



Sanmenxia Tianyuan Aluminum Company Limited*

三門峽天元鋁業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8253)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Sanmenxia Tianyuan Aluminum Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Sanmenxia Tianyuan Aluminum Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

SUMMARY

- Total revenue of the Company for the year ended 31 December 2008 amounted to RMB1,494,398,000 (2007: RMB1,706,741,000), representing a decrease of approximately 12.44% as compared to that of last year.
- The Company recorded a net loss attributable to shareholders of approximately RMB29,891,000 for the year ended 31 December 2008, as compared to a net profit approximately RMB99,210,000 for the previous year.
- The directors do not propose any dividend for the year ended 31 December 2008.

RESULTS

The board of directors (the "Board") of Samenxia Tianyuan Aluminum Company Limited (the "Company") is pleased to announce the audited results of the Company for the year ended 31 December 2008 together with the comparative audited figures for the year ended 31 December 2007. The audited results of the Company for the year ended 31 December 2008 have been reviewed by the audit committee of the Company:

INCOME STATEMENT

For the Year Ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Turnover	4	1,429,619	1,664,872
Cost of goods sold		(1,359,858)	(1,389,869)
Gross profit		69,761	275,003
Other gains – net	4	45,317	26,358
Selling and distribution costs		(44,857)	(48,120)
Administrative expenses		(41,967)	(69,394)
Operating profit		28,254	183,847
Finance costs	5	(62,822)	(51,073)
(Loss)/profit before income tax	6	(34,568)	132,774
Income tax	7	4,677	(33,564)
(Loss)/profit for the year and attributable to shareholders		(29,891)	99,210
(Loss)/earning per share (expressed in RMB)			
Basic and diluted	8	(0.03)	0.08
Dividends	9	–	–

BALANCE SHEET

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Prepaid land lease and land use rights		13,171	–
Property, plant and equipment		798,918	433,821
Debenture, at cost		500	500
Available-for-sale financial assets		500	–
Deferred tax assets	7(b)	15,624	10,735
		<u>828,713</u>	<u>445,056</u>
Current assets			
Prepaid land lease and land use rights		306	–
Inventories		72,158	120,708
Trade receivables		49,267	90,273
Other current assets		191,250	375,526
Income tax recoverable		1,435	–
Pledged and restricted bank balances		559,547	562,192
Cash at banks and on hand		198,924	273,377
		<u>1,072,887</u>	<u>1,422,076</u>
LIABILITIES			
Current liabilities			
Trade payables		491,793	170,023
Other payables and accruals		479,408	532,814
Income tax payable		–	7,540
Bank borrowings		647,990	840,326
		<u>1,619,191</u>	<u>1,550,703</u>
Net current liabilities		<u>(546,304)</u>	<u>(128,627)</u>
Net assets		<u>282,409</u>	<u>316,429</u>
EQUITY			
Share capital	10	116,820	116,820
Reserves	11	165,589	199,609
		<u>282,409</u>	<u>316,429</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended 31 December 2008

1. GENERAL INFORMATION

Sanmenxia Tianyuan Aluminum Company Limited (the "Company") is principally engaged in production and distribution of aluminum ingots and alloy aluminum ingots. All of the Company's operating assets are located in the People's Republic of China (the "PRC").

The Company is a joint stock company with limited liability incorporated in the PRC. The address of the registered office and principal place of business is 10 Dong Feng Nan Road, Sanmenxia City, Henan Province, the PRC.

The Company's H shares have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited since July 2004.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated, which is the functional currency of the Company.

These financial statements for the year ended 31 December 2008 have been approved and authorised for issue by the Board of Directors on 26 March 2009.

At 31 December 2008, the Company's immediate parent company and ultimate parent company is Tianrui Group Company Limited.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of Stock Exchange of Hong Kong Limited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates.

