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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)

(Stock Code: 8253)

MAJOR TRANSACTION – CROSS-GUARANTEE AGREEMENT

On 7 May 2009, the Company entered into the Cross-guarantee Agreement with Heavy Machinery pursuant to which the Company and Heavy Machinery shall provide guarantees for the maximum amount of RMB200,000,000 to secure each other bank facilities.

The entering into of the Cross-guarantee Agreement constitutes a major transaction for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. No Shareholder would be required to abstain from voting if the Company has convened a Shareholders' meeting for the approval of the Cross-guarantee Agreement. Written approval has been obtained from Tianrui Group, being a Shareholder holding 782,882,280 Domestic Shares, representing approximately 67.02% equity interest in the Company.

The Company will despatch to the Shareholders a circular which will contain, among other things, further information on the Cross-guarantee Agreement for information only as soon as practicable.

CROSS-GUARANTEE AGREEMENT

Parties

The Company and Heavy Machinery

Date

7 May 2009

** For identification purpose only*

Principal Terms

The Company and Heavy Machinery shall provide guarantees for the maximum amount of RMB200,000,000 to secure each other bank facilities.

The amount of guarantees was determined after arm's length negotiation between the parties taking into account the estimation on their respective financial needs.

Term of the Cross-guarantee Agreement

Two years commencing from the date of the Cross-guarantee Agreement.

Other terms

- (1) During the term of the Cross-guarantee Agreement, the parties shall be entitled to obtain from the other party information in relation to its business operation, including financial statements and other financial information.
- (2) The parties shall, pursuant to the Cross-guarantee Agreement, execute such guarantee documents in accordance with the requirements of financial institutions. All damages resulting from any delay shall be borne by the party which is obligated to provide the guarantees.
- (3) If a party refuses to continue to provide guarantees without legitimate reasons, the other party shall be entitled to terminate its obligation to provide guarantees under the Cross-guarantee Agreement.
- (4) Failure to comply with terms (1) or (2) above shall constitute a breach of the Cross-guarantee Agreement and the non-default party shall be entitled to request the default party to responsible for the losses arising therefrom.

Regarding term (1) above, the Company will ensure that it will provide financial and other price sensitive information only when it has been published or released to the public.

REASONS FOR ENTERING INTO THE CROSS-GUARANTEE AGREEMENT

As disclosed in the announcement dated 25 April 2008 and the circular dated 16 May 2008 of the Company, the Company and Heavy Machinery had entered into a cross-guarantee agreement dated 24 April 2008 pursuant to which the Company and Heavy Machinery shall provide guarantees for the maximum amount of RMB100,000,000 to secure each other bank facilities for the term of one year commencing from 24 April 2008. Save as the maximum amount of guarantee and the term, the terms of the Cross-guarantee Agreement are same as the terms of the cross-guarantee agreement dated 24 April 2008.

The Directors consider that the cross-guarantee arrangements facilitate the Company to obtain bank facilities, and minimize the costs of the Company's financing activities.

Bank facilities and bank loans are one of the Company's major financial resources. With the tightening of the lending policies and regulations of banks in the PRC, it is a common practice for banks in the PRC to request for either guarantees or pledge of assets. To the best knowledge and understanding of the Directors, banks in the PRC would only accept guarantees provided by creditworthy enterprises, but not corporate guarantee of individual company for the bank facilities of its own so as to reduce the risk of non-recovery. The Company has been seeking creditworthy independent third parties to provide guarantees to support its bank facilities and bank loans by way of cross-guarantee arrangements.

Under the cross-guarantee arrangements, the Company is not required to pay any fee or charge or provide any security in relation to the reciprocal guarantees. Accordingly, administrative and finance costs of the Company under the cross-guarantee arrangements will be minimized.

