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

2009 Annual Report

*For identification only

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Corporate Information

CHAIRMAN AND NON-EXECUTIVE DIRECTOR
Mr. Li He Ping

EXECUTIVE DIRECTORS
Mr. TAN Yu Zhong
Mr. XIAO Chong Xin
Mr. ZHAO Zheng Bin

NON-EXECUTIVE DIRECTORS
Mr. YAN Li Qi
Mr. Li Zhiyuan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. SONG Quan Qi
Mr. ZHU Xiao Ping
Mr. CHAN Nap Tuck

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Mr. YAO Yan Ping FCPA, FCCA

QUALIFIED ACCOUNTANT
Mr. YAO Yan Ping FCPA, FCCA

COMPLIANCE OFFICER
Mr. ZHAO Zheng Bin

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

AUTHORISED REPRESENTATIVES
Mr. TAN Yu Zhong
Mr. YAO Yan Ping

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Shanghai Pudong Development Bank
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Bank of Communication
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Jianwen Sub-branch
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HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

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Financial Highlights

Profit and loss account	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
	For the year ended 31 December				
Turnover	***786,593***	1,429,619	1,664,872	1,674,433	1,326,256
Cost of goods sold	***(760,661)***	(1,359,858)	(1,389,869)	(1,481,362)	(1,343,019)
Gross profit/(loss)	***25,932***	69,761	275,003	193,071	(16,763)
Other revenue	***28,344***	64,779	41,869	20,502	12,332
Expenses related to other revenue	***(19,004)***	(19,462)	(15,511)	(5,899)	(7,828)
Other revenue, net	***9,340***	45,317	26,358	14,603	4,504
Selling and distribution expenses	***(16,192)***	(44,857)	(48,120)	(21,332)	(22,659)
General and administrative expenses	***(49,491)***	(41,967)	(69,394)	(53,722)	(83,980)
Operating (loss)/profit	***(30,411)***	28,254	183,847	132,620	(118,898)
Finance costs	***(30,227)***	(62,822)	(51,073)	(40,695)	(40,048)
(Loss)/profit before income tax	***(60,638)***	(34,568)	132,774	91,925	(158,946)
Income tax credit/(charge)	***8,037***	4,677	(33,564)	(5,742)	(5,260)
(Loss)/profit after income tax	***(52,601)***	(29,891)	99,210	86,183	(164,206)
(Loss)/profit attributable to shareholders	***(52,601)***	(29,891)	99,210	86,183	(164,206)
Dividend	***–***	–	–	–	–
(Loss)/earnings per share	***RMB(0.03)***	RMB(0.02)	RMB0.07	RMB0.06	(RMB0.12)

Assets and liabilities	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000	As at 31 December 2007 RMB'000	As at 31 December 2006 RMB'000	As at 31 December 2005 RMB'000
Total assets	***1,974,809***	1,901,600	1,867,132	1,293,119	1,168,521
Total liabilities	***1,468,304***	1,619,191	1,550,703	1,075,900	1,037,485
Net assets	***506,505***	282,409	316,429	217,219	131,036

Chairman's Statement

Dear shareholders,

2009 was a difficult and unusual year for me and Sanmenxia Tianyuan Aluminum Company Limited (the "Company"). During the year, the Company has survived the negative effects stemming from the snowballing financial crisis, forced downsizing of production capacity and severe liquidity squeeze. Under the direction of "Enhancing management for survival and grasping opportunities for development", and the working principle of "promoting production by market diversification; maintaining operation through financing; reducing cost with strict management and manipulating capital for development", we managed to broaden our source of income while reducing expenditure and enhance management while cutting costs. As a result, we succeeded in solving a liquidity crisis and ensured on-going production of the Company. I am pleased to present the annual report of the Company for the financial year ended 31 December 2009 and, on behalf of the board of directors of the Company and all the employees, express our sincere gratitude to our shareholders for their concern for and support to the Company.

2009 BUSINESS REVIEW

Turnover and other revenues of the Company for 2009 amounted to RMB814,937,000, representing a decrease of RMB679,461,000 from the corresponding period last year. Net loss was RMB52,601,000 as compared with a net loss of approximately RMB29,891,000 for the corresponding period last year. [Loss per share were RMB0.03, as compared with the loss per share of RMB0.02 for the corresponding period last year.]

The increase in loss was mainly attributable to the 32.16% decrease in sales of aluminum re-smelt ingots and the 18.89% drop in average selling price.

BUSINESS PROSPECT FOR 2010

Global economy is on track to a full recovery in 2010. Under the lax monetary policy and stimulus measures boosting economic growth, China's economy shows strong momentum for a rapid growth. Rapid expansion of electrolytic aluminum industry, the impending consumer season and the increase of cost will provide strong support for the price of electrolytic aluminum, opening up a stable growth profit period for the aluminum industry.

In 2010, we have been and will keep focusing on profitability; emphasizing on capital; adopting development as main strategy; employing management methods; reinforcing cost (expense) control measures; further reducing cost and increasing efficiency; grasping market opportunities; and enhancing profitability of the enterprise.

Our main strategies in 2010 are:

1. Strengthen the management of existing production lines, leverage on the professional advantage of management team, standardize operation, enhance control of goal and process, increase the management's sense of responsibility and execution capabilities, maximize capacity, minimize cost, optimize goal and maximize efficiency.

2. Grasp opportunities, create favourable conditions, strive for the breakthrough in the capital market and improve business scale and competitiveness.

3. Try out best to speed up the technology innovation of enterprise in order to provide backup for the Company's continuous development.

APPRECIATION

Despite the challenges ahead, I am confident that with our solid business foundation and highly capable and loyal management team, our business will continue to provide solid contributions in the coming years.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and partners for their continuous support and to the management and staff for their hard work, support and dedication.

Li He Ping
Chairman

Sanmenxia City, Henan Province, the PRC
30 March 2010

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.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year 2009 (Continued)

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.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year 2009 (Continued)

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:

	2009 RMB'000	2008 RMB'000
Third parties	***100,340***	92,280

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

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year 2009 (Continued)

Capital Commitments

Please refer to note 35 to the financial statements for details.

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

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 exiting shareholders in proportion to their shareholding.

Litigation

As of 31 December 2009, the Company has no significant pending litigation.

