTORS

The realization of any of the risks described below could have a material adverse effect on the Company's business, results of operations and future prospects.

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 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 the Company and its 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.

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 demand growth rates. Because China is now the largest worldwide steel producer, any significant Chinese capacity excess could have a major impact on world steel trade and prices if excess production is exported to other markets.

Increases in prices and limited availability of raw materials and energy may constrain operating levels and reduce profit margins.

Steel producers require large amounts of raw materials - iron ore or other iron containing material, steel scrap, coke and coal as well as large amounts of energy. Over the last several years, prices for raw materials and energy, in particular natural gas and oil, have increased significantly. In many cases these price increases have been at a greater percentage than price increases for the sale of steel products. Steel producers have periodically been faced with problems in receiving sufficient raw materials and energy in a timely manner, resulting in production curtailments. These production curtailments and escalated costs have reduced profit margins and may continue to do so in the future, which could have a material adverse effect upon the Company and its results of operations.

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

The Company's operating subsidiary, Shanghai Chengtong Precision Strip Co., Ltd., which we sometimes refer to as Chengtong, is currently 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. The Company's consolidated business and operating results could be materially and adversely affected if the Company were to increase expenditures to comply with any new environmental regulations affecting its operations.

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

The development of high quality specialty precision steel requires substantial funds. Sourcing external capital funds for product development and requisite capital expenditures are key factors that have and may in the future constrain the Company's growth, production capability and profitability. For the Company to achieve the next phase of its 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 the Company, 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 the Company's common stock and could also cause the market price of its common stock to decline.

The Company faces significant competition from competitors who have greater resources than the Company, and the Company may not have the resources necessary to successfully compete with them.

The Company is 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, to a limited extent, consumers' demand is rather price sensitive. Competitors may increase their market share through pricing strategies. The Company's 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. The Company's competitors may have financial resources, staff and facilities substantially greater than the Company's and the Company may be at a competitive disadvantage compared with larger companies.

The Company produces a limited number of products.

Cold-rolled specialty precision steel is a relatively new industry in China; manufacturers previously relied on imports from Japan, Korea, the European Union and the United States. Accordingly, the average quality and standards of China's high precision steel industry lags behind the international norm. During the last three years, the Company believes that it has developed a nationally recognizable brand, however, it has not yet established an internationally recognizable brand for its specialty steel products. As of March 15, 2007, the Company offered more than 40 high precision steel products of over 100 specifications. Currently the Company produces five major categories and over ten types of high precision steel products. However, there are many other specialty precision steel products of similar nature in the market and the narrow band of the Company's precision steel products may negatively impact the Company's financial performance should there be drastic changes in market demands and/or competition.

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

In 2004, China's total production of cold-rolled steel sheets was approximately 10.55 million tons, and imports accounted for approximately 6.91 million tons. 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 steel produced by the Company.

The Company has substantial indebtedness with floating interest rates.

At December 31, 2006, total outstanding indebtedness, on a consolidated basis, was \$30,102,117 in bank debt (all of which was interest-bearing) and \$2,240,599 due to directors. Approximately 80% 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, the Company will be liable for higher interest payments to its lenders. For the current 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 the Company's short-term borrowings mature, it will be required to either repay or refinance these borrowings. An increase in short-term interest rates at the time that the Company seeks to refinance short-term borrowings may increase the cost of borrowings, which may adversely affect the Company's earnings and cash available for distribution to its shareholders.

The Company depends upon its key personnel. The loss of any key personnel or its failure to attract and retain key personnel could adversely affect its future performance, strategic plans and other objectives.

The loss or failure to attract and retain key personnel could significantly impede the Company's future performance, including product development, strategic plans, marketing and other objectives. The Company's success depends to a substantial extent not only on the ability and experience of its senior management, but particularly upon the Company's Chairman, Wo Hing Li; the General Manager of Chengtong, Hai Sheng Chen; and Chief Financial Officer, Leada Tak Tai Li. The Company does 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 the Company, the Company would be required to recruit other persons to perform the duties performed by Wo Hing Li, Hai Sheng Chen and Leada Tak Tai Li. 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.

Termination of preferential taxation policy may negatively impact our profitability.

As a wholly foreign owned enterprise, Chengtong is entitled to preferential tax advantages, including full tax exemption on the enterprise income tax that was generated in the first two years, after the recoveries of previous losses, and a one-half reduction in the enterprise income tax, to a rate of 13.5%, for the next 3 years. The full tax exemption for the enterprise income tax expired on December 31, 2005 and the one-half reduction on the enterprise profit tax will expire on December 31, 2008. After such tax holidays, profits generated by the Company shall be subject to the full tax rate of 27%. In the event that the Company no longer receives preferential tax treatment, such a condition would have a material adverse effect on the results of its operations.

Protection and infringement of intellectual property.

