



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 2009**

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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 (the “Directors”) of Sanmenxia Tianyuan Aluminum Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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 2009 amounted to RMB814,937,000 (2008: RMB1,494,398,000), representing a decrease of approximately 45.47% as compared to that of last year.
- The Company recorded a net loss attributable to shareholders of approximately RMB52,601,000 for the year ended 31 December 2009, as compared to a net loss approximately RMB29,891,000 for the previous year.
- The directors do not propose any dividend for the year ended 31 December 2009.

## RESULTS

The board of directors (the "Board") of Sanmenxia Tianyuan Aluminum Company Limited (the "Company") is pleased to announce the audited results of the Company for the year ended 31 December 2009 together with the comparative audited figures for the year ended 31 December 2008. The audited results of the Company for the year ended 31 December 2009 have been reviewed by the audit committee of the Company:

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Revenue	6	<b>786,593</b>	1,429,619
Cost of sales		<b>(760,661)</b>	(1,359,858)
<b>Gross profit</b>		<b>25,932</b>	69,761
Other revenue	6	<b>9,340</b>	45,317
Distribution costs		<b>(16,192)</b>	(44,857)
Administrative expenses		<b>(49,491)</b>	(41,967)
Finance costs	7	<b>(30,227)</b>	(62,822)
<b>Loss before tax</b>	8	<b>(60,638)</b>	(34,568)
Income tax credit	9	<b>8,037</b>	4,677
Loss for the year		<b>(52,601)</b>	(29,891)
Other comprehensive income		<b>-</b>	-
<b>Total comprehensive income for the year</b>		<b>(52,601)</b>	(29,891)
<b>Loss attributable to the owners of the Company</b>		<b>(52,601)</b>	(29,891)
<b>Total comprehensive income attributable to the owners of the Company</b>		<b>(52,601)</b>	(29,891)
<b>Loss per share</b> (expressed in RMB)			
Basic and diluted	10	<b>(0.03)</b>	(0.02)

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Prepaid lease payments		13,171	13,477
Property, plant and equipment		851,449	798,918
Debenture, at cost		500	500
Available-for-sale investments		–	500
Deferred tax assets		23,697	15,624
		<u>888,817</u>	<u>829,019</u>
<b>Current assets</b>			
Inventories		91,688	72,158
Trade receivables	12	43,184	49,267
Other receivables and deposits		224,261	191,250
Held-for-trading investments		2,000	–
Current tax assets		1,399	1,435
Pledged bank balances		493,574	559,547
Cash and cash equivalents		229,886	198,924
		<u>1,085,992</u>	<u>1,072,581</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	13	419,446	491,793
Other payables and accruals		463,757	479,408
Financial guarantee liabilities		4,086	–
Borrowings		531,802	647,990
		<u>1,419,091</u>	<u>1,619,191</u>
<b>Net current liabilities</b>		<u>(333,099)</u>	<u>(546,610)</u>
<b>Total assets less current liabilities</b>		<u>555,718</u>	<u>282,409</u>
<b>Non-current liabilities</b>			
Financial guarantee liabilities		1,213	–
Long-term borrowings		48,000	–
		<u>49,213</u>	<u>–</u>
<b>Net assets</b>		<u>506,505</u>	<u>282,409</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owner of the Company</b>			
Share capital	14	390,834	116,820
Reserves		115,671	165,589
<b>Total equity</b>		<u>506,505</u>	<u>282,409</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2010.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

### Attributable to owners of the Company

	Share capital	Capital reserve	Statutory surplus reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2008</b>	116,820	62,099	33,966	103,544	316,429
Total comprehensive income for the year	-	-	-	(29,891)	(29,891)
Transfer to National Social Security Fund	-	(4,129)	-	-	(4,129)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance at 31 December 2008</b>	116,820	57,970	33,966	73,653	282,409
Total comprehensive income for the year	-	-	-	(52,601)	(52,601)
Issue of shares	274,014	16,192	-	-	290,206
Share issue expenses	-	(13,509)	-	-	(13,509)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance at 31 December 2009</b>	<u>390,834</u>	<u>60,653</u>	<u>33,966</u>	<u>21,052</u>	<u>506,505</u>