Directors' and Supervisors' Profile

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. LI He Ping (李和平), aged 54, is the Chairman of the Company. He has served as the General Manager of Tian Rui Group (天瑞集團) since 2004. Mr. Li had served consecutively as the head of the finance department, head of the corporate management department and the chief accountant of Mining Machinery Factory of Luoyang (洛陽礦山機器廠). From 1993 to 1995, he served as the deputy head of the Commission for Restructuring the Economic System of Henan Province (河南省經濟體制改革委員會). From 1995 to 2004, he served as the general manager of Zhongxin Heavy-duty Machinery Company Limited (中信重型機器有限公司). Mr. Li graduated from the Tsinghua University with a Master's degree in Management and the Huazhong University of Science and Technology (華中科技大學) with a Doctor's degree in Management. Mr. Li is a professor level engineer and accountant.

EXECUTIVE DIRECTORS

Mr. TAN Yu Zhong (譚豫忠), aged 46, is an executive Director and general manager of the Company. He is responsible for the overall management of the Company's operations. Mr. Tan joined Sanmenxia Tianyuan Aluminum Group Limited (三門峽天元鋁業集團有限公司) ("Tianyuan Group") in 1984 and has about 25 years of experience in the aluminum industry. He has served as Chairman and General Manager of the Company for 2 years and 8 years respectively and deputy general manager of Tianyuan Group for 6 years. Mr. Tan graduated from Beijing University (北京大學) with a master degree in business administration and obtained the senior economist qualification in April 2001. He is a member of the Communist Party of the PRC. Mr. Tan joined the Company in August 2000.

Mr. XIAO Chong Xin (肖崇信), aged 44, is the executive director and deputy general manager of the Company. He joined Tianyuan Group in 1988 and has about 20 years of experience in the aluminum industry. During his employment at Tianyuan Group, he has served as the head of equipment maintenance factory of Sanmenxia Aluminum Factory for 5 years, and the deputy general manager, chief engineer and head of technology center of Tianyuan Group for 4 years. Mr. Xiao graduated from Zhongnan University of Industry (中南工業大學) with a bachelor's degree in Industry in July 1988 and obtained the senior engineer qualification in October 2004. He is a member of the Communists' Party of the PRC. Mr. Xiao joined the Company in December 2001.

Mr. ZHAO Zheng Bin (趙正斌), aged 52, is the executive Director and deputy general manager. Mr. Zhao has held various senior management positions in Sanmenxia Aluminum Factory, Aluminum Products Factory (鋁製品廠) and Tianyuan Group Silver Aluminum Company (天元集團銀鋁公司). He graduated from Zhengzhou University (鄭州大學) with a major in Administration Management in June 1994. Mr. Zhao is a member of the Communists' Party of the PRC. He joined the Company in August 2000.

NON-EXECUTIVE DIRECTOR

Mr. YAN Li Qi (閆利啟), aged 56, was appointed as non-executive Director in August 2003. Mr. Yan graduated from Jiaozuo University (焦作大學) with a major in enterprise management in December 1996 and obtained the economist qualification in December 1994. He is the deputy chairman of the Henan Province Carbon Association (河南省炭素協會). He is a member of the Communists' Party of the PRC and the standing committee of Chinese People's Political Consultative Conference of Jiaozuo City Macun District (焦作市馬村區). He was also elected as an outstanding entrepreneur by the Henan Province Political Consultative Economics Committee in December 2000. Mr. Yan is the general manager of Jiaozuo City Dongxing Carbon Company Limited (焦作市東星炭素有限公司), a promoter and shareholder of the Company holding approximately 0.76% of the issued share capital of the Company.

Mr. Li Zhiyuan (李志遠先生), aged 36, was appointed as non-executive Director of the Company in May 2009. Mr. Li graduated from Xi'an Polytechnic University (西安理工大學) with a Master in Business Administration and possesses the qualification of electric engineer (電氣工程師). Mr. Li commenced his career at Henan Province Ruzhou Thermal Power Station (河南省汝州市火電廠) in 1995. In 2000 to 2004, Mr. Li served as assistant to general manager and deputy general manager of Baofeng Tianrui Electric Power Company Limited (寶豐天瑞發電有限公司). Since 2004, Mr. Li served various positions in Tianrui Group Company Limited* (天瑞集團有限公司) ("Tianrui Group"), including secretary to board of directors and office supervisor.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SONG Quan Qi (宋全啟), aged 45, was appointed independent non-executive Director in March 2001. Mr. Song has extensive experience in research, investments and business consulting. He graduated from the People's University of China (中國人民大學) with a doctoral degree in economics in June 1993. He is the managing director of Henan Zhiyi Investment Company Development Limited (河南智益投資發展有限公司), and expert director of a number of companies in the PRC. Mr. Song is also a director of Hennan Joyline & Joysun Pharmaceutical Stock Co., Ltd. (河南竹林眾生製藥股份有限公司) and independent non-executive director of Henan Zhongfu Industry Co., Ltd. (河南中孚實業股份有限公司), both of which are listed on the Shanghai Stock Exchange.

Mr. ZHU Xiao Ping (朱小平), aged 61, was appointed independent non-executive Director in September 2001. Mr. Zhu has extensive experience in teaching and academic research. He had served as the head of the accounting department of The People's University of China (中國人民大學) for 4 years since 1996, and is serving as a part-time professor in Central South University (中南大學). He is also a committee member of the China Accounting Society (中國會計學會) and a member of China Audit Society (中國審計學會).

Mr. CHAN Nap Tuck (陳立德), aged 67, was appointed independent non-executive Director in June 2004. Mr. Chan graduated from University of London with a diploma in accountancy in 1975. He is the founder of Anthony Chan & Co., Certified Public Accountants and managing director of Anthony Chan Management Consultancy Company Limited. He is a fellow member of The Chartered Association of Certified Accountants, a fellow member of The Chartered Institute of Management Accountants and a Certified Public Accountant of The Hong Kong Institute of Certified Public of Accountants. He was a council member of the Chartered Institute of Management Accountants United Kingdom (Hong Kong Division) during the period between 1990 and 1999 and is also a visiting professor of The People's University of China, Jinan University, South China Teachers' Training University and a visiting lecturer of Hong Kong Polytechnic University and He Bei University. Mr. Chan has more than 20 years' experience in senior position in the field of accounting.

