



China Steel Australia (ASX:CNH)

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China Steel Australia Completes Plant Conversion

China Steel Australia Limited (ASX:CNH) today announced it has successfully converted its China-based nickel pig iron plant to produce merchant pig iron (MPI).

The plant near the city of Linyi in China's Shandong Province is expected to commence full production from June 1, 2009.

China Steel CEO Chen Lidong said emerging opportunities in the recovery of the iron and steel industry in China influenced the decision to produce MPI rather than nickel pig iron.

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

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

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

Mr Lidong said the Chinese Government's stimulus package appeared to be working, with many new major public infrastructure projects being awarded in China over the past month.

"The steel and metals industry in China is starting to recover slightly with many of the major steel mills planning to ramp up production over the next couple of months," he said.

He 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 conditions.

"Management now expects the group will break even for the full financial year due to the later than previously anticipated production commencement date," he said.

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