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(120,740)	625,507
Interest paid	(53,280)	(81,649)
Income tax paid	–	(9,187)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(174,020)	534,671
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	2,538	190
Interest received	4,061	19,739
Purchase of property, plant and equipment	(74,983)	(398,223)
Payment of prepaid lease payments	–	(6,180)
Proceeds from sales of available-for-sale investments	528	–
Purchase of available-for-sale investments	–	(500)
Purchase for held-for-trading investments	(2,494)	–
Proceed from sales of held-for-trading investment	513	–
	<hr/>	<hr/>
Net cash used in investing activities	(69,837)	(384,974)
<b>Cash flows from financing activities</b>		
Decrease in pledged bank balances	65,973	2,645
Payment to National Social Security Fund	–	(11,418)
Proceeds from borrowings	713,901	1,536,690
Repayment of borrowings	(782,089)	(1,729,026)
Proceeds from issue of shares	290,206	–
Payment of share issue expenses	(13,509)	–
	<hr/>	<hr/>
Net cash from/(used in) financing activities	274,482	(201,109)
Effect of exchange rate changes on cash and cash equivalents	337	(23,041)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	30,962	(74,453)
Cash and cash equivalents at beginning of the year	198,924	273,377
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	229,886	198,924
	<hr/>	<hr/>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	229,886	198,924
	<hr/>	<hr/>

## NOTES TO FINANCIAL STATEMENTS

*For the year ended 31 December 2009*

### 1. GENERAL INFORMATION

Sanmenxia Tianyuan Aluminum Company Limited (the "Company") is incorporated in the People's Republic of China (the "PRC") as a joint stock company with limited liability. 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 are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited.

The Company is principally engaged in the production and distribution of aluminum ingots and alloy aluminum ingots.

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

At 31 December 2009, the parent company and the ultimate parent company of the Company is Tianrui Group Company Limited which is incorporated in PRC.

### 2. STATEMENT OF COMPLIANCE

These 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

### 3. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments are stated at fair values as explained in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the applications of policies and reported amounts of assets, liabilities, income and expenses. Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major source of estimation uncertainty are discussed.

As at 31 December 2009, the current liabilities of the Company exceeded the current assets by RMB333,099,000. In addition, the Company had capital commitments of approximately RMB631,485,000 and had given guarantees in favour of third parties ("Borrowers") amounting to RMB240,000,000 in respect of their bank borrowings. 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.

#### 4. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Company has applied all of the new and revised Standards, Amendments and Interpretations issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The new and revised Standards, Amendments and Interpretations adopted in the current year are referred to as new and revised HKFRSs. The adoption of new and revised HKFRSs has had no material effect on these financial statements unless otherwise stated below:

##### HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Company has elected to present a single statement of comprehensive income.

##### Amendment to HKFRS 7 Financial Instrument Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. Fair value measurements related to items recorded at fair values are to be disclosed by sources of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair values. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 37. The liquidity risk disclosures are not significantly impacted by the amendments.

#### 5. HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Company has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective up to the date of issue of these financial statements.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in May 2008 (a)
HKFRSs (Amendments)	Improvements to HKFRSs issued in April 2009 (b)
HKAS 24 (Revised)	Related Party Disclosures (f)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (a)
HKAS 32 (Amendments)	Classification of Rights Issues (d)
HKAS 39 (Amendments)	Eligible hedged items (a)
HKFRS 1 (Amendments)	Additional Exemptions for first-time Adopters (c)
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions (c)
HKFRS 3 (Revised)	Business Combinations (a)
HKFRS 9	Financial Instruments (g)
HK(IFRIC)-Int 14 (Amendments)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (f)
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners (a)
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments (e)

- (a) Effective for annual periods beginning on or after 1 July 2009
- (b) Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 or 1 January 2010, as appropriate
- (c) Effective for annual periods ending on or after 1 January 2010
- (d) Effective for annual periods ending on or after 1 February 2010
- (e) Effective for annual periods ending on or after 1 July 2010
- (f) Effective for annual periods ending on or after 1 January 2011
- (g) Effective for annual periods ending on or after 1 January 2013

The Company is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. The Company anticipates that the adoption of them will not have any significant impact on the Company's results of operations and financial position.