* *For identification purpose only*

Directors' and Supervisors' Profile (Continued)

SUPERVISORS

The Company has established a Supervisory Committee whose primary duty is the supervision of the senior management of the Company, including the Board, managers and senior officers. The function of the Supervisory Committee is to ensure that the senior management of the Company acts in the interests of the Company, its shareholders and employees and does not perform acts which violate PRC law. The Supervisory Committee reports to the Shareholders in general meetings. The Supervisory Committee currently comprises 5 members whose details are set out as follows:

Mr. Xin Mindao (辛明道), aged 44, was appointed as the chairman of the Supervisory Committee of the Company in August 2009. Mr. Xin graduated from Henan University of Finance and Economics (河南財經學院) with a bachelor degree in economic management and possesses the qualifications of electric engineer (電氣工程師) and economist (經濟師). Mr. Xin commenced his career in the aluminum foil sub-factory of Sanmenxia Aluminum Factory (三門峽鋁廠鋁箔分廠) in January 1987. From July 1995 to August 2000, Mr. Xin worked in the organization department of Sanmenxia Aluminum Factory (三門峽鋁廠) and had served consecutive as deputy department head and department head. From August 2000 to February 2002, he served as the secretary of the communist party of the Company (黨總支書記) and the committee member of the committee of the communist party (黨委委員) and secretary to the board of directors of Tianyuan Aluminum Group Limited (天元鋁業集團公司) ("Tianyuan Group"). In February 2002, he served as the deputy secretary of the committee of the communist party (黨委副書記), the secretary of the disciplinary committee (紀委書記) and the head of the office of proprietary right and system reform (產權制度改革辦公室主任) Tianyuan Group. Since October 2007, Mr. Xin has served as the chairman of the labour union of the Company.

Mr. HU Yu Jun (胡玉軍), aged 52, is deputy chief accountant and finance manager of Henan The Sixth Construction Group Limited, a promoter and shareholder of the Company holding approximately 0.76% of the issued share capital of the Company. He is a member of the Communists' Party of the PRC. He was appointed as a supervisor of the Company in August 2003.

Mr. YANG Xiao Jian (楊曉建), aged 36, He obtained the economist qualification in November 1999. Mr. Yang is a member of the Communists' Party of the PRC. He was appointed as a supervisor of the Company and a staff representative of the Supervisory Committee in March 2001.

Mr. CHENG Jiang Chuan (程江川), aged 41, is the deputy head of the technology department of the smelting factory I. Mr. Cheng has held the position of technical head of technology department of Sanmenxia Aluminum Factory. He obtained the engineer qualification in August 1999. Mr. Cheng is a member of the Communists' Party of the PRC. He was appointed as a supervisor of the Company and staff representative of the Supervisory Committee in August 2003.

Mr. GE Dian Long (葛殿龍), aged 50, graduated from Zhengzhou University in 1996 with a major in Administrative Management and has obtained the qualification of assistant engineer. Mr. Ge has over 22 years' experience in manufacture and operation management. He had served at various manufacture and operation management positions of Tianyuan Group. Mr. Ge is the head of aluminum alloy factory and the head of water and heating factory of the Company. He was appointed as a supervisor of the Company in June 2007.

In accordance with Articles 10.03 and 13.02 of the Company's Articles of Association, the term of office of all Directors and Supervisors for the time being should be 3 years and, being eligible, the Directors and Supervisors may offer themselves for re-election.

SENIOR MANAGEMENT

Mr. Yang Yuzhong (楊玉忠), aged 46, the deputy general manager of the Company. Mr. Yang has been a teacher at 三門峽三中. He joined Tianyuan Group in 1983 as the factory deputy manager and factory manager of Tianyuan Group and the Company. He was appointed as the deputy general manager of the Company in August 2004 and is responsible for the production operations of the Company. Mr. Yang is a member of the Communist Party of China. He graduated from 鄭鋁職大 in 1989, majoring in smelting of light metal. He became an engineer in December 1998 and joined the Company in August 2000.

Mr. Yang Xian Zhong (楊獻忠), aged 36, is the chief accountant of the Company. Mr. Yang has held various senior positions in Tianyuan Group and Sanmenxia Jiashi Wheel Hubs Co., Ltd. (三門峽佳適鋁合金輪轂有限責任公司). He is responsible for accounting, internal audit and finance matters. He graduated from Zhejiang Jiaxing College (浙江嘉興學院) with a Finance degree in July 1995. He obtained the registered accountant qualification in the PRC. He joined the Company in August 2004.

Mr. Li Xiaobi (李曉碧), aged 46, the deputy general manager of the Company. Mr. Li joined Tianyuan Group in 1983 and was appointed as company secretary, manager of futures division and the supervisor of Shanghai's representative office of Tianyuan Group and the Company. He was appointed as the deputy general manager of the Company in March 2008 and is responsible for the Company's operation. Mr. Li is a member of the Communist Party of China. He graduated from Yuxi Normal School of Henan Province (河南省豫西師範) in 1983 and obtained professional qualification. He joined the Company in August 2004.

Mr. Wang Guoxian (王國獻), aged 45, the chief engineer of the Company. Mr. Wang holds senior positions of factory deputy manager of the branch factory, project general manager and factory manager of Tianyuan Group, Sanmenxia Aluminum Factory and the Company respectively. In August 2004, he has appointed as the general engineer of the Company, responsible for the technical equipments and quality issues of the Company. Mr. Wang is a member the Communist Party of China. He graduated from Shenyang Golden Institute (沈陽黃金專科學院) in 1983, majoring in Nonferrous Metallurgy (有色冶金). He became an engineer in December 1998 and joined the Company in August 2000.

Ms. Ge Aiping (葛愛平), aged 42, the secretary of the board of directors of the Company. Ms. Ge holds several managing positions in Tianyuan Group and Sanmenxia Aluminum Factory. She graduated from Luoyang Institute of Technology with a Bachelor's Degree in Industry in 1989. She was awarded a Master Degree in Material Engineering by Henan University of Science and Technology in July 2006 and obtained the qualification of senior engineer in December 2004. She has been the secretary of the board of directors of the Company since September 2007 and is responsible for the day to day matters of the board of directors and administration of the Company. Ms. Ge is a member of the Communist Party of China. She joined the Company in August 2000.

Ms. Gan Hong Yu (甘紅予), aged 45, is the finance manager of the Company. Ms. Gan has held various senior positions in Tianyuan Group and the Company responsible for accounting and finance matters. She graduated from Henan Province Zhonghua School of Accounting (河南省中華會計學校) in September 1991 and obtained the accountant qualification in October 1994. Ms. Gan is a member of the Communists' Party of the PRC. She joined the Company in August 2000.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Yao Yan Ping (姚恩平), aged 40, is the qualified accountant and company secretary of the Company. Mr. Yao is responsible for the corporate finance and company secretarial functions of the Company. He obtained a bachelor's degree in accounting from the City University of Hong Kong in November 1992. Mr. Yao joined the Company in August 2003. Mr. Yao is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Report of the Directors

The Board submits to the Company the report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the production and sales of aluminum re-smelt ingots and aluminum alloy ingots.

FINANCIAL SUMMARY

The statement of comprehensive income of the Company for the year ended 31 December 2009 is set out on page 5 of this report.

DIVIDEND

The Directors do not propose any dividend for the year ended 31 December 2009.

