



27 February 2009

China Steel Posts Net Profit of \$0.791M

China Steel Australia Limited - Consolidated			
	Half year to 31 Dec 2008	Half year to 31 Dec 2007	Movement %
Revenue	\$7.008m	\$13.406m	(48)
Net Profit After Tax (NPAT)	\$0.791m	\$9.750m	(92)
Earnings per share	0.3cps	24.5cps	

- Revenue \$7.008m, down on 31 December 2007, result
- NPAT \$0.791m, down on 31 December 2007, result
- Plant produced a total 16,407 tons of Nickel Pig Iron down from the 2007 production of 17,103 tons
- Global economic slowdown has resulted in decreased demand and selling prices of Nickel Pig Iron so China Steel to convert plant to produce Merchant Pig Iron

China Steel Australia (ASX:CNH) today announced net profit after tax (NPAT) of \$0.791M for the half year ended 31 December 2008.

Company chairman Xue Yongwen said the NPAT result was down 92 per cent from the \$9.750 million achieved for the corresponding period in 2007. No dividend for the period has been declared.

China Steel has been producing Nickel Pig Iron (NPI) for the domestic Chinese market from its plant near the city of Linyi in the Shandong Province of eastern China.

Mr Xue said the disappointing December 2008 result was mainly due to the challenging global economic conditions affecting the iron and steel market.

"This has caused a slowdown in activity and a fall in demand for NPI and a sharp drop in selling prices," he said.

Mr Xue said China Steel's total revenue over the six months was \$7.008 million, compared with \$13.406 million in 2007.

He said other factors leading to the decrease in revenue were lower processing fees and a change in China Steel's sales arrangements which required customers to supply the key raw material, coke, and include it in the processing cost.

Mr Xue said China Steel's plant produced a total of 16,407 tons of NPI, which was marginally lower than the 2007 production of 17,103 tons.

He said the lower selling prices and weak demand have resulted in China Steel deciding to convert its existing plant from being a producer of NPI to producing merchant pig iron (MPI) as previously announced on 19 February 2009.

"Emerging opportunities in the recovery of the iron and steel industry in China have influenced the decision to produce MPI rather than NPI," he said.

"We are confident that this new direction will be beneficial to China Steel and its shareholders."

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

"China Steel management has already started discussions with several potential customers and has received good interest levels from them," Mr Xue said.

"Our factory needs modification to start producing MPI and we expect the conversion work will take six to eight weeks."

Mr Xue said China Steel's profits for the 2008-09 financial year would be affected due to the time needed to convert the plant and the current global economic climate.

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

Mr Xue said the Chinese Government's iron and steel industry stimulus package appeared to be working effectively with ores being imported into China again and domestic iron and steel prices rising.

ENDS

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