



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 2010**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
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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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

SUMMARY

- Total revenue of the Company for the year ended 31 December 2010 amounted to RMB1,441,944,000 (2009: RMB814,937,000), representing an increase of approximately 76.93% as compared to that of last year.
- The Company recorded a net loss attributable to shareholders of approximately RMB241,417,000 for the year ended 31 December 2010, as compared to a net loss approximately RMB52,601,000 for the previous year.
- The directors do not propose any dividend for the year ended 31 December 2010.

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 2010 together with the comparative audited figures for the year ended 31 December 2009. The audited results of the Company for the year ended 31 December 2010 have been reviewed by the audit committee of the Company:

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Note</i>	2010 RMB'000	2009 RMB'000
Revenue	6	1,307,648	786,593
Cost of sales		(1,376,526)	(760,661)
Gross (loss)/profit		(68,878)	25,932
Other revenue	6	22,281	9,340
Distribution costs		(15,886)	(16,192)
Administrative expenses		(111,183)	(49,491)
Finance costs	7	(44,090)	(30,227)
Loss before tax	8	(217,756)	(60,638)
Income tax (expense)/credit	9	(23,661)	8,037
Loss for the year		(241,417)	(52,601)
Other comprehensive income		—	—
Total comprehensive income for the year		(241,417)	(52,601)
Loss and total comprehensive income for the year attributable to owners of the Company		(241,417)	(52,601)
Loss per share (expressed in RMB)			
Basic and diluted	10	(0.06)	(0.03)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Prepaid lease payments		8,730	13,171
Property, plant and equipment		1,019,852	851,449
Payments for acquisition of property, plant and equipment	11	460,076	—
Debenture, at cost		500	500
Deferred tax assets		—	23,697
		<u>1,489,158</u>	<u>888,817</u>
Current assets			
Inventories		95,148	91,688
Trade receivables	13	22,250	43,184
Other receivables and deposits		222,654	224,261
Held-for-trading investments		—	2,000
Current tax assets		2,301	1,399
Pledged bank balances		802,999	493,574
Cash and cash equivalents		24,818	229,886
		<u>1,170,170</u>	<u>1,085,992</u>
LIABILITIES			
Current liabilities			
Trade payables	14	928,042	419,446
Other payables and accruals		849,700	463,757
Financial guarantee liabilities		3,607	4,086
Borrowings		612,891	531,802
		<u>2,394,240</u>	<u>1,419,091</u>
Net current liabilities		<u>(1,224,070)</u>	<u>(333,099)</u>
Total assets less current liabilities		<u>265,088</u>	<u>555,718</u>
Non-current liabilities			
Financial guarantee liabilities		—	1,213
Long-term borrowings		—	48,000
		<u>—</u>	<u>49,213</u>
Net assets		<u>265,088</u>	<u>506,505</u>
EQUITY			
Share capital	15	390,834	390,834
Reserves		(125,746)	115,671
Total equity		<u>265,088</u>	<u>506,505</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2011.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company				
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 January 2009	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)
Balance at 31 December 2009	390,834	60,653	33,966	21,052	506,505
Total comprehensive income for the year	—	—	—	(241,417)	(241,417)
Balance at 31 December 2010	<u>390,834</u>	<u>60,653</u>	<u>33,966</u>	<u>(220,365)</u>	<u>265,088</u>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	774,833	(120,740)
Interest paid	(77,932)	(53,280)
Income tax paid	(866)	—
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Net cash from/(used in) operating activities	696,035	(174,020)
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	39,628	2,538
Interest received	4,982	4,061
Purchase of property, plant and equipment	(210,527)	(74,983)
Payment for prepaid lease payments	(1,692)	—
Payment for acquisition of property, plan and equipment	(460,076)	—
Proceeds from sales of available-for-sale investments	—	528
Purchase of held-for-trading investments	—	(2,494)
Proceeds from sales of held-for-trading investments	1,852	513
	<hr/>	<hr/>
Net cash used in investing activities	(625,833)	(69,837)
Cash flows from financing activities		
(Increase)/decrease in pledged bank balances	(309,425)	65,973
Proceeds from borrowings	694,291	713,901
Repayment of borrowings	(661,202)	(782,089)
Proceeds from issue of shares	—	290,206
Share issue expenses	—	(13,509)
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(276,336)	274,482
Net (decrease)/increase in cash and cash equivalents	(206,134)	30,625
Cash and cash equivalents at beginning of the year	229,886	198,924
Effects of exchange rate changes on cash and cash equivalents	1,066	337
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Cash and cash equivalents at end of the year	24,818	229,886
Analysis of cash and cash equivalents		
Cash and bank balances	24,818	229,886
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NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 “Stock Exchange”).