RESERVES

Movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 36 of this report.

PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in prepaid lease payments and property, plant and equipment of the Company are set out in notes 18 and 19 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to Article 15.05 of the Company's Articles of Association, where the financial statements prepared in accordance with PRC accounting standards differ from those prepared under accounting principles generally accepted in Hong Kong, distributable profits for the relevant accounting period shall be deemed to be the lesser of the amounts shown in the two different financial statements. Distributable profits of the Company as of 31 December 2009, calculated based on the above principle, amounted to approximately RMB21,052,000.

TAXATION

Details of the treatment of the Company's taxation for the year ended 31 December 2009 are set out in note 15 to the financial statements.

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). The remuneration of the Directors for the year ended 31 December 2009 is set out on note 14 to the financial statements.

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 1)*	Beneficial owner	2,661,799,752	97.92%	68.11%
Li Liu Fa *(Note 1)*	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 the total issued H Shares	Percentage in the entire issued share capital of the Company
BOCOM International Securities Limited *(Note 2)*	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

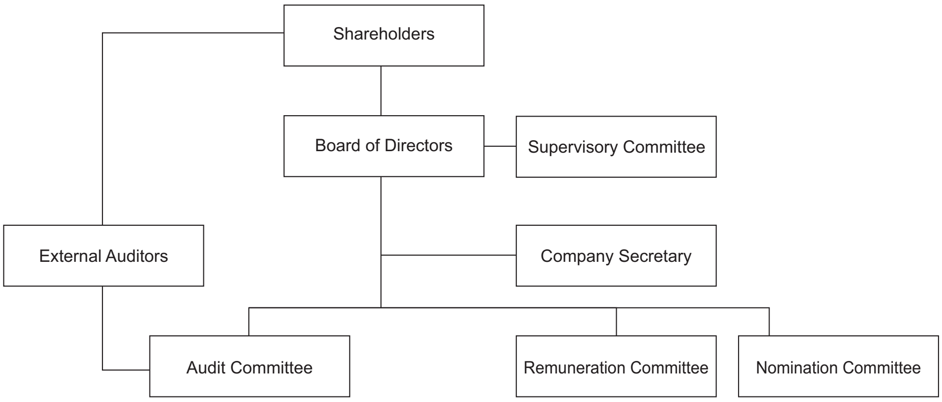
Sanmenxia City, Henan Province, the PRC
30 March 2010

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 (the "Code") set out in Appendix 15 of the GEM Listing Rules in the financial year ended 31 December 2009.

The Company attaches great importance to the excellence, soundness and reasonableness of its corporate governance structure. Effort will be made to comply with the principles and practices set out in the Code in order to protect and enhance the benefits of shareholders. We will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders.

Organisation structure in relation to corporate governance



DIRECTORS' SECURITIES TRANSACTION

Since the listing of the Company on GEM in July 2004, the Company adopted its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealing and the code of conduct regarding Directors' securities transactions.

BOARD

(a) Board Composition

The Board currently comprises three executive Directors, three non-executive Directors and three independent non-executive Directors, serving the important function of guiding the management.

The Board members for the year ended 31 December 2009 and up to the date of the report were:

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 (appointed on 27 May 2009)

Independent non-executive directors
Mr. Zhu Xiao Ping
Mr. Song Quan Qi
Mr. Chan Nap Tuck

(b) Role and function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Company, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to shareholders, and responsible for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, the Directors will consent to the seeking of independent professional advice at the Company's expense, ensuring that the Board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Company, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

For the year ended 31 December 2009, the Board:–

I. reviewed the performance of the Company and formulated business strategy of the Company;

ii. reviewed and approved the annual, interim and quarterly results of the Company;

iii. reviewed and approved the appointment of auditors of the Company;

iv. reviewed effective internal controls taken by the Company;

v. reviewed the amendments to the Articles of Association of the Company;

vi. reviewed and approved the notifiable and connected transactions and fund raising activity of the Company as set out below:–

Date of Announcement	*Type of Transaction*	*Description*
7 May 2009	Major transaction	Cross guarantee agreement
28 August 2009	Rights issue	H share and domestic share rights issues
9 December 2009	Discloseable transaction	Cross guarantee agreement

To the best knowledge of the Company, save as disclosed in this annual report, there is no financial, business and family relationship among the Directors and between the Chairman and the general manager.

(c) *Meeting Records*

There were 16 Board meetings held for the year ended 31 December 2009.

The following was an attendance record of the Board meetings held by the Board during the year:

Board Members	*Attendance at meetings held in the year ended 31 December 2009*
Mr. Tan Yu Zhong	16/16
Mr. Xiao Chong Xin	16/16
Mr. Zhao Zheng Bin	16/16
Mr. Yan Li Qi	16/16
Mr. Li He Ping	16/16
Mr. Li Zhiyuan (appointed on 27 May 2009)	13/13
Mr. Zhu Xiao Ping	16/16
Mr. Song Quan Qi	16/16
Mr. Chan Nap Tuck	16/16

(d) *Independent Non-executive Directors*

All independent non-executive Directors are independent from the Company.

The Company confirmed with all independent non-executive Directors as to their independence with reference to the applicable factors as set out in Rule 5.09 of the GEM Listing Rules.

(e) *Term of appointment of non-executive Directors*

Each of the non-executive and independent non-executive Directors has entered into a service contract with the Company for a term of three years.

CHAIRMAN AND GENERAL MANAGER

Mr. Li He Ping is the Chairman of the Company, and Mr. Tan Yu Zhong is the General Manager of the Company.

The Chairman's responsibility is to manage the Board and the General Manager's responsibility is to manage the Company's business.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:–

- audit committee
- remuneration committee
- nomination committee

Each Board committee makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(a) Audit Committee

On 13 June 2004, the audit committee had been established. It currently consists of three independent non-executive Directors.

Composition of audit committee
Mr. Song Quan Qi *(chairman of audit committee)*
Mr. Zhu Xiao Ping
Mr. Chan Nap Tuck

Role and function
The audit committee is mainly responsible for:

i. discussing with the external auditors before the audit commences, the nature and scope of audit;

ii. reviewing the Company's draft annual, half yearly and quarterly report and accounts before submission and provide advice and comments thereon to the Board;

iii. considering the appointment of external auditors, their audit fees and questions of resignation or dismissal; and

iv. discussing problems and reservations arising from audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary).

Meeting Record

The audit committee met 4 times during the year for, among other things, in reviewing the interim, quarterly and annual results of the Company.