## 6. 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:

	2009 RMB'000	2008 RMB'000
Turnover		
Sales of goods, net of valued-add tax	<u>786,593</u>	<u>1,429,619</u>
Other revenue		
Sales of scrap and other materials	18,011	20,380
Supply of electricity, heat and water	–	1,367
Realised gain on futures contracts	–	120
Interest income from bank deposits	<u>5,610</u>	<u>21,560</u>
Total other revenue	23,621	43,427
Expenses related to other revenue ( <i>Note</i> )	<u>(19,004)</u>	<u>(19,462)</u>
	4,617	23,965
Government subsidies	3,500	10,000
Reversal of provision of impairment of receivables and other receivables, net	58	296
Reversal of staff welfare provision	–	10,113
Others	<u>1,165</u>	<u>943</u>
Other gains, net	<u>9,340</u>	<u>45,317</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

#### *Segment revenue, result and financial position*

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 segment. No segment information by a such operating segment is presented.

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

	2009 RMB'000	2008 RMB'000
The PRC	786,593	1,373,831
Republic of Korea	–	27,333
The United Kingdom	–	28,455
Hong Kong	–	–
	<u>786,593</u>	<u>1,429,619</u>

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.



## 7. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expense on bank and other borrowings wholly repayable within five years	53,475	81,390
Less: Amount capitalised into construction in progress	<u>(23,248)</u>	<u>(18,568)</u>
	<u>30,227</u>	<u>62,822</u>

The borrowing costs have been capitalized at a rate of 6.10% to 6.98% per annum (2008: 6.16% to 7.63%).

## 8. LOSS BEFORE TAX

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

	2009 RMB'000	2008 RMB'000
Cost of inventories sold	340,293	971,919
Staff costs including director's remuneration	52,963	64,908
Depreciation of property, plant and equipment	42,229	43,801
Amortisation of prepaid leases payments	306	221
Loss on disposal of property, plant and equipment	933	185
Auditors' remuneration – audit services	1,381	1,283
Write-down of inventories	–	11,768
Write back of impairment of trade and other receivables	(58)	(296)
Foreign exchange loss, net	<u>157</u>	<u>776</u>

## 9. INCOME TAX CREDIT

	2009 RMB'000	2008 RMB'000
Current tax:		
PRC Enterprise Income Tax		
Current	36	–
Under-provision	<u>–</u>	<u>212</u>
	36	212
Deferred tax	<u>(8,073)</u>	<u>(4,889)</u>
	<u>(8,037)</u>	<u>(4,677)</u>

The provision for the PRC Enterprise Income Tax is calculated at 25% (2008: 25%) of the estimated taxable profits for the year.

A reconciliation of income tax credit applicable to loss before tax using the statutory rate to the tax credit at the effective tax rate are as follows:

	<b>2009</b> <b>RMB'000</b>	2008 RMB'000
Loss before tax	<u><b>(60,638)</b></u>	<u>(34,568)</u>
Tax at statutory rate	<b>(15,159)</b>	(8,642)
Income not subject to tax	–	(2,528)
Expenses not deductible for tax	<b>3,093</b>	6,281
Under-provision of tax for previous year	–	212
Unrecognised temporary difference	<u><b>4,029</b></u>	<u>–</u>
Income tax credit	<u><b>(8,037)</b></u>	<u>(4,677)</u>

## 10. LOSS PER SHARE

### (a) Basic

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

	<b>2009</b> <b>RMB'000</b>	2008 RMB'000
Loss attributable to shareholders of the Company	<u><b>(52,601)</b></u>	<u>(29,891)</u>
		(restated)
Weighted average number of ordinary shares in issue (in thousand shares)	<u><b>1,747,695</b></u>	<u>1,420,531</u>
Basic loss per share (RMB)	<u><b>(0.03)</b></u>	<u>(0.02)</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2008 have been retrospectively adjusted for the Rights Issue.