The provision of guarantees pursuant to the Cross-guarantee Agreement will not have any immediate effects on the earnings and assets and liabilities of the Company. However, if there is a default in the repayment of the bank facilities by Heavy Machinery, the Company will be responsible for repayment of the bank facilities which it guaranteed up to the maximum amount of RMB200,000,000. The Company had reviewed the audited financial statements of Heavy Machinery for the three years ended 31 December 2008, and had carried out site inspections on its operation and production. Based on the information provided by Heavy Machinery, (i) for the three year ended 31 December 2008, its turnover amounted to approximately RMB273.11 million, RMB360.93 million and RMB541.80 million respectively, while its net profit amounted to RMB4.93 million, RMB23.13 million and RMB56.53 million respectively; and (ii) as at 31 December 2008, its net assets amounted to approximately RMB276.99 million. The Company will review the financial information of Heavy Machinery, carry out site inspections on its business and production and discuss with its management from time to time so as to monitor and assess the risk that may arise from the guarantees.

Having considered the foregoing reasons, the Directors (including the independent non-executive Directors) are of view that the terms of the Cross-guarantee Agreement are fair and reasonable so far as the Shareholders are concerned and the entering into of the Cross-guarantee Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Company	A joint stock limited company incorporated in the PRC with limited liability and its H Shares were listed on GEM on 13 July 2004. The Company is principally engaged in the manufacture and sale of aluminum re-smelt ingots and aluminum alloy ingots.
Heavy Machinery	A joint stock limited liability company incorporated in the PRC with limited liability. Heavy Machinery has a current registered capital of RMB143.60 million, and is principally engaged in the manufacture and sale of hydraulic prop stands, hydraulic props and metal backbones. Dr. Song Quan Qi, an independent non-executive Director, is interested in approximately 18.80% of the issued share capital of Heavy

Machinery and is the vice-chairman of Heavy Machinery. To the best of Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, Heavy Machinery and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE GEM LISTING RULES

The entering into of the Cross-guarantee Agreement constitutes a major transaction for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. No Shareholder would be required to abstain from voting if the Company has convened a Shareholders' meeting for the approval of the Cross-guarantee Agreement. Written approval has been obtained from Tianrui Group, being a Shareholder holding 782,882,280 Domestic Shares, representing approximately 67.02% equity interest in the Company.

The Company will despatch to the Shareholders a circular which will contain, among other things, further information on the Cross-guarantee Agreement for information only as soon as practicable.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“associate”	has the meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“Company”	Sanmenxia Tianyuan Aluminum Company Limited* (三門峽天元鋁業股份有限公司), a joint stock company incorporated in the PRC and whose H Shares are listed on GEM
“connected person(s)”	has the meaning as defined in the GEM Listing Rules
“Cross-guarantee Agreement”	the Cross-guarantee Agreement dated 7 May 2009 entered into between Heavy Machinery and the Company
“Directors”	the directors of the Company
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
“GEM”	The Growth Enterprise Market of the Stock Exchange

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in Hong Kong dollars
“Heavy Machinery”	Linzhou Heavy Machinery Group Company Limited* (林州重機集團股份有限公司)
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Shareholders”	holders of the Domestic Shares and the H Shares
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianrui Group”	Tianrui Group Company Limited* (天瑞集團有限公司), a limited liability company established in the PRC. Tianrui Group’s group of companies currently comprises more than 20 companies and is principally engaged in steel casting, production of cement, coal mining and electricity generation. Tianrui Group is the controlling shareholder of the Company holding 782,882,280 Domestic Shares, representing approximately 67.02% of the issued share capital of the Company. Tianrui Group is ultimately and beneficially owned by Li Liu Fa (李留法) as to 52.08%, Li Feng Luan (李鳳鸞) as to 32.58%, Li Li (李立) as to 11.53% and Li Hai Jun (李海軍) as to 3.81%
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Sanmenxia Tianyuan Aluminum Company Limited*
Li He Ping
Chairman

Henan Province, the PRC, 7 May 2009

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As at the date of this announcement, the Directors 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:

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

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