Except for a patent on the Environment-Conscious Mill Bearing with Inner Circular Lubrication, the Company has no patents or licenses that protect its intellectual property. Unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's products is difficult. The Company's 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 the Company relies heavily on them. Chengtong has also 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, the Company's means of protecting its proprietary rights may not be adequate. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to as great an extent as do the laws of the United States. The Company's failure to adequately protect its proprietary rights may allow third parties to duplicate its products, production processes or develop functionally equivalent or superior technology. In addition, the Company's competitors may independently develop similar technologies or design around the Company's proprietary intellectual property.

The Company depends upon its largest customers for a significant portion of its sales revenue, and the Company cannot be certain that sales to these customers will continue. If sales to these customers do not continue, then the Company's sales may decline and our business may be negatively impacted.

The Company currently supplies its high precision steel products to 12 major customers in the Chinese domestic market. For the years ended June 30, 2006 and 2005, sales revenues generated from the top five major customers amounted to 50% and 88% of total sales revenues, respectively; sales to the largest single customer for the same periods amounted to 15% and 28% of total sales revenues, respectively. For the six months ended December 31, 2006 and 2005, sales to Chengtong's largest customer in each such period amounted to 36% and 29%, respectively. The Company does not enter into long-term contracts with its 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 the Company's sales revenues and business.

Defects in the Company's products could impair the Company's ability to sell its products or could result in litigation and other significant costs.

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

If the Company's production facilities were destroyed or significantly damaged as a result of fire or some other natural disaster, the Company would be adversely affected.

All of the Company's products are currently manufactured at its 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 the Company maintains property damage insurance aggregating approximately \$18.5 million covering its raw materials, finished goods, equipment and buildings and another \$10.5 million insurance against equipment breakdown, it does not maintain business interruption insurance. Material damage to, or the loss of, its production factory facilities due to fire, severe weather, flood or other act of God or cause, even if insured, could have a material adverse effect on the Company's financial condition, results of operations, business and prospects.

Judgments against the Company and management may be difficult to obtain or enforce.

The Company's principal executive offices are located in Hong Kong, PRC. Outside the United States, it may be difficult for investors to enforce judgments obtained against the Company in actions brought in the United States, including actions predicated upon the civil liability provisions of federal securities laws. In addition, most of the Company's officers and directors reside outside of the United States and the assets of these persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon these persons, or to enforce against the Company or these persons judgments predicated upon the liability provisions of United States federal securities laws.

The Company may not pay dividends in the future.

The Company may not be able to declare dividends or the Board of Directors may decide not to declare dividends in the future.

Risks Relating to China

The Company faces 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 China. As of March 15, 2007, all of the Company's assets are located in China and, except for a small volume of exports to Thailand and the Philippines, all of its sales revenues are generated in China. Accordingly, the Company's 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. 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 or the expropriation of private enterprise could materially and adversely affect the Company. 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 the Company's business could be adversely affected. Chengtong could even be subject to the risk of nationalization, which could result in the total loss of 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 the Company. 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.

Fluctuations in exchange rates of the Renminbi could adversely affect the value of and dividends, if any, payable of shares of the Company's common stock.

Save for the recent exports to Thailand and the Philippines, all of the Company's local sales revenues are collected in and substantially all of its expenses are paid in the Chinese Renminbi. The Chinese Renminbi had remained stable against the U.S. Dollar at approximately 8.28 Yuan to 1.00 U.S. Dollar for several years, and it was not until July 21, 2005 that the Chinese currency regime was altered, with a 2.1% revaluation versus the United States Dollar. This move initially valued the Renminbi at 8.11 per United States Dollar. In addition, 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, and, as of March 29, 2007, the exchange rate was 7.728 Yuan 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 amidst the volatility of currencies, globalization and the unstable economies in recent years. Since (i) the income and profit of the Company are mainly denominated in Renminbi and (ii) the payment of dividends will be in U.S. dollars, if any, 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.

Uncertainty relating to the laws and regulations in China.

The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Legislation over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in China. Enforcement of existing laws or agreements may be sporadic and implementation and interpretation of laws inconsistent. The Chinese judiciary is relatively inexperienced in enforcing the laws that exist, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Even where adequate law exists in China, it may not be possible to obtain swift and equitable enforcement of that law. The legal system in China cannot provide shareholders with the same level of protection as in the United States. Chengtong is governed by the laws and regulations generally applicable to local enterprises, and those laws and regulations have been recently introduced, remain experimental in nature and are subject to changes and further amendments.

Controversies affecting China's trade with the United States could depress the Company's 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 the Company's 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 the Company's common stock.

Future changes in the labor laws in China may result in the continued increase in labor costs.

The Company has recently experienced an increase in the cost of labor. Any future changes in the labor laws in China could result in the Company having to pay increased labor costs. There can be no assurance that the labor laws will not change, which may have a material adverse effect upon the Company's business and results of operations.