### (b) Diluted

The Company did not have any dilutive potential ordinary shares during 2008 and 2009. As a result, diluted loss per share equals to basic loss per share.

## 11. DIVIDENDS

	<b>2009</b> <b>RMB'000</b>	2008 RMB'000
Proposed final dividend	<u>–</u>	<u>–</u>

The directors do not propose any dividend for the year ended 31 December 2009 (2008: RMBNil).

## 12. TRADE RECEIVABLES

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Trade receivables (Note (a))	<b>84,076</b>	85,196
Less: Provision for impairment	<b>(40,892)</b>	(40,929)
	<b>43,184</b>	44,267
Bills receivable (Note (b))	<b>–</b>	5,000
	<b>43,184</b>	49,267

An aged analysis of trade receivables as at the year end date, based on the invoice date, and net of provisions, is as follows:

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
1–30 days	<b>22</b>	35
31–60 days	<b>–</b>	94
61–90 days	<b>–</b>	13
91–120 days	<b>–</b>	44
121–365 days	<b>–</b>	10
Over 1 year (Note (c))	<b>43,162</b>	44,071
	<b>43,184</b>	44,267

- (a) The Company performs periodic credit evaluation on its customers and different credit policies are adopted for individual customers accordingly. Certain of the Company's sales were on advance payment or documents against payment. Sales to small, new or short-term customers are normally expected to be settled shortly after delivery. A credit period, which may be extended for up to one month, may be granted, subject to negotiation, in respect of sales to large or long-established customers.

The Company has reversed the provision for impairment of its trade receivables during the year ended 31 December 2009 of RMB37,000 (2008: provision of RMB1,271,000).

- (b) Bills receivable are bills of exchange with maturity dates less than six months.
- (c) Trade receivables aged over 1 year would principally be used for the settlement of the consideration for the acquisition of the properties and land use rights from its former parent company.
- (d) As at 31 December 2008 and 2009, the trade receivables were pledged under a floating charge to secure the Company's bank borrowings.

### 13. TRADE PAYABLES

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Trade payables	<b>72,846</b>	91,593
Bills payables (Note (a))	<b>346,600</b>	400,200
	<b><u>419,446</u></b>	<u>491,793</u>

An aged analysis of the trade payables as at the year end date, based on the invoice date, is as follows:

	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
1–60 days	<b>50,913</b>	76,556
61–90 days	<b>3,324</b>	4,869
91–120 days	<b>1,605</b>	1,580
121–365 days	<b>5,888</b>	5,372
Over 1 year	<b>11,116</b>	3,216
	<b><u>72,846</u></b>	<u>91,593</u>

(a) Bills payable are repayable within six months and are secured by pledged bank deposits of RMB226,600,000 (2008: RMB295,233,000) and by guarantees given by third parties and related companies.

(b) As at 31 December 2009, the trade payables denominated in United States dollars and Renminbi amounted to RMB Nil and RMB72,846,000 (2008: RMB30,520,000 and RMB61,073,000) respectively.

### 14. SHARE CAPITAL

	<b>Registered, issued and fully paid</b>					
	<b>Domestic shares</b>		<b>H shares</b>		<b>Total</b>	
	<b>of RMB0.10 each</b>		<b>of RMB0.10 each</b>			
	No. of shares	RMB'000	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January 2008 and 31 December 2008	818,180,000	81,818	350,020,000	35,002	1,168,200,000	116,820
Issue of rights shares	1,900,096,104	190,010	840,048,000	84,004	2,740,144,104	274,014
Domestic shares transfer to H shares	<u>(17,648,860)</u>	<u>(1,765)</u>	<u>17,648,860</u>	<u>1,765</u>	–	–
<b>At 31 December 2009</b>	<b><u>2,700,627,244</u></b>	<b><u>270,063</u></b>	<b><u>1,207,716,860</u></b>	<b><u>120,771</u></b>	<b><u>3,908,344,104</u></b>	<b><u>390,834</u></b>

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.

