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China Steel Australia (ASX:CNH)

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China Steel Cuts Debt and Maintains Full Production

China Steel Australia Limited (ASX:CNH) announced yesterday that its shareholders had approved the transaction for its lenders to convert their loans into fully paid ordinary shares and options via a debt for equity swap.

The successful swap was completed at an issue price of 30 cents per share. The options have an exercise price of 36 cents, an expiry date of 22 February 2012 and have been issued for nil consideration.

China Steel previously had \$54 million in debt to four different lenders. Three of those lenders, including the Company's major shareholder (Jadefield Group Limited), have wiped out \$52 million of that debt for the issue of the shares and options as approved by shareholders yesterday.

China Steel CEO Mr Chen Lidong said the deal shows that lenders have strong support and confidence in the Company.

"This is a major milestone for China Steel," Mr Chen said.

"With our significantly restructured balance sheet and enhanced liquidity, we will move forward from a very solid financial foundation.

"This is a pleasing result following recent announcements about strong demand from Chinese customers, which has resulted in the Company achieving 100 per cent production capacity."

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

"We have recently ramped up of production, we are gaining stronger demand from Chinese domestic construction and consumer appliance industries and we are seeing a gradual recovery in nickel prices," said Mr Chen.

"Even though the market has been patchy, the increased production levels highlight the growing confidence of the Company and our products."

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