The following was an attendance record of the audit committee meetings for the year ended 31 December 2009:

Committee member	***Attendance at meetings held in the year ended 31 December 2009***
Mr. Song Quan Qi	4/4
Mr. Zhu Xiao Ping	4/4
Mr. Chan Nap Tuck	4/4

During the meetings, the audit committee has discussed the following matters:–

(1) Financial Reporting

The audit committee met with the external auditors to discuss the interim, quarterly and annual financial statements and system of control of the Company. The auditors, the general manager, the company secretary and the financial controller of the Company were also in attendance to answer questions on the financial results.

Where there were questions on the financial statements and system of control of the Company reviewed by the audit committee, the management of the Company would provide breakdown, analysis and supporting documents to the audit committee members in order to ensure that the audit committee members were fully satisfied and make proper recommendation to the Board.

(2) External Auditors

The appointment of the external auditors and the audit fee were considered by the audit committee and recommendations were made to the Board on the selection of external auditors of the Company.

(b) Remuneration Committee

The remuneration committee was established on 12 August 2005. It currently consists two independent non-executive Directors and one non-executive Director.

Composition of remuneration committee

Mr. Li He Ping *(chairman of the remuneration committee)*
Mr. Song Quan Qi
Mr. Zhu Xiao Ping

Role and function

The remuneration committee is mainly responsible for:

1. making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board for the remuneration of non-executive Directors;

3. reviewing and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

5. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

6. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

7. advising the shareholders on how to vote in respect of any service contract of Director which shall be subject to the approval of shareholders (in accordance with the provisions of Rule 17.90 of the GEM Listing Rules).

Where circumstances are considered appropriate, remuneration committee decisions will be approved by way of written resolutions passed by all the committee members.

For the year ended 31 December 2009, there was one meeting held. The following was an attendance record of the remuneration committee meeting for the year ended 31 December 2009:

Committee member	*Attendance at meeting held in the year ended 31 December 2009*
Mr. Li He Ping	1/1
Mr. Song Quan Qi	1/1
Mr. Zhu Xiao Ping	1/1

During the meeting, the remuneration committee reviewed the remuneration of each of the Directors.

(c) Nomination Committee

The nomination committee was established on 12 August 2005. It currently consists of two independent non-executive Directors and one non-executive Director.

Composition of nomination committee

Mr. Li He Ping *(chairman of the nomination committee)*
Mr. Song Quan Qi
Mr. Chan Nap Tuck

Role and function

(1) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(2) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nomin rectorships;

(3) assessing the independence of independent non-executive Directors; and

(4) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the general manager.

Where circumstances are consider appropriate, nomination committee decisions will be approved by way of written resolutions passed by all the committee members.

For the year ended 31 December 2009, there was one meeting held. The following was an attendance record of the nomination committee meeting for the year ended 31 December 2009:

Committee member	***Attendance at meeting held in the year ended 31 December 2009***
Mr. Li He Ping	1/1
Mr. Song Quan Qi	1/1
Mr. Chau Nap Tuck	1/1

SHAREHOLDERS’ RIGHTS

It is the Company’s responsibility to ensure shareholders’ interest is well protected. To do so, the Company maintains on-going dialogue with shareholders, to communicate with them and encourage their participation through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders’ meetings. Notices of meeting which contains the proposed resolutions are despatched to the shareholders with proxy forms.

Registered shareholders are entitled to attend the annual and extraordinary general meetings, provided that their shares have been recorded in the Register of Shareholders.

Shareholders who are unable to attend a general meeting may complete and return the proxy form enclosed with the notice of meeting to give proxy to their representatives, another shareholder or chairman of the meetings.

EXTERNAL AUDITORS

It is the auditor’s responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company.

For the year ended 31 December 2009, Martin C.K. Pong & Company, Certified Public Accountants and Beijing Xinghua Certified Public Accountants, the external auditors provided the following services to the Company:–

	Martin C.K. Pong & Company
Annual audit services	HK$1,000,000
Non audit services	HK$630,000

	Beijing Xinghua
Annual audit services	RMB500,000

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the Company’s financial statements which give a true and fair view.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. During the year 2009, the Board has reviewed the effectiveness of the current system of internal control.

INVESTOR RELATIONS

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim, quarterly and annual reports, which are sent to shareholders, analysts and interested parties.

For the year ended 31 December 2009, the following shareholder meetings were held by the Company:–

Date	Venue	Type of Meeting	Particulars	Way of voting at the Meeting
27 May 2009	No. 10 South Dongfeng Road, Sanmenxia City, Henan Province, The PRC.	Annual General Meeting	1. To consider and approve the report of the Board for 2008; 2. To consider and approve the report of the supervisory committee of the Company for 2008; 3. To consider and approve the audited financial statements and the auditors' report for 2008; 4. To consider and approve the appointment and/or the re-appointment of the Company's international and PRC auditors respectively for 2009 and to authorize the Board to determine their remunerations; 5. To consider and approve the appointment of Mr. Li Zhiyuan (李志遠) as the non-executive director of the Company and to authorize the Board to fix his remuneration.	By poll

Date	Venue	Type of Meeting	Particulars	Way of voting at the Meeting
20 August 2009	No. 10 South Dongfeng Road, Sanmenxia City, Henan Province, The PRC.	Extraordinary General Meeting	1. To approve the appointment of supervisor 2. To authorise the Board to enter into service agreement and fix the remuneration	By poll
27 October 2009	No. 10 South Dongfeng Road, Sanmenxia City, Henan Province, The PRC.	Extraordinary General Meeting and Class Meetings	1. To approve H shares and domestic share rights issue and the transactions contemplated thereunder 2. To approve, confirm and ratify the underwriting agreement	By poll

Report of the Supervisors

To the Shareholders:

The Supervisory Committee of Sanmenxia Tianyuan Aluminum Company Limited (the "Supervisory Committee"), in compliance with the provisions of the Company Law of the People's Republic of China (the "PRC Company Law"), the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, under their fiduciary duty, took up an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee had reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors and audited financial statements for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. The transactions between the Company and connected parties are in the interests of the shareholders as a whole and/or under fair and reasonable price. Up till now, none of the Directors, general manager and senior management staff had been found damaging the interests of the Company and infringing upon the interests of its shareholders and employees.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2009 and has great confidence in the future of the Company.

By Order of the Supervisory Committee
Xin Mindao
Chairman

Sanmenxia City, Henan Province, the PRC
30 March 2010

Report of the Auditors

龐志鈞會計師行
Martin C. K. Pong & Company

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SANMENXIA TIANYUAN ALUMINUM COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Sanmenxia Tianyuan Aluminum Company Limited (the "Company") set out on pages 34 to 76 which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit, and to report our opinion solely to you, as a body, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the content of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

龐志鈞會計師行
Martin C. K. Pong & Company

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 3 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As at 31 December 2009, the Company had net current liabilities amounting to approximately RMB333,099,000. In addition, the Company had capital commitments of approximately RMB631,485,000 and had given guarantees in favour of third parties ("Borrower") amounting to approximately RMB240,000,000 in respect of their bank borrowings. These conditions, along with other matters as set forth in note 3, indicate the existence of a material uncertainty which may cast significant doubts about the Company's ability to continue as a going concern.