On 14 November 2009, 2,740,144,104 ordinary shares of RMB0.10 each was issued and allotted by way of the rights issue, on the basis of twelve rights share for every five shares held on the 22 September 2009, at a subscription price RMB0.106 or equivalent to HK\$0.12 per rights share (“Rights Issue”). The net proceeds of approximately RMB276.7 million from the Rights Issue were intended to be used for modification of production plants and facilities in order to enhance production capacity. The new shares rank pari passu with the existing shares in all respects.

Details of the Right Issue are set out in a circular to the shareholders of the Company dated 9 September 2009.

By an approval dated 20 February 2008, State-owned Assets Supervision and Administration Commission of the PRC (國務院國有資產監督管理委員會) has approved the transfer of in aggregate 17,648,860 State-owned Domestic Shares held by Baiyin Fluoride Salt Limited (“Baiyin”) and Henan Six Architecture Construction Group Company Limited (“Six Construction”) to National Social Security Fund Council of the PRC (全國社會保障基金理事會) (“NSSF”). By a letter dated 21 March 2008, NSSF entrusted the Company, as its agent, to effect the sale of in aggregate 17,648,860 State-owned Domestic Shares (to be converted into H Shares) held by Baiyin and Six Construction on behalf of NSSF. The Stated-owned Domestic Shares converted into H Shares on 14 November 2009.

## **15. 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 3 “Basis of preparation” as mentioned above.

## **16. COMPARATIVE FIGURES**

Due to the adoption of the new and revised HKFRSs during the year, certain comparative figures have been restated to confirm to the current year presentation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR 2009**

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. The Company had manufactured about 69,278 tonnes of aluminum re-smelt ingots in 2009, representing a decrease of 29.90%, from 98,830 tonnes for 2008. Production volume of aluminum alloy amounted to 38 tonnes in 2009, representing a decrease of 99.33%, from 5,659 tonnes for 2008.

### **BUSINESS REVIEW**

#### **Results of Operations**

The Company's net loss amounted to approximately RMB52,601,000 for 2009, as compared with the net loss of about RMB29,891,000 for 2008.

The increase in loss from 2008 to 2009 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 RMB786,593,000 in 2009, representing a decrease of 44.98%, from about RMB1,429,619,000 for 2008. The decrease in turnover was mainly due to the decrease in both selling prices and market demand for aluminum ingots and aluminum alloy in 2009. The average selling price of aluminum ingots was 18.89% lower than those in 2008.

During 2009, of the total turnover amount, approximately RMB786,146,000 or 99.94% was generated from the sale of aluminum re-smelt ingots, and about RMB447,000 or 0.06% was generated from the sale of aluminum alloy.

The sales of aluminum re-smelt ingots amounted to approximately RMB786,146,000 in 2009, representing a decrease of 41%, from about RMB1,332,472,000 in 2008.

The sales of aluminum alloy amounted to approximately RMB447,000 in 2009, representing a decrease of 99.54%, from about RMB97,147,000 in 2008.

Sales volume of aluminum re-smelt ingots and aluminum alloy amounted to 67,240 tonnes in 2009, representing a decrease of 31,878 tonnes or 32.16%, from 99,118 tonnes in 2008. The average price was RMB11,698 per tonne in 2009, representing a decrease of RMB2,725 per tonne or 18.89%, from RMB14,423 per tonne in 2008. Of the total sales volume, the sales volume of aluminum re-smelt ingots was 67,195 tonnes in 2009, representing a decrease of 26,129 tonnes or 28.00%, from 93,324 tonnes in 2008; the average selling price of aluminum re-smelt ingots amounted to RMB11,699 per tonne for 2009, representing a decrease of RMB2,579 per tonne or 18.06%, from RMB14,278 per tonne in 2008; the sales volume of aluminum alloy was 45 tonnes in 2009, representing a decrease of 5,749 tonnes or 99.22%, from 5,794 tonnes in 2008; the average selling price of aluminum alloy amounted to RMB9,934 per tonne in 2009, representing a decrease of RMB6,832 per tonne or 40.75% from RMB16,766 per tonne in 2008.