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, and all value are rounded to the nearest thousand except when otherwise indicated.

At 31 December 2010, in the opinion of the directors of the Company, the parent company and the ultimate parent company of the Company is Tianrui Group Company Limited which is incorporated in the 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 (“HKAS”) 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.

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 financial statements have also been prepared on a going concern basis notwithstanding the current liabilities of the Company exceeded its current assets by RMB1,224,070,000 as at 31 December 2010 and the Company incurred a loss of RMB241,417,000 for the year then ended. In addition, at the end of the reporting period, the Company had capital commitments of approximately RMB788,589,000 and had given guarantees in favour of third parties (the “Borrowers”) amounting to RMB284,000,000 in respect of the banking facilities utilised by the Borrowers.

In the opinion of the directors of the Company, the Company’s ability to continue its business depends upon the success of extension of the banking facilities granted by its bankers, the improvement on its future operating results 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 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 from the end of the reporting period and, therefore the financial statements have been prepared on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

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

4. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Company has applied all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010. The application of the new and revised HKFRSs in the current year has had no material effect on these financial statements unless otherwise stated below:

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Company was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Company reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The classification of leases in the PRC remained as operating leases.

5. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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)	<i>Improvements to HKFRSs</i> issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 ^(a)
HKFRS 1 (Amendments)	<i>Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ^(c)
HKFRS 1 (Amendments)	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ^(e)
HKFRS 7 (Amendments)	<i>Transfers of Financial Assets</i> ^(e)
HKFRS 9	<i>Financial Instruments</i> ^(g)
HKAS 12 (Amendments)	<i>Deferred Tax: Recovery of Underlying Assets</i> ^(f)
HKAS 24 (Revised in 2009)	<i>Related Party Disclosures</i> ^(d)
HKAS 32 (Amendments)	<i>Classification of Rights Issues</i> ^(b)
HK(IFRIC)-Int 14 (Amendments)	<i>Prepayments of a Minimum Funding Requirement</i> ^(d)
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ^(c)

(a) Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

(b) Effective for annual periods beginning on or after 1 February 2010

(c) Effective for annual periods beginning on or after 1 July 2010

(d) Effective for annual periods beginning on or after 1 January 2011

(e) Effective for annual periods beginning on or after 1 July 2011

(f) Effective for annual periods beginning on or after 1 January 2012

(g) Effective for annual periods beginning 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. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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:

	2010 RMB'000	2009 RMB'000
Turnover		
Sales of goods, net of valued-add tax	<u>1,307,648</u>	<u>786,593</u>
	2010 RMB'000	2009 RMB'000
Other income and gains		
Sales of scrap and other materials	110,617	18,011
Cost of sales	<u>(112,015)</u>	<u>(18,117)</u>
Loss of sales of scrap and other materials	(1,398)	(106)
Interest income on bank deposits	6,531	5,610
Government subsidies	11,736	3,500
Write back of impairment on trade and other receivables	—	58
Gain on disposal of property, plant and equipment	2,258	—
Amortisation of financial guarantee contracts, net	1,692	—
Others	<u>1,462</u>	<u>278</u>
	<u>22,281</u>	<u>9,340</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*

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 operating segment information is separately presented.

No geographical information is shown as the revenue from external customers and non-current assets of the Company are substantially derived from activities or located in the PRC.

Included in revenues arising from sales of aluminium related products of RMB1,307,648,000 (2009: RMB786,593,000) are revenues of approximately RMB475,052,000 (2009: RMB275,512,000) which arose from sales to the Company's two largest customers. No other single customers contributed 10% or more to the Company's revenue for both 2010 and 2009.

7. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest expense on bank and other borrowings wholly repayable within five years	79,172	53,475
Less: Amount capitalised into construction in progress	<u>(35,082)</u>	<u>(23,248)</u>
	<u>44,090</u>	<u>30,227</u>

The borrowing costs have been capitalised at a rate of 6.78% to 7.08% per annum (2009: 6.10% to 6.98%).

8. LOSS BEFORE TAX

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

	2010 RMB'000	2009 RMB'000
Cost of inventories sold	706,047	340,293
Staff costs including directors' remuneration	74,278	52,963
Depreciation of property, plant and equipment	39,836	42,229
Amortisation of prepaid lease payments	306	306
Loss on disposal of property, plant and equipment	—	933
Loss on disposal of held-for-trading investments	148	—
Auditors' remuneration — audit services	1,606	1,381
Impairment of trade and other receivables (written back)	50,792	(58)
Impairment of prepaid lease payments	5,827	—
Foreign exchange (gain)/loss, net	<u>(1,066)</u>	<u>157</u>

9. INCOME TAX EXPENSE/(CREDIT)

	2010 RMB'000	2009 RMB'000
Current tax:		
PRC Enterprise Income Tax		
Current	—	36
Over-provision	<u>(36)</u>	<u>—</u>
	(36)	36
Deferred tax	<u>23,697</u>	<u>(8,073)</u>
	<u>23,661</u>	<u>(8,037)</u>

The provision for the PRC Enterprise Income tax is calculated at 25% (2009: 25%) of the estimated taxable profits for the year.

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

	2010 RMB'000	2009 RMB'000
Loss before tax	<u>(217,756)</u>	<u>(60,638)</u>
Tax at statutory rate	(54,439)	(15,159)
Over-provision of tax for previous year	(36)	—
Income not subject to tax	(3,728)	—
Expenses not deductible for tax	2,332	3,093
Tax loss not recognised	34,341	—
Unrecognised temporary difference	<u>45,191</u>	<u>4,029</u>
Income tax expense/(credit)	<u>23,661</u>	<u>(8,037)</u>

10. LOSS PER SHARE

(a) *Basic*

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

	2010 RMB'000	2009 RMB'000
Loss attributable to owners of the Company	<u>(241,417)</u>	<u>(52,601)</u>
Weighted average number of ordinary shares in issue (in thousand shares)	<u>3,908,344</u>	<u>1,747,695</u>
Basic loss per share (RMB)	<u>(0.06)</u>	<u>(0.03)</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2009 have been retrospectively adjusted for the rights issue.

(b) *Diluted*

The Company did not have any dilutive potential ordinary shares during 2009 and 2010. As a result, diluted loss per share equals to basic loss per share.

11. PAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

On 4 June 2010, the Company entered into an agreement with a fellow subsidiary of the Company, Mianchi Tianrui Aluminum Company Limited, for the acquisition of certain property, plant and equipment and the related land use rights which are located the PRC (the "Acquisition"), in a total consideration of RMB710,882,000.

During the year, the Company paid RMB460,076,000 for the Acquisition. Upon the completion of legal title transferred, payments for the acquisition of property, plant and equipment will be transferred to respective categories of property, plant and equipment.

12. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Proposed final dividend	—	—

The directors do not propose any dividend for the year ended 31 December 2010 (2009: RMB Nil).

13. TRADE RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	107,432	84,076
Less: Provision for impairment	(88,382)	(40,892)
	<u>19,050</u>	<u>43,184</u>
Bills receivables	3,200	—
	<u>22,250</u>	<u>43,184</u>

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

	2010 RMB'000	2009 RMB'000
1-30 days	19,050	22
31-60 days	—	—
61-90 days	—	—
91-120 days	—	—
121-1 year	—	—
Over 1 year	—	43,162
	<u>19,050</u>	<u>43,184</u>

- (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 provided the provision for impairment of its trade receivables during the year ended 31 December 2010 of RMB47,490,000 (2009: reversed the provision of RMB37,000).

- (b) Bills receivables are bills of exchange with maturity dates less than six months.
- (c) As at 31 December 2010 and 2009, the trade receivables were pledged under a floating charge to secure the Company's bank borrowings.
- (d) As at 31 December 2010, the trade receivables were neither past due nor impaired.