Risks Relating to Our Common Stock

The market price for shares of our common stock could be volatile; the sale of material amounts of our common stock could reduce the price of our common stock and encourage short sales.

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. Such factors may include, without limitation, the general economic and monetary environment, quarter-to-quarter variations in our anticipated and actual operating results, future financing activities and the open-market trading of our shares, in particular.

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

As of March 1, 2007, 40%, or 13,964,883 shares, of our issued and outstanding common stock was not owned by affiliates, of which only 1,618,915 were unrestricted and free to trade. Thus, 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.

Our common stock price is volatile and could decline in the future.

The stock market, in general, has experienced extreme stock price fluctuations. In some cases, these fluctuations have been unrelated to the operating performance of the affected companies. 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;
- 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 and other national conditions.

Shares eligible for future sale may adversely affect the market 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. 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 exercises significant control over matters requiring shareholder approval.

Wo Hing Li, the Company's President, had voting power as of March 15, 2007, equal to approximately 57% 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 that may otherwise be viewed as beneficial by shareholders other than Wo Hing Li.

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.

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, including expansion in current and 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. At the Company's Annual Meeting on December 27, 2006, we received approval from shareholders to issue an undetermined number of our equity securities in an aggregate amount of up to 22,600,000 shares of our common stock, in connection with potential financings on such terms as the Company may determine at the time of such financings and in reliance upon available exemptions from the registration requirements of the Securities Act. Pursuant to such authority and as reported in our Current Report on Form 8-K, dated February 16, 2007, we issued a total of 8,379,627 shares of common stock to accredited institutional and other investors in connection with a private placement in the United States and elsewhere in reliance on exemptions from the registration requirements of the Securities Act.

We may have difficulty raising necessary capital to fund operations as a result of market price volatility for our shares of common stock.

In recent years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values or prospects of such companies. For these reasons, our shares of common stock can also be expected to be subject to volatility resulting purely from market forces over which we will have no control. If our business development plans are successful, we may require additional financing to continue to develop and exploit existing and new products and to expand into new markets. The exploitation of our products may, therefore, be dependent upon our ability to obtain financing through debt and equity or other means.

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 will 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 will 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 that will be 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

We will not receive any proceeds from the sale or other disposition of the common stock covered hereby by the Selling Stockholders.

SELLING STOCKHOLDERS

The prospectus covers 8,819,814 shares of our common stock that have been sold to the Selling Stockholders identified below, of which (i) 7,451,664 were sold pursuant to Stock Purchase Agreements, dated as of February 16, 2007, to institutional accredited and other investors in reliance upon exemptions from the registration requirements of the Securities Act provided by Section 4(2) thereof and Regulation D and Regulation S thereunder, (ii) 1,268,150 were issued in offshore transactions in reliance upon the exemption from the registration requirements of the Securities Act provided by Regulation S thereunder in connection with our merger with PSHL in December 2006 and (iii) 100,000 were issued in reliance upon exemptions from the registration requirements of the Securities Act provided by Section 4(2) thereof and Regulation D thereunder in connection with our merger with PSHL in December 2006. These issuances are described in detail in our Current Reports on Form 8-K, dated as of February 16, 2007, and January 4, 2007, each of which is incorporated herein by reference.

We are registering the shares to permit the Selling Stockholders and their pledgees, donees, transferees and other successors-in-interest that receive the shares covered by this prospectus from a Selling Stockholder as a gift, partnership distribution or other transfer after the date of this prospectus to resell or dispose of the shares. The table on the next page sets forth:

· the name of each Selling Stockholder;

· the number and percent of shares of our common stock that each Selling Stockholder reported to us as beneficially owned as of March 26, 2007; and

12.

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

CUSIP No 970646105

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

JAM Special Opportunities Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER
0

6. SHARED VOTING POWER
476,227

7. SOLE DISPOSITIVE POWER
0

8. SHARED DISPOSITIVE POWER
476,227

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
476,227

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.19%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
PN
-

CUSIP No 970646105

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

JAM Equity Partners, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

476,227

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

476,227

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

476,227

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.19%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
OO
-

CUSIP No 970646105

Item 1. (a). Name of Issuer:

Willis Lease Finance Corp.

