



China Steel Australia (ASX:CNH)

Deadline extended for sale to China Powerplus

June 6, 2008

NICKEL pig iron producer China Steel Australia (ASX:CNH) announced today that the deadline for an agreement for listed Singapore company China Powerplus to acquire 46.27 per cent of China Steel has been extended until August 15th, 2008.

The deadline has been extended from April 15th 2008 for the purpose of proceeding with regulatory requirements.

The agreement, which was detailed in the China Steel Australia prospectus, will see CNH majority shareholder Jadedfield Group Limited (Jadedfield) sell 50 per cent of its shares in China Steel to China Powerplus for approximately RMB155 million (Aus\$23.59 million). Under the agreement, the consideration will increase depending on the financial performance of China Steel up to a maximum of RMB166.72m (Aus\$25.37 million) if China Steel meet its FY08 earnings forecast. The agreement has been amended such that there will not be any increase in the consideration if China Steel meets its earnings forecast.

China Powerplus designs, produces and sells portable power tools in the agricultural and gardening industries. Its products are exported globally to Australia, China, Europe, South America and South East Asia with the company having a dominant market position in China with over 360 distributors located in more than 30 provinces.

Last month China Steel, which listed on the ASX in February this year following a successful and oversubscribed initial public offer, announced it was on target to meet its key financial forecasts for the year to June 2008 of net profit after tax (NPAT) of \$12.3 million and earnings per share (EPS) of 3.99 cents.

It also announced that a \$92 million expansion of the company's Chinese processing plant was set to significantly increase the company's revenue and earnings for the 2009/2010 financial year by trebling production capacity.

"China has the largest stainless steel market in the world and China Steel provides the opportunity to take advantage of this domestic market which has exceptional growth forecasts," Chairman Damien Seah said.

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“Since 2006 China Steel has been producing nickel pig iron which is sought by Chinese stainless steel producers as an alternative to pure nickel in the face of high prices in metals and commodities.

“China Steel provides the opportunity for investors to take advantage of this domestic market which has exceptional growth forecasts.”

The expanded processing plant near the city of Linyi in the Shandong province of China will have a production capacity of nickel pig iron of 135,000 metric tonnes per year, up from current levels of 45,000 metric tonnes.

Visit www.cnsteel.com.au.

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