As at 31 December 2008, the current liabilities of the Company exceeded the current assets by RMB546,304,000. In addition, as at 31 December 2008, the Company has capital commitments of approximately RMB642,366,000 and has given guarantees in favour of third parties ("Borrowers") amounting to RMB180,000,000 in respect of their bank borrowings and finance leases. The Company's ability to continue its business depends upon the continuing support from its bankers, the success of its future operations and whether the Company will be required to honour its guarantee obligations upon default by the Borrowers. Based on the revolving history of the bank loans, the directors are confident that the bank loans will be renewed by its bankers. The directors have reviewed the available financial information of the Borrowers, and the Company has not been notified by any banks or financial institutions to honour its guarantee obligations and repay the relevant borrowings on behalf of the Borrowers. Also, the parent company has undertaken to provide financial assistance to the Company whenever necessary. Accordingly, the directors are satisfied that the Company will be able to meet its financial obligations in the next twelve months and the financial statements have been prepared on a going concern basis.

3.2 Initial application of new/revised HKFRSs

During the year, the Company has applied, for the first time, a number of new and revised HKFRSs, which are effective for the current year's financial statements.

These include the following:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19-The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3.3 HKFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs (a)
HKAS 1 (Revised)	Presentation of Financial Statements (b)
HKAS 23 (Revised)	Borrowing Costs (b)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (c)
HKAS 21 & 1(Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation (b)
HKAS 39 (Amendments)	Eligible hedged items (c)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate (b)
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations (b)
HKFRS 3 (Revised)	Business Combinations (c)
HKFRS 8	Operating Segments (b)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (d)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (b)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (e)
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners (c)
HK(IFRIC)-Int 18	Transfers of Assets from Customers (c)

- (a) Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- (b) Effective for annual periods beginning on or after 1 January 2009
- (c) Effective for annual periods beginning on or after 1 July 2009
- (d) Effective for annual periods beginning on or after 1 July 2008
- (e) Effective for annual periods beginning on or after 1 October 2008

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment on the impact of these new HKFRSs but is not yet in position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

(a) Turnover and revenue

The Company is principally engaged in the production and distribution of aluminum ingots and alloy aluminum ingots. Revenue recognised are as follows:

	2008 RMB'000	2007 RMB'000
Turnover		
Sales of goods, net of valued-add tax	<u>1,429,619</u>	<u>1,664,872</u>
Other revenue		
Sales of scrap and other materials	20,380	16,857
Supply of electricity, heat and water	1,367	2,172
Realised gain on futures contracts	120	2,954
Interest income from bank deposits	<u>21,560</u>	<u>16,447</u>
Total other revenue	43,427	38,430
Expenses related to other revenue (<i>Note</i>)	<u>(19,462)</u>	<u>(15,511)</u>
	23,965	22,919
Government subsidies	10,000	1,520
Reversal of provision of impairment of receivables and other receivables, net	296	–
Reversal of staff welfare provision	10,113	–
Others	<u>943</u>	<u>1,919</u>
Other gains, net	<u>45,317</u>	<u>26,358</u>

Note: Expenses related to other revenues mainly include the cost of scrap and other materials sold and costs incurred in the supply of electricity, heat and water.

(b) Segment information

Primary reporting format – business segments

No segment information by business segment is presented as the principal operation of the Company is the production and distribution of aluminum related products including aluminum ingots and alloy aluminum ingots, which is considered as a single business segment.

Secondary reporting format – geographical segments

The Company operates in the PRC. The Company's sales are mainly made to customers in the following territories/countries:

	2008	2007
	RMB'000	RMB'000
The PRC	1,373,831	1,448,238
Republic of Korea	27,333	110,494
The United Kingdom	28,455	73,307
Hong Kong	–	32,833
	1,429,619	1,664,872

Sales are allocated based on the territories/countries in which customers are located.

Carrying amount of assets and capital expenditure by geographical segments have not been presented as all assets and operations of the Company are located in the PRC.

5. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
Interest expense on bank borrowings	81,390	51,073
Less: Amount capitalised to construction in progress	(18,568)	–
	62,822	51,073

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate ranging from 6.16% to 7.63% (2007: RMBNil) per annum to expenditure on qualifying assets.