(e) Movements of provision of impairment loss during the year were as follows:

	2010	2009
	RMB'000	RMB'000
At 1 January	40,892	40,929
Impairment loss/(written back) for the year	47,490	(37)
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At 31 December	88,382	40,892
	<hr/>	<hr/>

14. TRADE PAYABLES

	2010	2009
	RMB'000	RMB'000
Trade payables	127,188	72,846
Bills payables	800,854	346,600
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	928,042	419,446
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An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	RMB'000	RMB'000
1–60 days	88,670	50,913
61–90 days	16,791	3,324
91–120 days	2,811	1,605
121–365 days	10,584	5,888
Over 1 year	8,332	11,116
	<hr/>	<hr/>
	127,188	72,846
	<hr/>	<hr/>

Bills payable are repayable within six months and are secured by pledged bank deposits of RMB654,337,000 (2009: RMB226,600,000) and by guarantees given by third parties and related companies.

15. SHARE CAPITAL

	Registered, issued and fully paid					
	Domestic shares of RMB0.10 each		H shares of RMB0.10 each		Total	
	No. of shares	RMB'000	No. of shares	RMB'000	No. of shares	RMB'000
At 1 January 2009	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	(17,648,860)	(1,765)	17,648,860	1,765	—	—
At 31 December 2009 and 31 December 2010	<u>2,700,627,244</u>	<u>270,063</u>	<u>1,207,716,860</u>	<u>120,771</u>	<u>3,908,344,104</u>	<u>390,834</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 RMB 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.

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 State-owned Domestic Shares converted into H Shares on 14 November 2009.

16. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the fellow subsidiary has transferred the plant and equipment with amount RMB431,451,000 to the Company, payments for the acquisition of property, plant and equipment will transfer accordingly.

17 SUMMARY OF THE AUDITORS' REPORT

Basis for disclaimer of opinion

As explained in Note 3 to the financial statements, the financial statements have been prepared on the going concern basis, the validity of which depends upon the directors' plans to extend the existing banking facilities granted by its bankers, improve the Company's future operating results, obtain additional financing and whether the Company will be required to honour its guarantee obligations upon default by guaranteed third parties. However, the documents relating to the proposed plans and guarantee obligations available were limited. Accordingly, it was unable to determine the reasonableness of the directors' assumptions that the Company is a going concern and is able to pay its liabilities as they fall due in the foreseeable future.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amount at which they are currently recorded in the statement of financial position. In addition, the Company may have to provide for further liability that might arise, and to reclassify non-current assets as current assets.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, it is unable to obtain sufficient appropriate audit evidence to provide a basis for the audit opinion. Accordingly, an opinion was not expressed on the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR 2010

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 275,000 tonnes of aluminum re-smelt ingots and 50,000 tonnes aluminum alloy products. The Company had manufactured about 93,545 tonnes of aluminum re-smelt ingots in 2010, representing an increase of 35.03%, from 69,278 tonnes for 2009. Production volume of processing aluminum ingots was 9,554 tonnes in 2010 and there was no such production in 2009. The Company had not produced aluminum alloy in 2010 and had produced 38 tonnes in 2009.

BUSINESS REVIEW

Results of Operations

The Company's net loss amounted to approximately RMB241,417,000 for 2010, as compared with the net loss of about RMB52,601,000 for 2009.

The increase in loss from 2009 to 2010 was primarily due to the increase in the price of major raw material is higher than the selling price of aluminum ingots.

Turnover

The Company's total turnover amounted to approximately RMB1,307,648,000 in 2010, representing an increase of 66.24%, from about RMB786,593,000 in 2009. The increase in turnover was mainly due to the increase in both selling prices and sales volume for aluminum ingots in 2010. The average selling price of aluminum ingots was 12.09% higher than those in 2009.

During 2010, of the total turnover amount, approximately RMB1,226,528,000 or 93.80% was generated from the sale of aluminum re-smelt ingots, and about RMB81,120,000 or 6.20% was generated from the processing aluminum ingots.

The sales of aluminum re-smelt ingots amounted to approximately RMB1,226,528,000 in 2010, representing an increase of 56.02%, from about RMB786,146,000 in 2009.

The sales of processing aluminum ingots amounted to approximately RMB81,120,000 in 2010, and there was no such production in 2009.

