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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)

**DISCLOSEABLE TRANSACTION –
CROSS-GUARANTEE AGREEMENT**

On 9 December 2009, the Company entered into the Cross-guarantee Agreement with Quanzhou Wanguo pursuant to which the Company and Quanzhou Wanguo shall provide guarantees for the maximum amount of RMB40,000,000 to secure each other bank facilities.

The entering into of the Cross-guarantee Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

CROSS-GUARANTEE AGREEMENT

Parties

The Company and Quanzhou Wanguo

DATE

9 December 2009

Principal Terms

The Company and Quanzhou Wanguo shall provide guarantees for the maximum amount of RMB40,000,000 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.

* *For identification purpose only*

Term of the Cross-guarantee Agreement

One year 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

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. As disclosed in the announcement of the Company dated 7 May 2009, the Company had entered into similar cross-guarantee arrangement with Heavy Machinery.

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 Quanzhou Wanguo, the Company will be responsible for repayment of the bank facilities which it guaranteed up to the maximum amount of RMB40,000,000.

The Company had reviewed the audited financial statements of Quanzhou Wanguo for the three years ended 31 December 2008 and its unaudited financial statement for the six months ended 30 June 2009, and had carried out site inspections on its operation and production. Based on the information provided by Quanzhou Wanguo, (i) for the three year ended 31 December 2008 and the six months ended 30 June 2009, its turnover amounted to approximately RMB1,043.30 million, RMB1,711.16 million RMB1,550.46 million and RMB532.56 million respectively, while its net profit amounted to RMB7.16 million, RMB14.83 million, RMB13.29 million and 4.89 million respectively; and (ii) as at 31 December 2008 and 30 June 2009, its net assets amounted to approximately RMB96.85 million and RMB100.41 million respectively. The Company will review the financial information of Quanzhou Wanguo, 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.

Quanzhou Wanguo A limited liability company incorporated in the PRC principally engaged in the sale of non-ferrous metals including aluminum ingot, lead ingot, petroleum coke and zine ingot metal. Quanzhou Wanguo has been a customer of the Company since the year 2000.

To the best of Directors' knowledge, information and belief having made all reasonable enquiries, Quanzhou Wanguo 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 discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“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 9 December 2009 entered into between Quanzhou Wanguo and the Company
“Directors”	the directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“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
“Quanzhou Wanguo”	Fujian Quanzhou Wanguo Development Co., Ltd.* (福建省泉州萬國發展有限公司)
“Shareholders”	holders of the share of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, 9 December 2009

* *For identification purpose only*

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
Mr. Li Zhi Yuan

Independent Non-executive Directors:

Mr. Zhu Xiao Ping
Mr. 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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