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2008	2007
	RMB'000	RMB'000
Cost of materials and consumables sold	971,919	974,364
Staff costs	64,908	61,931
Depreciation on property, plant and equipment	43,801	43,923
Amortisation of prepaid operating lease payment	221	–
Loss on disposal of property, plant and equipment, net	185	1,866
Auditors' remuneration – audit services	1,283	1,293
Provision for/(reversal of) write-down of inventories	11,768	(610)
Provision for impairment of property, plant and equipment	–	11,342
(Reversal of)/provision for impairment of trade and other receivables, net	(296)	539
Bad debt written off	–	18
Net foreign exchange loss	776	4,874

7. INCOME TAX EXPENSE

	2008	2007
	RMB'000	RMB'000
Current income tax	212	44,299
Deferred tax	(4,889)	(10,735)
	<u>(4,677)</u>	<u>33,564</u>

- (a) A reconciliation of income tax calculated at the applicable tax rate with income tax expense is as follows:

	2008	2007
	RMB'000	RMB'000
(Loss)/profit before income tax	<u>(34,568)</u>	<u>132,774</u>
Tax calculated at a tax rate of 25% (2007: 33%)	(8,642)	43,815
Expenses not deductible for tax purposes	6,281	3,207
Income not subject to tax	(2,528)	(3,896)
Under-provision of current tax for previous year	212	1,353
Deferred tax assets not recognised in previous year and recognised in this year	<u>–</u>	<u>(10,915)</u>
Income tax (credit)/expense	<u>(4,677)</u>	<u>33,564</u>

The charge for income tax calculated at the rate of 25% (2007: 33%) on the estimated assessable income of the year was determined in accordance with relevant income tax rules and regulation of the PRC tax authority. The Company did not incur any overseas tax liability.

- (b) The following is the components of deferred tax assets recognised by the Company and movements thereon during the year:

	Provision for doubtful trade and other receivables	Provision for obsolete inventories	Impairment loss of property, plant and equipment	Unutilised tax loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	10,623	59	53	–	10,735
(Charge)/credit to income statement	<u>(74)</u>	<u>2,942</u>	<u>–</u>	<u>2,021</u>	<u>4,889</u>
At 31 December 2008	<u>10,549</u>	<u>3,001</u>	<u>53</u>	<u>2,021</u>	<u>15,624</u>

The unutilised tax loss will be expired in the year 2013.

8. (LOSS)/EARNING PER SHARE

(a) Basic

Basic (loss)/earning per share is calculated by dividing the (loss)/profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008 RMB'000	2007 RMB'000
(Loss)/profit attributable to shareholders of the Company	<u>(29,891)</u>	<u>99,210</u>
Weighted average number of ordinary shares in issue (in thousand shares)	<u>1,168,200</u>	<u>1,168,200</u>
Basic (loss)/earning per share (RMB)	<u>(0.03)</u>	<u>0.08</u>

(b) Diluted

The Company did not have any dilutive potential ordinary shares during 2008 and 2007. As a result, diluted (loss)/earning per share equals to basic (loss)/earning per share.

9. DIVIDENDS

	2008 RMB'000	2007 RMB'000
Proposed final dividend	<u>-</u>	<u>-</u>

The directors do not propose any dividend for the year ended 31 December 2008 (2007: RMBNil).

10. SHARE CAPITAL

	Domestic shares of RMB0.10 each		Registered, issued and fully paid H shares of RMB0.10 each		Total	
	No. of shares	RMB'000	No. of shares	RMB'000	No. of shares	RMB'000
At 31 December 2007	<u>818,180,000</u>	<u>81,818</u>	<u>350,020,000</u>	<u>35,002</u>	<u>1,168,200,000</u>	<u>116,820</u>
At 31 December 2008	<u>818,180,000</u>	<u>81,818</u>	<u>350,020,000</u>	<u>35,002</u>	<u>1,168,200,000</u>	<u>116,820</u>

All the domestic shares and H shares rank pari passu in all material aspects except that dividends to holders of H shares are declared in Renminbi but paid in Hong Kong dollars.

11. STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			Total RMB'000
	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2007	62,099	27,436	10,864	100,399
Profit for the year	–	–	99,210	99,210
Transfer from retained earnings to statutory surplus reserve	–	6,530	(6,530)	–
Balance at 31 December 2007	<u>62,099</u>	<u>33,966</u>	<u>103,544</u>	<u>199,609</u>
Balance at 1 January 2008	62,099	33,966	103,544	199,609
Loss for the year	–	–	(29,891)	(29,891)
Transfer to Nation Social Security Fund	<u>(4,129)</u>	–	–	<u>(4,129)</u>
Balance at 31 December 2008	<u>57,970</u>	<u>33,966</u>	<u>73,653</u>	<u>165,589</u>

12. SUMMARY OF THE AUDITORS' REPORT

The report of the auditors on the Company's financial statements has been modified to include the disclosures of a material uncertainty with respect to the Company's ability to continue as a going concern. The auditors, without qualifying their opinion, have drawn attention in their report to the basis of preparation concerning the adoption of the going concern basis on which the financial statements have been prepared, the validity of which depends upon the continuing support from the Company's bankers, the success of its future operations, and whether the Company will be required to honour its guarantee obligations upon default by the original borrowers. The financial statements do not include any adjustments that would result from the failure of such measures. Details of the circumstances relating to this material uncertainty are described in Section 2 "Basis of preparation" as mentioned above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR 2008

The Company is principally engaged in the production and sale of aluminum re-smelt ingots and aluminum alloy. The Company currently owns two smelting facilities, and one aluminum alloy production facility. The Company has a total annual production capacity of about 100,000 tonnes of aluminum re-smelt ingots and 50,000 tonnes aluminum alloy products respectively. The Company had manufactured about 98,830 tonnes of aluminum re-smelt ingots in 2008, representing a decrease of 0.52%, from 99,347 tonnes for 2007. Production volume of aluminum alloy amounted to 5,682 tonnes in 2008, representing a decrease of 71.71%, from 20,087 tonnes for 2007.

BUSINESS REVIEW

Results of Operations

The Company's loss amounted to approximately RMB29,891,000 for 2008, as compared with the profit of about RMB99,210,000 for 2007.

The decrease in profit from 2007 to a loss in 2008 was primarily due to the decrease in the demand in the market and the selling price.

Turnover

The Company's total turnover amounted to approximately RMB1,429,619,000 in 2008, representing a decrease of 14.13%, from about RMB1,664,872,000 for 2007. The decrease in turnover was mainly due to the decrease in both selling prices and market demand for alloy products in 2008. The average selling price of aluminum ingots was 13.73% lower than those in 2007.

During 2008, of the total turnover amount, approximately RMB1,332,472,000 or 93.20% was generated from the sale of aluminum re-smelt ingots, and about RMB97,147,000 or 6.80% was generated from the sale of aluminum alloy.

The sales of aluminum re-smelt ingots amounted to approximately RMB1,332,472,000 in 2008, representing a slight increase of 1.45%, from about RMB1,313,446,000 in 2007.

The sales of aluminum alloy amounted to approximately RMB97,147,000 in 2008, representing a decrease of 72.36%, from about RMB351,426,000 in 2007.

Sales volume of aluminum re-smelt ingots and aluminum alloy amounted to 99,118 tonnes in 2008, representing a slight decrease of 463 tonnes or 0.46%, from 99,581 tonnes in 2007. The average price was RMB14,423 per tonne in 2008, representing a decrease of RMB2,296 per tonnes or 13.73%, from RMB16,719 per tonne in 2007. Of the total sales volume, the sales volume of aluminum re-smelt ingots was 93,324 tonnes in 2008, representing an increase of 14,080 tonnes or 17.77%, from 79,244 tonnes in 2007; the average selling price of aluminum re-smelt ingots amounted to RMB14,278 per tonne for 2008, representing a decrease of RMB2,297 per tonne or 13.86%, from RMB16,575 per tonne in 2007; the sales volume of aluminum alloy was 5,794 tonnes in 2008, representing a decrease of 14,543 tonnes or 71.51%, from 20,337 tonnes in 2007; the average selling price of aluminum alloy amounted to RMB16,766 per tonne in 2008, representing a decrease of RMB514 per tonne or 2.97% from RMB17,280 per tonne in 2007.

