



China Steel Australia (ASX:CNH)

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China Steel Australia Starts Production

China Steel Australia Limited (ASX:CNH) is pleased to announce the Company has successfully commenced production at its China-based merchant pig iron (MPI) plant.

The Company has converted its nickel pig iron plant near the city of Linyi in China's Shandong Province to produce MPI.

China Steel CEO Chen Lidong said production started on Thursday, August 6, and had been very successful.

"Our production volumes have yet to reach full capacity but we are expecting to ramp up production over the next few weeks," Mr Chen said.

Production at the MPI plant had been delayed a few weeks due to the process of price negotiations for the raw materials.

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

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

"We would like to thank all our valued shareholders for the patience and support over the last few months while the company restructured and carried out the plant conversion," he said.

"China Steel as a result of this move will emerge stronger from what have been uncertain times."

Mr Chen said China Steel's profits for the 2008-09 financial year were expected to be affected due to the time needed to convert the plant, the current global economic conditions and the delay in the supply of ores.

“As previously advised, 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.

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

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