No aluminum alloy was sold in 2010 and the sales of aluminum alloy amounted to approximately RMB447,000 in 2009.

Sales volume of processing aluminum ingots and aluminum ingots amounted to 103,093 tonnes in 2010, representing an increase of 35,853 tonnes or 53.32%, from 67,240 tonnes in 2009. The average price was RMB12,684 per tonne in 2010, representing an increase of RMB986 per tonne or 8.43%, from RMB11,698 per tonne in 2009. Of the total sales volume, the sales volume of aluminum ingots was 93,539 tonnes in 2010, representing an increase of 26,344 tonnes or 39.21%, from 67,195 tonnes in 2009; the selling price of aluminum ingots amounted to RMB13,112 per tonne in 2010, representing an increase of RMB1,413 per tonne or 12.08% from RMB11,699 per tonne in 2009. The sales volume of processing aluminum ingots was 9,554 tonnes in 2010, the selling price was RMB8,491 per tonne, there was no such sales in 2009.

No aluminum alloy was sold in 2010, the sales of aluminum alloy was 45 tonnes in 2009 and the selling price was RMB9,934.

Cost of Sales

The Company's total cost of sales amounted to approximately RMB1,376,526,000 in 2010, representing an increase of 80.96%, from about RMB760,661,000 in 2009. The increase was mainly due to the increase in the price of major raw material and sales volume.

The average selling cost for aluminum ingots was RMB13,569 per tonne in 2010, representing an increase of RMB2,256 per tonne or 19.94% from RMB11,313 per tonne in 2009.

The average selling cost for processing aluminum ingots was RMB11,211 per tonne in 2010.

The average purchase price for alumina was RMB2,263 per tonne in 2010, increased by RMB287 per tonne or 14.52%, from RMB1,976 per tonne in 2009.

The average purchase cost of electricity was RMB0.4441 per volt in 2010, increased by RMB0.0885 per volt or 24.89%, from RMB0.3556 per volt in 2009.

Gross Profit

The Company's gross loss for the year ended 31 December 2010 was approximately RMB68,878,000 and the gross loss ratio was 5.27%, when compared with approximately RMB25,932,000 and gross profit ratio of 3.30% for 2009. The decrease in 2010 was mainly due to the effect of the increase in the cost of sales of the aluminum ingots is higher than the increase in selling price. The average selling price of aluminum ingots and processing aluminum ingots was RMB12,684 per tonne in 2010, increased by 8.43% than in 2009. The cost of sales of RMB13,350 per tonne in 2010 which was 18.01% higher than 2009.

Selling and Distribution Expenses

The Company's selling and distribution expenses were approximately RMB15,886,000 or 1.21% of turnover in 2010, decreased by 1.89%, from about 16,192,000 or 2.06% of turnover in 2009. The decrease was mainly attributable to reduction of the transportation cost this year.

General and Administrative Expenses

The Company's general and administrative expenses were approximately RMB111,183,000 in 2010, representing an increase of RMB61,692,000 or 1.25 times, from about RMB49,491,000 in 2009. The increase was mainly attributable to the increase in provision for impairment of trade receivables during the year.

Other Revenue

Other revenue of the Company amounted to approximately RMB134,296,000 in 2010, representing an increase of RMB105,952,000 or 3.74 time, from about RMB28,344,000 in 2009. The increase was mainly due to: (1) the increase in sales volume of aluminum and pre-baked carbon anode; and (2) increase in government subsidies by RMB8,236,000.

Expenses Related to Other Revenues

The Company's expenses related to other revenues in 2010 were approximately RMB112,015,000, representing a increase of RMB93,011,000 or 4.89 times, from about RMB19,004,000 in 2009. The increase was due to the increase in cost of sales of pre-baked carbon anode and alumina.

Finance Costs

The finance costs for the Company in 2010 were approximately RMB44,090,000, representing an increase of RMB13,863,000 or 45.86%, from about 30,227,000 in 2009. The increase of finance costs was mainly due to the increase of bank loan and interest rate.

Net Profit

As a result of the foregoing, the Company record a net loss for the year approximately RMB241,417,000 (2009: net loss RMB52,601,000).

The Company adopts a conservative set of investment policies to ensure that no unnecessary risks are taken with the Company's assets.