Cost of sales

The Company's total cost of sales amounted to approximately RMB1,359,858,000 in 2008, representing a decrease of 2.16%, from about RMB1,389,869,000 in 2007. The decrease was mainly due to the decrease in the price of major raw material, alumina.

The average selling cost for aluminum re-smelt ingots was RMB13,403 per tonne in 2008, representing a decrease of RMB486 per tonne or 3.50% from RMB13,889 per tonne in 2007.

The average selling cost for aluminum alloy was RMB14,585 per tonne, representing a slight increase of RMB362 per tonne or 2.55%, from RMB14,223 per tonne in 2007.

The average purchase price for alumina was RMB2,831 per tonne in 2008, decreased by RMB255 per tonne or 8.3%, from RMB3,086 per tonne in 2007. Average price for electricity amounted to RMB0.3490 per degree, decreased by RMB0.0042 per degree or 1.19%, from RMB0.3532 per degree in 2007.

Gross profit

The Company's gross profit for the year ended 31 December 2008 was approximately RMB69,761,000 and the gross profit ratio was 4.88%, when compared with approximately RMB275,003,000 and gross profit ratio of 16.52% for 2007. The decrease in 2008 was mainly due to the effect of the decrease in the selling price of the aluminum re-smelt ingots and aluminum alloy ingots is higher than the decrease in cost of major raw material, i.e. alumina. Average market price for aluminum re-smelt ingots and aluminum alloy ingots amounted to RMB14,423 per tonne, representing a decrease of 13.73% from that of the previous year. Cost of sales for aluminum re-smelt ingots and aluminum alloy ingots amounted to RMB13,472 per tonne, representing a decrease of 3.47% from that of the previous year.

Selling and Distribution Expenses

The Company's selling and distribution expenses were approximately RMB44,857,000 or 3.14% of turnover in 2008, decreased by 6.78%, from about RMB48,120,000 or 2.89% of turnover in 2007. The decrease was mainly attributable to the reduction in export trading this year.

General and Administrative Expenses

The Company's general and administrative expenses were approximately RMB41,967,000 in 2008, representing a decrease of RMB27,427,000 or 39.52%, from about RMB69,394,000 in 2007. The decrease was mainly attributable to: (1) there was no provision for impairment loss on construction in progress in 2008, while there was such provision of approximately RMB11,342,000 in 2007, and (2) the implementation of cost and expenses control measure, through which the Company further reduced the expenses in entertainment, travelling and consultancy by approximately RMB5,342,000 than that in 2007.

Other Revenue

Other revenue of the Company amounted to approximately RMB64,779,000 in 2008, representing an increase of RMB22,910,000 or 54.72%, from about RMB41,869,000 in 2007. The increase was mainly due to increase in interest income by about RMB5,113,000 than that in 2007; increase in government subsidies for enhancement of production facilities by about RMB8,480,000; and increase by reversal of staff welfare provision made in 2007 by approximately RMB10,113,000.

Expenses related to other revenues

The Company's expenses related to other revenues in 2008 were approximately RMB19,462,000, representing an increase of RMB3,951,000 or 25.47%, from about RMB15,511,000 in 2007. The increase was due to increase in cost of sales of pre-baked carbon anode amounted to about RMB3,000,000.

Finance Costs

The finance costs for the Company in 2008 were approximately RMB62,822,000, representing an increase of RMB11,749,000 or 23.0%, from about RMB51,073,000 in 2007. The increase of interest expenses was mainly due to the increase of average outstanding loan balance during the year.

Net Loss

As a result of the foregoing, the Company's net loss for the year was approximately RMB29,891,000 (2007: profit of RMB99,210,000).

Significant Investment

The Company adopts a conservative set of investment policies to ensure that no unnecessary risks are taken with the Company's assets. No investment other than short-term bank deposits are currently permitted.

The Company has not held any significant investment for the year ended 31 December 2008.