(b). Address of issuer's principal executive offices:

773 San Marin Drive
Suite 2215
Novato, CA 94998

Item 2. (a). Name of persons filing:

Sy Jacobs
JAM Partners, L.P.
JAM Managers L.L.C.
Jacobs Asset Management, LLC
JAM Special Opportunities Fund, L.P.
JAM Equity Partners, LLC

(b). Address or principal business office or, if none, residence:

One Fifth Avenue
New York, New York 10003

(c). Citizenship:

Sy Jacobs – United States
JAM Partners, L.P. – Delaware limited partnership
JAM Managers L.L.C. – Delaware limited liability company
Jacobs Asset Management, LLC – Delaware limited liability company
JAM Special Opportunities Fund, L.P. – Delaware limited partnership
JAM Equity Partners, LLC – Delaware limited liability company

(d). Title of class of securities:

Common Stock, par value \$0.01 per share

(e). CUSIP No.:

970646105

Item 3. If This Statement is filed pursuant to §§.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

(a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

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- (d) Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
 - (e) An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
 - (f) An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
 - (g) A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
-

- (h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);
- (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);
- (k) Group, in accordance with §240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

Sy Jacobs:

(a) Amount beneficially owned:

1,205,695

(b) Percent of class:

13.14%

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

(i)	Sole power to vote or to direct the vote	35,100,
(ii)	Shared power to vote or to direct the vote	1,170,595,
(iii)	Sole power to dispose or to direct the disposition of	35,100,
(iv)	Shared power to dispose or to direct the disposition of	1,170,595.

JAM Partners, L.P.:

(a) Amount beneficially owned:

694,368

(b) Percent of class:

7.57%

- (c) Number of shares as to which the person has:
- (i) Sole power to vote or to direct the vote 0,
 - (ii) Shared power to vote or to direct the vote 694,368,
 - (iii) Sole power to dispose or to direct the disposition of 0,
 - (iv) Shared power to dispose or to direct the disposition of 694,368.

JAM Managers L.L.C.:

- (a) Amount beneficially owned:

694,368

- (b) Percent of class:

7.57%

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

- (i) Sole power to vote or to direct the vote 0,
- (ii) Shared power to vote or to direct the vote 694,368,
- (iii) Sole power to dispose or to direct the disposition of 0,
- (iv) Shared power to dispose or to direct the disposition of 694,368.

Jacobs Asset Management, LLC:

- (a) Amount beneficially owned:

1,170,595

- (b) Percent of class:

12.76%

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

- (i) Sole power to vote or to direct the vote 0,
- (ii) Shared power to vote or to direct the vote 1,170,595,
- (iii) Sole power to dispose or to direct the disposition of 0,
- (iv) Shared power to dispose or to direct the disposition of 1,170,595.

JAM Special Opportunities Fund, L.P.:

(a) Amount beneficially owned:

476,227

(b) Percent of class:

5.19%

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

(i) Sole power to vote or to direct the vote	0,
(ii) Shared power to vote or to direct the vote	476,227,
(iii) Sole power to dispose or to direct the disposition of	0,
(iv) Shared power to dispose or to direct the disposition of	476,227.

JAM Equity Partners, LLC:

(a) Amount beneficially owned:

476,227

(b) Percent of class:

5.19%

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

(i) Sole power to vote or to direct the vote	0,
(ii) Shared power to vote or to direct the vote	476,227,
(iii) Sole power to dispose or to direct the disposition of	0,
(iv) Shared power to dispose or to direct the disposition of	476,227.

Instruction: For computations regarding securities which represent a right to acquire an underlying security see §240.13d-3(d)(1).

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

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

Instruction: Dissolution of a group requires a response to this item.

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

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

If a parent holding company or control person has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company or control person has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

N/A

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

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

N/A

Item 9. Notice of Dissolution of Group.

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

N/A

Item 10. Certification.

The following certification shall be included if the statement is filed pursuant to §240.13d-1(c):

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

SIGNATURE

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

February 16, 2010

(Date)

/s/ Sy Jacobs
Sy Jacobs

JAM PARTNERS, LP

By: JAM MANAGERS LLC
General Partner

By: /s/ Sy Jacobs
Sy Jacobs
Managing Member

JAM MANAGERS LLC

By: /s/ Sy Jacobs
Sy Jacobs
Managing Member

JACOBS ASSET MANAGEMENT, LLC

By: /s/ Sy Jacobs
Sy Jacobs
Managing Member

JAM SPECIAL OPPORTUNITIES FUND, LP

By: JAM EQUITY PARTNERS, LLC

By: /s/ Sy Jacobs
Sy Jacobs
Managing Member

JAM EQUITY PARTNERS, LLC

By: /s/ Sy Jacobs
Sy Jacobs
Managing Member

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See s.240.13d-7 for other parties for whom copies are to be sent.

Attention. Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

AGREEMENT

The undersigned agree that this Schedule 13G dated February 16, 2010 relating to the Common Stock of Willis Lease Finance Corp. shall be filed on behalf of the undersigned.

/s/ Sy Jacobs
Sy Jacobs

Jacobs Asset Management, LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM Managers LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM Partners LP

By: JAM Managers LLC, its general partner

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM Equity Partners LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM Special Opportunities Fund LP

By: JAM Equity Partners LLC, its general partner

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

February 16, 2010

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