#### **Cost of Sales**

The Company's total cost of sales amounted to approximately RMB760,661,000 in 2009, representing a decrease of 44.06%, from about RMB1,359,858,000 in 2008. The decrease was mainly due to the decrease in the price of major raw material, alumina, and reduction in production due to decrease in demand.

The average selling cost for aluminum re-smelt ingots was RMB11,313 per tonne in 2009, representing a decrease of RMB2,090 per tonne or 15.59% from RMB13,403 per tonne in 2008.

The average selling cost for aluminum alloy was RMB10,455 per tonne, representing a decrease of RMB4,130 per tonne or 28.32%, from RMB14,585 per tonne in 2008.

The average purchase price for alumina was RMB1,976 per tonne in 2009, decreased by RMB855 per tonne or 30.20%, from RMB2,831 per tonne in 2008.

### **Gross Profit**

The Company's gross profit for the year ended 31 December 2009 was approximately RMB25,932,000 and the gross profit ratio was 3.30%, when compared with approximately RMB69,761,000 and gross profit ratio of 4.88% for 2008. The decrease in 2009 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 alumina. Average market price for aluminum re-smelt ingots and aluminum alloy ingots amounted to RMB11,698 per tonne, representing a decrease of 18.89% from that of the previous year. Cost of sales for aluminum re-smelt ingots and aluminum alloy ingots amounted to RMB11,313 per tonne, representing a decrease of 16.03% from that of the previous year.

### **Selling and Distribution Expenses**

The Company's selling and distribution expenses were approximately RMB16,192,000 or 2.06% of turnover in 2009, decreased by 63.90%, from about 44,857,000 or 3.14% of turnover in 2008. The decrease was mainly attributable to the reduction in export trading and transportation cost this year.

### **General and Administrative Expenses**

The Company's general and administrative expenses were approximately RMB49,491,000 in 2009, representing an increase of RMB7,524,000 or 17.93%, from about RMB41,967,000 in 2008. The increase was mainly attributable to the increase in guarantee fee for bank borrowing.

### **Other Revenue**

Other revenue of the Company amounted to approximately RMB28,344,000 in 2009, representing a decrease of RMB36,435,000 or 56.25%, from about RMB64,779,000 in 2008. The decrease was mainly due to: (1) decrease in interest income by about RMB15,950,000 than that in 2008; and (2) decrease in government subsidies for enhancement of production facilities by about RMB6,500,000 and government subsidies for staff welfare provision made in 2008 by approximately RMB10,113,000. No such subsidies were granted in 2009.

### **Expenses Related to Other Revenues**

The Company's expenses related to other revenues in 2009 were approximately RMB19,004,000, representing a slight decrease of RMB458,000 or 2.35%, from about RMB19,462,000 in 2008. The decrease was due to slightly decrease in cost of sales of pre-baked carbon anode.

### **Finance Costs**

The finance costs for the Company in 2009 were approximately RMB30,227,000, representing a decrease of RMB32,595,000 or 51.88%, from about 62,822,000 in 2008. The decrease of interest expenses was mainly due to the decrease of average outstanding loan balance and average bank loan interest. Moreover, decrease in average bank loan balance was due to capital raising activity during the year.

### **Net Loss**

As a result of the foregoing, the Company's net loss for the year was approximately RMB52,601,000 (2008: RMB29,891,000).

### **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 2009.

### Working Capital and Liabilities

As of 31 December 2009, the Company's current assets amounted to approximately RMB1,085,992,000, representing an increase of RMB13,411,000 from about RMB1,072,581,000 as of 31 December 2008. The increase was due to the offsetting effects of: (1) the decrease of bank balances of approximately RMB35,011,000; (2) increase in purchase deposits to third parties of approximately RMB43,025,000; (3) increase in inventories by approximately RMB19,530,000; and (4) decrease in trade receivables by approximately RMB6,083,000.

As of 31 December 2009, the Company's current liabilities amounted to approximately RMB1,419,091,000, representing a decrease of RMB200,100,000, from about RMB1,619,191,000 as of 31 December 2008. The decrease was mainly attributable to the decrease of trade payables by approximately RMB72,347,000 and reduction in bank borrowings by approximately RMB116,188,000.