Working Capital and Liabilities

As of 31 December 2008, the Company's current assets amounted to approximately RMB1,072,887,000, representing a decrease of RMB349,189,000 from about RMB1,422,076,000 as of 31 December 2007. The decrease was due to: (1) the decrease of bank balances of approximately RMB77,098,000; (2) decrease in purchase deposits to third parties of approximately RMB186,002,000; (3) decrease in inventories by approximately RMB48,550,000 and (4) decrease in trade receivables by approximately RMB41,006,000.

As of 31 December 2008, the Company's current liabilities amounted to approximately RMB1,619,191,000, representing an increase of RMB68,488,000, from about RMB1,550,703,000 as of 31 December 2007. The increase was mainly attributable to the increase of trade payables by approximately RMB321,770,000 and offset by the decrease in receipt in advance from customers by approximately RMB55,603,000 and reduce in bank borrowing by approximately RMB192,336,000.

Capital Structure

As of 31 December 2008, borrowings of the Company were mainly denominated in Renminbi, and other cash equivalents were mainly held in Renminbi.

The Company plans to maintain an appropriate gearing ratio to ensure having an effective capital structure from time to time. As at 31 December 2008, the Company had an aggregate outstanding borrowings of approximately RMB1,048,190,000 (including bills payables of about RMB400,200,000). The gearing ratio was 371.16% (being the aggregate outstanding borrowings of RMB1,048,190,000 divided by the total net assets of RMB282,409,000).

Contingent Liabilities

As at 31 December 2008, the Company had given guarantees in favour of certain third parties to the extent of RMB180,000,000 (2007: RMB90,000,000) in respect of these companies' banking facilities and finance leases in the PRC. These companies also provided reciprocal guarantees in respect of the Company's borrowings. Details of the banking facilities and finance leases utilised are as follows:

	2008	2007
	RMB'000	RMB'000
Third parties	<u>92,280</u>	<u>-</u>

The Directors have reviewed the available financial information of the party to which the Company has given the guarantees.

Capital Commitments

Capital commitments at the balance sheet date but not yet recorded are as follows:

	2008	2007
	RMB'000	RMB'000
Property, plant and equipment Contracted but not provided for	<u>642,366</u>	<u>417,388</u>

Included within is a contract between the Company and its former parent company, Sanmenxia Tianyuan Group Limited, whereby the Company would acquire the properties and land use rights currently leased from the former parent company at a total consideration of RMB168,088,000. The entire consideration is to be settled by (i) assignment of the Company's balances due from a former related company of RMB43,990,000 to the former parent company; (ii) assignment of purchase deposits of RMB72,213,000; and (iii) cash or inventories (at the option of the Company) or assuming bank borrowings originally owed by the former parent company of totally RMB51,885,000.

Cash and Cash Equivalents

Total cash of the Company as of 31 December 2008 (including foreign currency-denominated deposits) amounted to approximately RMB758,471,000. Pledged and restricted deposits which do not fall into the definition of cash equivalents, cash and cash equivalent of the Company as at 31 December 2008 amounted to RMB198,924,000.

Cash Flow

As at 31 December 2008, the Company had cash, bank balances and deposits in bank of RMB198,924,000 (2007: RMB273,377,000), representing a decrease of RMB74,453,000 from the beginning of the year. This was mainly attributable to the increase in receipts in advance from customers. During the year, the Company had net cash inflow from operating activities of RMB535 million (2007: RMB296 million of net cash inflow), net cash outflow from investing activities of RMB385 million (2007: RMB5 million of net cash inflow), and net cash outflow from financing activities of RMB201 million (2007: RMB175 million of net cash outflow).

Details of pledged assets of the Company

As at 31 December 2008, the Company has pledged bank balances and plant and machinery amounted to approximately RMB559,530,000 and approximately RMB106,297,000 respectively for the purpose of obtaining bank financing.

Foreign Exchange Rate Risk

The Company conducts its business primarily in Renminbi. During the year under review, the Company has neither experienced any significant difficulties nor any operating capital or cash flow problems resulting from fluctuation in the exchange rate. The Directors believe that having regard to the working capital position of the Company, it is able to meet its foreign exchange liabilities as they become due.

