



China Steel Australia (ASX:CNH)

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China Steel Australia Production Rescheduled

China Steel Australia Limited (ASX:CNH) today announced the start of production at its China-based merchant pig iron (MPI) plant would commence in the first week of August.

The company expected to start production in mid-July after converting its nickel pig iron plant near the city of Linyi in China's Shandong Province to produce MPI.

But China Steel CEO Chen Lidong said there had been a slight delay due to the process of price negotiations for the raw materials.

Mr Lidong said China Steel's profits for the 2008-09 financial year would be affected due to the time needed to convert the plant, the current global economic conditions the delay in the supply of ores and accounting issues such as asset impairment.

"Management expects the group will record a loss for the full financial year due to these factors," he said. The size of the loss however cannot be quantified at this stage as asset impairment calculations are currently being undertaken.

But he said China Steel expected to continue profitable trading with the new MPI product in future periods.

MPI is made into steel using electric arc furnace or to cast articles in foundries such as stoves, radiators, lamp-posts and rails.

Mr Lidong said China Steel could potentially become one of the larger and more efficient producers of MPI in China.

China Steel Australia, which listed on the ASX in February last year, is a foreign owned enterprise with a licence to manufacture steel in China.

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