Martin C. K. Pong & Company
Certified Public Accountants
Unit 1807, 18/F, Wing On House
71 Des Voeux Road Central
Central,
Hong Kong

30 March 2010

Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	***2009*** ***RMB'000***	2008 RMB'000
Revenue	*8*	***786,593***	1,429,619
Cost of sales		***(760,661)***	(1,359,858)
Gross profit		***25,932***	69,761
Other revenue	*10*	***9,340***	45,317
Distribution costs		***(16,192)***	(44,857)
Administrative expenses		***(49,491)***	(41,967)
Finance costs	*11*	***(30,227)***	(62,822)
Loss before tax	*12*	***(60,638)***	(34,568)
Income tax credit	*15*	***8,037***	4,677
Loss for the year		***(52,601)***	(29,891)
Other comprehensive income		***–***	–
Total comprehensive income for the year		***(52,601)***	(29,891)
Loss attributable to the owners of the Company		***(52,601)***	(29,891)
Total comprehensive income attributable to the owners of the Company		***(52,601)***	(29,891)
Loss per share (expressed in RMB)			
Basic and diluted	*17*	***(0.03)***	(0.02)

The notes on pages 38 to 76 are an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Prepaid lease payments	18	***13,171***	13,477
Property, plant and equipment	19	***851,449***	798,918
Debenture, at cost		***500***	500
Available-for-sale investments	20	–	500
Deferred tax assets	16	***23,697***	15,624
		888,817	829,019
Current assets			
Inventories	21	***91,688***	72,158
Trade receivables	22	***43,184***	49,267
Other receivables and deposits	23	***224,261***	191,250
Held-for-trading investments	24	***2,000***	–
Current tax assets		***1,399***	1,435
Pledged bank balances	25	***493,574***	559,547
Cash and cash equivalents	25	***229,886***	198,924
		1,085,992	1,072,581
LIABILITIES			
Current liabilities			
Trade payables	26	***419,446***	491,793
Other payables and accruals	27	***463,757***	479,408
Financial guarantee liabilities	28	***4,086***	–
Borrowings	29	***531,802***	647,990
		1,419,091	1,619,191
Net current liabilities		***(333,099)***	(546,610)
Total assets less current liabilities		***555,718***	282,409
Non-current liabilities			
Financial guarantee liabilities	28	***1,213***	–
Long-term borrowings	29	***48,000***	–
		49,213	–
Net assets		***506,505***	282,409
EQUITY			
Capital and reserves attributable to the owner of the Company			
Share capital	30	***390,834***	116,820
Reserves	31	***115,671***	165,589
Total equity		***506,505***	282,409

The financial statements on pages 34 to 76 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*
		(Note 30)	*(Note 31(a))*	*(Note 31(b))*		
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		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)
Balance at 31 December 2008		116,820	57,970	33,966	73,653	282,409
Total comprehensive income for the year		–	–	–	(52,601)	(52,601)
Issue of shares	*30*	274,014	16,192	–	–	290,206
Share issue expenses	*30*	–	(13,509)	–	–	(13,509)
Balance at 31 December 2009		390,834	60,653	33,966	21,052	506,505

The notes on pages 38 to 76 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32	**(120,740)**	625,507
Interest paid		**(53,280)**	(81,649)
Income tax paid		**–**	(9,187)
Net cash (used in)/from operating activities		**(174,020)**	534,671
Cash flows from investing activities			
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**	–
Net cash used in investing activities		**(69,837)**	(384,974)
Cash flows from financing activities			
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)**	–
Net cash from/(used in) financing activities		**274,482**	(201,109)
Effect of exchange rate changes on cash and cash equivalents		**337**	(23,041)
Net increase/(decrease) in cash and cash equivalents		**30,962**	(74,453)
Cash and cash equivalents at beginning of the year		**198,924**	273,377
Cash and cash equivalents at end of the year		**229,886**	198,924
Analysis of cash and cash equivalents			
Cash and bank balances		**229,886**	198,924

The notes on pages 38 to 76 are an integral part of these financial statements.

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 disclose 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 in note 7.

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 significant 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Revenue recognition

Revenue is recognised in the profit or loss when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, as follows:

(a) *Sales of goods*

Revenue from the sales of goods, scrap and other materials is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

6.2 Segment information

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.3 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the respective categories of property, plant and equipment are as follows:

Buildings	9 to 40 years
Plant and machinery	2 to 20 years
Motor vehicles and transportation facilities	3 to 15 years
Office and other equipment	3 to 19 years

The assets' residual values, useful lives and method of depreciation are reviewed at each year end date, and adjusted prospectively if appropriate.

An item of property, plant and equipment is derecognised upon disposal or no further economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement is the difference between the net sales proceeds and the carrying amount of the relevant asset, recognised in profit or loss in the year of the asset is derecognised.

Construction in progress represents plant and machinery under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the construction period.

Construction in progress is transferred to the plant and machinery when the asset is substantially ready for its intended use.

6.4 Impairment of assets

At each year end date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.5 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the year end date. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 6.7 and 6.8).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the year end date.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the profit or loss within "other revenue" in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other comprehensive income when the company's right to receive payment is established.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.5 *Financial assets (Continued)*

(b) *Recognition and measurement (Continued)*

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the profit or loss as part of other comprehensive income when the company's right to receive payments is established.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) *Impairment of financial assets*

(i) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.5 Financial assets (Continued)

(d) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost *(Continued)*

- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.5 *Financial assets (Continued)*

(d) *Impairment of financial assets (Continued)*

(ii) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the other comprehensive income. Impairment losses recognised in the other comprehensive income on equity instruments are not reversed to profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed to profit or loss.

6.6 *Inventories*

Inventories comprise raw materials, work-in-progress, finished goods and production supplies and are stated at the lower of cost and net realisable value. Inventories are calculated on a weighted average method. Work-in-progress and finished goods comprise materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

6.7 *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and deferral or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss within “administrative expenses”.

6.8 *Cash and cash equivalents*

Cash and cash equivalents are short-term, high liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.9 *Trade and other payables*

The Company's trade and other payables are categorised as financial liabilities at amortised cost.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost.

6.10 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

6.11 *Borrowings*

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognises and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the year end date.