Information of Employees

As at 31 December 2008, the Company has 1,947 employees (2007: 2,329). Staff costs, including Directors' remuneration, was approximately RMB64,908,000 for the year under review. The Company remunerates its employees based on their performance, experience and the prevailing industry practice.

Staff Retirement Plan

The employees of the Company participate in a retirement benefit plan organised by municipal and provincial governments under which the Company was required to make monthly defined contributions to this plan at the rate of 20% of the employees' basic salary. The Company's contributions to this defined contribution scheme are expensed as incurred. The assets of the scheme, which is operated by the respective governments, are held separately from the Company. There were no forfeited contributions during the years. As at 31 December 2008, the Company had outstanding payable to the retirement scheme amounting to approximately RMB9,510,000 (2007: RMB1,261,000), which was included in other payables and accruals.

Pre-emptive Rights

Under the Articles of Association of the Company and the laws of the PRC, no pre-emptive rights exist that require the Company to offer new shares to its exiting shareholders in proportion to their shareholding.

Litigation

As of 31 December 2008, the Company has no significant pending litigation.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

Each of the Directors (including non-executive Directors) and supervisors of the Company (the "Supervisors") has entered into a service contract with the Company for a term of three years. No Director or Supervisor has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS', CHIEF EXECUTIVES', AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

Disclosure of Interests

As at 31 December 2008, none of the Directors, the Supervisors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2008, save as disclosed in the section headed "Connected Transaction" none of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Company to which the Company was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2008, none of the Directors was granted any option to subscribe for shares of the Company. As at 31 December 2008, none of the Directors had any right to acquire shares in the Company.

REMUNERATION POLICY

Remuneration policy of the employees of the Company is set on the basis of their merit, qualifications and experience.

The remuneration of the Directors are decided, having regard to the Company's operating results, individual performance and comparable market statistic.

SHARE OPTION SCHEME

Up to 31 December 2008, the Company had not adopted any share option scheme or granted any option.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company confirms that it has received from each of independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors or Supervisors and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 31 December 2008, so far as is known to the Directors, the Supervisors or chief executive of the Company, the following persons, other than a Director, Supervisor or chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Interests in Domestic Shares (long positions):

Name	Capacity	Class of Shares	Number of Shares (Long position)	Percentage in the total issued Domestic Shares	Percentage in the total issued H Shares	Approximate percentage in the entire issued share capital of the Company
Substantial shareholders						
Li Liu Fa (Note 1)	Interest of controlled corporation	Domestic Shares	782,882,280	95.69%	–	67.02%
Tianrui Group Company Limited (天瑞集團有限公司) (“Tianrui Group”)	Beneficial owner	Domestic Shares	782,882,280	95.69%	–	67.02%
Other shareholders						
BOCOM International (Asia) Limited (Formerly known as BOCOM International Holdings Limited) (Note 2)	Beneficial owner	H Shares	94,420,000	–	26.98%	8.08%
CCIB Opportunity Income Growth Fund (Note 2)	Beneficial owner	H Shares	26,200,000	–	7.49%	2.24%
Chen Yamin	Beneficial owner	H Shares	17,660,000	–	5.05%	1.51%

Notes:

- These Domestic Shares were held by Tianrui Group, which was owned as to 52.08% by Li Liu Fa and 32.58% by Li Feng Luan, the spouse of Li Liu Fa. Li Liu Fa was deemed to be interested in these 782,882,280 Domestic Shares under Part XV of the SFO.
- Information on the interests of these shareholders were based on information set out in the website of the Stock Exchange.

As at 31 December 2008, save for the persons described in the paragraph headed “Substantial shareholders’ and other shareholders’ interests” above, the Directors were not aware of any other person (other than the Directors, the Supervisors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

As at 31 December 2008, save for the person described in the paragraph headed “Interests of substantial shareholder and other persons” above, no other person has an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not purchased, sold or redeemed any of the Company's listed shares in the year ended 31 December 2008.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the five largest customers of the Company's aluminum re-smelt ingots and aluminum alloy accounted for approximately 12% and approximately 46%, respectively, of the Company's total turnover for the year ended 31 December 2008.