### Capital Structure

As of 31 December 2009, 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 2009, the Company had an aggregate outstanding borrowings of approximately RMB926,402,000 (including bills payables of about RMB346,600,000). The gearing ratio was 182.90% (being the aggregate outstanding borrowings of RMB926,402,000 divided by the total net assets of RMB506,505,000).

### Contingent Liabilities

As at 31 December 2009, the Company had given guarantees in favour of certain third parties to the extent of RMB240,000,000 (2008: RMB180,000,000) in respect of these companies' banking facilities 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:

	<b>2009</b> <b>RMB'000</b>	2008 RMB'000
Third parties	<u>100,340</u>	<u>92,280</u>

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

### Capital Commitments

	<b>2009</b> <b>RMB'000</b>	2008 RMB'000
Contracted but not provided for: Property, plant and equipment	<u>631,485</u>	<u>642,366</u>

### Cash and Cash Equivalents

Total cash of the Company as of 31 December 2009 (including foreign currency-denominated deposits) amounted to approximately RMB723,460,000. 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 2009 amounted to RMB229,886,000.

### Cash Flow

As at 31 December 2009, the Company had cash, bank balances and deposits in bank of RMB229,886,000 (2008: RMB198,924,000), representing an increase of RMB30,962,000 from the beginning of the year. This was mainly attributable to the increase in capital by issue of shares but offsetted by the net loss for the year. During the year, the Company had net cash outflow from operating activities of RMB174 million (2008: RMB535 million of net cash inflow), net cash outflow from investing activities of RMB70 million (2008: RMB385 million of net cash outflow), and net cash inflow from financing activities of RMB274 million (2008: RMB201 million of net cash outflow).



### **Details of pledged assets of the Company**

As at 31 December 2009, the Company had pledged bank balances and plant and machinery amounted to approximately RMB493,574,000 and approximately RMB71,693,000 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 2009, the Company has 1,890 employees (2008: 1,947). Staff costs, including Directors' remuneration, was approximately RMB52,963,000 for the year under review. The Company remunerates its employees based on their performance, experience and the prevailing industry practice.

### **Staff Retirement Plan**

The Company contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under these plans. Contributions to these plans are expensed as incurred.

### **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 2009, 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 2009, 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 2009, save as disclosed in the paragraph 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 2009, none of the Directors was granted any option to subscribe for shares of the Company. As at 31 December 2009, 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 2009, 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 2009, 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:

### Substantial shareholders' interest

#### *Long positions in Domestic Shares*

Name of Shareholder	Capacity	Number of Shares	Percentage in the total issued Domestic Shares	Percentage in the entire issued share capital of the Company
Tianrui Group Company Limited (天瑞集團有限公司) ("Tianrui Group") (Note)	Beneficial owner	2,661,799,752	97.92%	68.11%
Li Liu Fa (Note)	Interest of controlled corporation	2,661,799,752	97.92%	68.11%

### Long positions in H Shares

Name of Shareholder	Capacity	Number of Shares	Percentage in	Percentage in
			the total issued H Shares	the entire issued share capital of the Company
BOCOM International Securities Limited	Beneficial owner	709,904,000	59.65%	18.16%

*Note:*

The 2,661,799,752 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 2,661,799,752 Domestic Shares under Part XV of the SFO.

As at 31 December 2009, 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 2009, 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 2009.

### **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 20% and approximately 66%, respectively, of the Company’s total turnover for the year ended 31 December 2009.

The amount of raw materials (including electricity) provided by the largest supplier and the five largest suppliers of the Company accounted for approximately 48% and approximately 83%, 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 2009.

## CONNECTED TRANSACTIONS

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

### Connected Persons

1. 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.
2. 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.

### Continuing Connected Transactions

1. The supply of pre-baked carbon anode by Dongxing to the Company under the Raw Material Supply Agreement dated 29 December 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 2009 amounted to RMB2,751,000.

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 2009.

## **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 2009. 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

30 March 2010

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

Mr. Li Zhiyuan

*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.*