6.12 *Share capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

6.13 *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Company does not have any assets under finance leases.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.14 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

6.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

6.16 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.16 Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

6.17 Employee benefits

(a) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(b) Retirement benefit obligations

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.

(c) Housing fund

The Company provides housing fund based on certain percentage of the wages. The percentage used is within the limits allowed by the PRC government. The housing fund is paid to social security organisation, corresponding expenses are expensed or included in the cost of sales for the current year.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.18 Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

6.19 Futures contracts

The Company uses futures contracts to reduce its exposure to fluctuations in the price of aluminum ingots. Prepayments for entering into these futures contracts are initially recognised in the statement of financial position at cost and are subsequently remeasured at their fair value. Changes in fair value of futures contracts are recognised immediately in profit or loss.

The fair value of futures contract is based on quoted market prices at the year end date.

6.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are proposed by the Company's directors.

6.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

6.22 Contingent liabilities

A contingent liability is possible obligation that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

6.23 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and base on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and impairment of property, plant and equipment

Property, plant and equipment of RMB851,449,000 (2008: RMB798,918,000) at 31 December 2009 are stated at cost less accumulated depreciation and impairment losses. The Company's management determines their estimated useful lives. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) *Useful lives and impairment of property, plant and equipment* (Continued)

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in note 6.4. The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best information available to reflect the amount that obtainable at each of the year end date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) *Impairment of receivables*

Trade receivables of RMB43,184,000 (2008: RMB44,267,000) and other receivables and deposits of RMB19,204,000 (2008: RMB23,624,000) at 31 December 2009 are carried at amortised cost less allowance for impairment. The Company's management determines the provision for impairment. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the estimation on each of the year end date.

8. REVENUE

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts and related value-added tax.

9. 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	–	–
	786,593	1,429,619

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.

10. OTHER REVENUE

	2009 **RMB'000**	2008 RMB'000
Sales of scrap and other materials	***18,011***	20,380
Cost of sales	***(18,117)***	(17,218)
(Loss)/gain	***(106)***	3,162
Interest income from bank deposits	***5,610***	21,560
Government subsidies	***3,500***	10,000
Write back of impairment on trade and other receivables	***58***	296
Provision for staff welfare written back	***–***	10,113
Others	***278***	186
	9,340	45,317

11. 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 *(Note 19)*	***(23,248)***	(18,568)
	30,227	62,822

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

12. 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 *(Note 13)*	***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	***157***	776

13. STAFF COSTS

	2009 RMB'000	2008 RMB'000
Salaries, wages and other benefits	***44,826***	56,423
Defined contribution pension scheme contributions	***8,137***	8,485
	52,963	64,908

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The total emoluments of the Company's directors and senior management for the year are as follows:

	2009 RMB'000	2008 RMB'000
Fees	***320***	320
Salaries and other benefits	***201***	201
Discretionary and performance related bonus	***–***	–
Pension scheme contributions	***39***	27
	560	548

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

Directors' remuneration disclosed pursuant & section 161 of the Companies Ordinance is as follows:

	Directors' fee RMB'000	*Salaries, allowances and benefits in kind RMB'000*	*Discretionary bonus RMB'000*	*Pension scheme contributions RMB'000*	*2009 Total RMB'000*
Executive directors					
Mr. Tan Yu Zhong	–	*67*	–	*13*	*80*
Mr. Xiao Chong Xin	–	*67*	–	*13*	*80*
Mr. Zhao Zheng Bin	–	*67*	–	*13*	*80*
Non-executive directors					
Mr. Li He Ping	–	–	–	–	–
Mr. Li Zhi Yuan (appointed on 27 May 2009)	–	–	–	–	–
Mr. Yan Li Qi	–	–	–	–	–
Independent and non-executive directors					
Mr. Song Quan Qi	*100*	–	–	–	*100*
Mr. Zhu Xiao Ping	*100*	–	–	–	*100*
Mr. Chan Lap Tuck	*120*	–	–	–	*120*
	320	*201*	–	*39*	*560*

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	2008 Total RMB'000
Executive directors					
Mr. Tau Yu Zhong	–	67	–	9	76
Mr. Xiao Chong Xin	–	67	–	9	76
Mr. Zhao Zheng Bin	–	67	–	9	76
Non-executive directors					
Mr. Li He Ping	–	–	–	–	–
Mr. Li Liu Fa (resigned on 4 July 2008)	–	–	–	–	–
Mr. Yan Li Qi	–	–	–	–	–
Independent and non-executive directors					
Mr. Song Quan Qi	100	–	–	–	100
Mr. Zhu Xiao Ping	100	–	–	–	100
Mr. Chan Lap Tuck	120	–	–	–	120
	320	201	–	27	548

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) The emoluments of the Companys' directors and senior management were all within RMB Nil to RMB1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Company, five (2008: four) were directors of the Company whose emoluments are included in above.

The emoluments payable to the remaining one individual in 2008 is as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries	*–*	70
Contributions to the retirement scheme	*–*	6
Contributions to other statutory welfare funds	*–*	9
	–	85

15. INCOME TAX CREDIT

	2009 RMB'000	2008 RMB'000
Current tax:		
PRC Enterprise Income Tax		
Current	***36***	–
Under-provision	*–*	212
	36	212
Deferred tax *(note 16)*	***(8,073)***	(4,889)
	(8,037)	(4,677)

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:

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

16. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year and the balance as at the year end date are as follows:

	Provision for doubtful trade and other receivables RMB'000	*Inventories* RMB'000	*Construction in progress* RMB'000	*Others* RMB'000	*Unutilised tax loss* RMB'000	*Total* RMB'000
At 1 January 2008	10,623	59	–	53	–	10,735
(Charged)/credited to profit or loss	(74)	2,942	–	–	2,021	4,889
At 31 December 2008	10,549	3,001	–	53	2,021	15,624
(Charged)/credited to profit or loss	(15)	5,267	4,065	777	(2,021)	8,073
At 31 December 2009	***10,534***	***8,268***	***4,065***	***830***	***–***	***23,697***

Deferred tax assets have not been recognised in respective of the following item:

	2009 ***RMB'000***	2008 RMB'000
Deductible temporary difference	***16,116***	–

Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilized.

17. 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.

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

17. LOSS PER SHARE *(Continued)*

(a) ***Basic*** *(Continued)*

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 (as detailed in note 30 to the financial statements).

(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.