The amount of raw materials (including electricity) provided by the largest supplier and the five largest suppliers of the Company accounted for approximately 41% and approximately 79%, respectively, of the Company's total cost of purchase.

None of the Directors or their respective associates (as defined under the GEM Listing Rules) has any interests in the Company's five largest customers or five largest suppliers of the primary aluminum segment at any time during the year ended 31 December 2008.

CONNECTED TRANSACTIONS

During the year, the Company undertook certain connected transactions and continuing connected transactions with its connected persons (as defined under the GEM Listing Rules), details of which were as follows:

Connected Persons

1. Tianrui Group, a limited liability company established under the laws of the PRC.
2. Jiaozuo City Dongxing Carbon Company Limited (焦作市東星炭素有限公司) (“Dongxing”), formerly known as Jiaozuo City Jiaolu Carbon Factory (焦作市焦鋁炭素廠), which was subsequently established as a limited liability company on 10 January 2002 and is a promoter of the Company.
3. Henan Ruixue Aluminum Company Limited (河南瑞雪鋁業有限公司) (“Ruixue”), a company incorporated in the PRC with limited liability and owned as to 51% by the brother-in-law of Mr. Li Liu Fa, the substantial shareholder of the Company.

Connected Transactions

The Company had entered into a Subscription Agreement dated 24 October 2007 as amended by a Supplemental Subscription Agreement dated 22 July 2008 with Tianrui Group, pursuant to which Tianrui Group agreed to subscribe for 625,000,000 new domestic shares of the Company.

Continuing Connected Transactions

1. The supply of pre-baked carbon anode by Dongxing to the Company under the Raw Material Supply Agreement dated 24 April 2008 entered into between the Company and Dongxing. The aggregate sum paid by the Company to Dongxing under the transactions during the year ended 31 December 2008 amounted to RMB742,000.

2. The supply of alumina by Ruixue to the Company under the Raw Material Supply Agreement dated 24 April 2008 entered into between the Company and Ruixue. The aggregate sum paid by the Company to Ruixue under the transactions during the year ended 31 December 2008 amounted to RMBNil.

In respect of transactions set out in the paragraph headed "Continuing Connected Transactions" above, the Company has obtained independent shareholder's approval on the transactions and their respective annual caps for each of the three years ending 31 December 2010 at the annual general meeting held on 4 July 2008.

The aforesaid continuing connected transactions were reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company had received a letter from the auditors in respect of the transactions mentioned above confirming that the transactions:

- (a) had received the approval of the board of directors of the Company;
- (b) were entered into in accordance with the relevant agreements; and
- (c) had not exceeded the caps disclosed in the previous announcements relating to the aforesaid transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practice set out in Appendix 15 of the GEM Listing Rules in the financial year ended 31 December 2008.

AUDIT COMMITTEE

The Company established an audit committee on 13 June 2004 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly report and quarterly reports and to provide advice and comments thereon to reporting process and internal control system of the Company to the Board. During the year, four meetings have been held by the audit committee.

AUDITORS

Martin C.K. Pong & Company Certified Public Accountants and Beijing Xinghua Certified Public Accountants were the international auditors and the PRC auditors to the Company respectively for the year ended 31 December 2008. A resolution for the re-appointment of international auditors and PRC auditors to the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
Sanmenxia Tianyuan Aluminum Company Limited
LI He Ping
Chairman

Sanmenxia City, Henan Province, the PRC
26 March 2009

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:

Mr. Tan Yu Zhong
Mr. Xiao Chong Xin
Mr. Zhao Zheng Bin

Non-executive Directors:

Mr. Li He Ping (*chairman*)
Mr. Yan Li Qi

Independent Non-executive Directors:

Mr. Zhu Xiao Ping
Mr. Song Quan Qi
Mr. Chan Nap Tuck

This announcement will remain on the "Latest Company Announcements" page on the GEM website for 7 days from the day of its posting.