The Company has not held any significant investment for the year ended 31 December 2010.

Working Capital and Liabilities

As of 31 December 2010, the Company's current assets amounted to approximately RMB1,170,170,000, representing an increase of RMB84,178,000 from about RMB1,085,992,000 as of 31 December 2009. The increase was due to: (1) the increase of pledged bank balances of approximately RMB309,425,000; (2) decrease in trade receivables by approximately RMB20,934,000; and (3) decrease in cash and cash equivalents by approximately RMB205,068,000.

As of 31 December 2010, the Company's current liabilities amounted to approximately RMB2,394,240,000, representing an increase of RMB975,149,000, from about RMB1,419,091,000 as of 31 December 2009. The increase was mainly attributable to the increase of trade payables by approximately RMB508,596,000; and increase of other payables and accruals by approximately by RMB385,943,000, and increase in bank borrowings by approximately RMB81,089,000.

Capital Structure

As of 31 December 2010, 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 share capital and liabilities to ensure having an effective capital structure from time to time. As at 31 December 2010, the Company had an aggregate outstanding borrowings of approximately RMB1,413,745,000 (including bills payables of about RMB800,854,000). The gearing ratio was 533.31% (being the aggregate outstanding borrowings of RMB1,413,745,000 divided by the total net assets of RMB265,088,000).

Contingent Liabilities

As at 31 December 2010, the Company had given guarantees in favour of certain third parties 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:

	2010 RMB'000	2009 RMB'000
Third parties	<u>284,000</u>	<u>100,340</u>

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

Capital Commitments

	2010 RMB'000	2009 RMB'000
Contracted but not provided for: Property, plant and equipment	<u>788,589</u>	<u>631,485</u>

Cash and Cash Equivalents

Total cash of the Company as of 31 December 2010 (including foreign currency-denominated deposits) amounted to approximately RMB24,818,000.

Cash Flow

As at 31 December 2010, the Company had cash, bank balances and deposits in bank of RMB24,818,000 (2009: RMB229,886,000), representing a decrease of RMB205,068,000 from the beginning of the year. During the year, the Company had net cash inflow from operating activities of RMB696,035,000 (2009: RMB174,020,000 of net cash outflow), net cash outflow from investing activities of RMB625,833,000 (2009: RMB69,837,000 of net cash outflow), and net cash outflow from financing activities of RMB276,336,000 (2009: RMB274,482,000 of net cash inflow).

Details of pledged assets of the Company

As at 31 December 2010, the Company had pledged bank balances and plant and machinery amounted to approximately RMB802,999,000 and approximately RMB88,602,000 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 2010, the Company has 3,058 employees (2009: 1,890). Staff costs, including Directors' remuneration, were approximately RMB73,314,000 for the year under review. The Company remunerates its employees based on their performance, experience and the prevailing industry practice.

Staff Retirement Plan

Details of the retirement plan of the Company are set out in note 6 to the financial statements.

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 existing shareholders in proportion to their shareholding.

Litigation

As of 31 December 2010, 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 2010, 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 2010, 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 2010, none of the Directors was granted any option to subscribe for shares of the Company. As at 31 December 2010, 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 2010, 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 2010, 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%

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 2010, 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 2010, save for the person described in the paragraph headed "Interests of substantial shareholder and other shareholders' interests" 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 2010.

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 21.36% and approximately 58.07%, respectively, of the Company's total turnover for the year ended 31 December 2010.

The amount of raw materials (including electricity) provided by the largest supplier and the five largest suppliers of the Company accounted for approximately 48.35% and approximately 83.42%, 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 2010.

CONNECTED TRANSACTIONS

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

Connected Person

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.

Continuing Connected Transactions

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 2010 amounted to RMB1,339,000.

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 2010.

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 2010. 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 2011

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

Executive Directors

Mr. TAN Yu Zhong
Mr. ZHAO Zheng Bin

Non-Executive Directors

Mr. LI He Ping
Mr. YAN Li Qi
Mr. MA Yong Zheng
Mr. SHANG Ling Zhou

Independent Non-Executive Directors

Mr. SONG Quan Qi
Mr. ZHU Xiao Ping
Mr. CHAN Nap Tuck