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China Steel Australia (ASX:CNH)

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China Steel Issues Profit Guidance

China Steel Australia Limited (ASX:CNH) today announced it expects to record a net loss of between \$0.9 million and \$1.1 million for the six months until 31 December 2009.

China Steel produces both nickel pig iron (NPI) and merchant pig iron (MPI) at its plant near the city of Linyi in China's Shandong Province.

The Company said a major factor in the result was an interest expense charge of \$925,000, arising from fair value adjustment of an interest free loan.

Australian Accounting Standards requires that the liability relating to the loan be discounted to present value. The difference between the present value of the liability and the actual amount payable is expensed in the income statement over the interest free period.

China Steel Executive Director Chen Lidong said operating losses amounted to less than \$100,000.

Mr Chen said much of the loss for the half year was recorded in the September quarter during a period when production at its plant ceased while it was being converted to also produce MPI.

"Those issues are now behind us and we have been running at capacity since January and achieved record production volume for the month," Mr Chen said.

"Nickel prices have also recovered from the low of \$US9,500 per tonne to be around \$US19,500 per tonne, which is boosting demand for our product.

"Market conditions during the financial reporting period remained challenging, but the Company's outlook was promising with the Company being profitable since November and production at its plant now running at full capacity"

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