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent the Company's interests in leasehold land and land use rights in the PRC:

	2009 ***RMB'000***	2008 RMB'000
Land outside Hong Kong:		
Long leases	***1,353***	1,391
Medium term leases	***11,818***	12,086
	13,171	13,477

	2009 ***RMB'000***	2008 RMB'000
Carrying amount at 1 January	***13,477***	–
Reclassification from buildings *(Note 19)*	**–**	7,518
Additions	**–**	6,180
Amortisation	***(306)***	(221)
Carrying amount at 31 December	***13,171***	13,477

19. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	*Buildings* RMB'000	*Plant and machinery* RMB'000	*Motor vehicles and transportation facilities* RMB'000	*Office and other equipment* RMB'000	*Total* RMB'000
Year ended 31 December 2008						
At 1 January 2008						
Cost	13,543	110,825	408,651	9,403	69,046	611,468
Accumulated depreciation and impairment loss	(11,342)	(18,369)	(123,610)	(2,691)	(21,635)	(177,647)
Net carrying amount	2,201	92,456	285,041	6,712	47,411	433,821
Opening net carrying amount	2,201	92,456	285,041	6,712	47,411	433,821
Additions	394,661	–	2,069	1,254	239	398,223
Interest capitalised *(note 11)*	18,568	–	–	–	–	18,568
Transfer	(1,436)	–	1,436	–	–	–
Reclassification to prepaid lease payments *(note 18)*	–	(7,518)	–	–	–	(7,518)
Disposals	–	(175)	–	(200)	–	(375)
Depreciation	–	(3,365)	(34,272)	(1,134)	(5,030)	(43,801)
Closing net carrying amount	413,994	81,398	254,274	6,632	42,620	798,918
At 31 December 2008						
Cost	425,336	102,792	411,944	10,147	69,285	1,019,504
Accumulated depreciation and impairment loss	(11,342)	(21,394)	(157,670)	(3,515)	(26,665)	(220,586)
Net carrying amount	413,994	81,398	254,274	6,632	42,620	798,918

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Construction in progress RMB'000	*Buildings* RMB'000	*Plant and machinery* RMB'000	*Motor vehicles and transportation facilities* RMB'000	*Office and other equipment* RMB'000	*Total* RMB'000
Year ended 31 December 2009						
Opening net carrying amount	***413,994***	***81,398***	***254,274***	***6,632***	***42,620***	***798,918***
Additions	***73,752***	–	–	***1,151***	***80***	***74,983***
Interest capitalised *(note 11)*	***23,248***	–	–	–	–	***23,248***
Disposals	–	***(296)***	***(1,436)***	***(1,739)***	–	***(3,471)***
Depreciation	–	***(3,240)***	***(33,705)***	***(372)***	***(4,912)***	***(42,229)***
Closing net carrying amount	***510,994***	***77,862***	***219,133***	***5,672***	***37,788***	***851,449***
At 31 December 2009						
Cost	***522,336***	***102,496***	***410,507***	***9,559***	***69,365***	***1,114,263***
Accumulated depreciation and impairment loss	***(11,342)***	***(24,634)***	***(191,374)***	***(3,887)***	***(31,577)***	***(262,814)***
Net carrying amount	***510,994***	***77,862***	***219,133***	***5,672***	***37,788***	***851,449***

(a) Depreciation of RMB40,657,000 (2008: RMB42,254,000) have been included in cost of goods sold, and of RMB1,572,000 (2008: RMB1,547,000) in administrative expenses.

(b) As at 31 December 2009, the Company's bank borrowings were secured by certain plant and machinery with carrying amount of RMB71,693,000 (2008: RMB106,297,000).

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2009 ***RMB'000***	2008 RMB'000
Unlisted debt fund held outside Hong Kong, at fair value	–	500

The fair value of the investment fund was based on the price quoted by a bank.

21. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	***28,684***	30,409
Work-in-progress	***40,221***	37,118
Finished goods	***22,783***	4,631
	91,688	72,158

22. TRADE RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables *(Note 22(a))*	***84,076***	85,196
Less: Provision for impairment	***(40,892)***	(40,929)
	43,184	44,267
Bills receivable *(Note 22(b))*	**–**	5,000
	43,184	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:

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

22. TRADE RECEIVABLES *(Continued)*

(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 (note 29).

23. OTHER RECEIVABLES AND DEPOSITS

	2009	2008
	RMB'000	RMB'000
Other receivables	***20,448***	24,890
Less: Provision for impairment	***(1,244)***	(1,266)
	19,204	23,624
Interest receivables *(Note 37)*	***1,549***	1,822
Futures deposits *(Note 37)*	***1,702***	663
Purchase deposits to third parties	***201,799***	158,774
Purchase deposits to a related company *(Note 38)*	***7***	6,367
	224,261	191,250

24. HELD-FOR-TRADING INVESTMENTS

	2009 RMB'000	2008 RMB'000
Listed debt fund held outside Hong Kong, at fair value	**2,000**	–

Fair values of the listed investments are determined by reference to the quoted market bid prices available from the banks.

25. CASH AND BANK BALANCES

	2009 RMB'000	2008 RMB'000
Pledged bank balances:		
Bank balances	**376,974**	559,547
Fixed deposits	**116,600**	–
	493,574	559,547
Cash and bank balances	**229,886**	198,924
	723,460	758,471

The fixed deposits are maturity within 7 days to 3 months, and the interest rate is from 1.98% to 2.25% per annum.

All cash and bank balances were denominated in Renminbi, Hong Kong dollars and United States dollars which were deposited with banks in the PRC. The conversion of Renminbi denominated balances into foreign currencies and the remittance of Renminbi out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Also, the exchange rate is determined by the PRC government. As at 31 December 2009, total cash and bank balances in Renminbi, Hong Kong dollars and United States dollars were RMB494,714,000, RMB1,866,000 and RMB226,880,000 (2008: RMB505,152,000; RMB Nil; RMB253,319,000) respectively.

26. TRADE PAYABLES

	2009	2008
	RMB'000	RMB'000
Trade payables	***72,846***	91,593
Bills payables *(Note 26(a))*	***346,600***	400,200
	419,446	491,793

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

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

(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.

27. OTHER PAYABLES AND ACCRUALS

	2009 RMB'000	2008 RMB'000
Receipts in advance from customers	***168,329***	425,062
Payables to the National Social Security Fund *(Note 27(a))*	***1,865***	–
Staff welfare payables	***37,488***	21,330
Accrued construction costs	***11,990***	12,488
Amount due to ultimate holding company	***835***	–
Amount due to a fellow subsidiary	***4,733***	–
Other payables	***238,517***	20,528
	463,757	479,408

(a) Pursuant to the "Temporary Administration Measures for Reduction of state-owned shares" (減持國有股籌集社會保障資金管理暫行辦法) promulgated by the State Council on 12 June 2001, net proceeds arising from sales of H shares by Sanmenxia Tianyuan Aluminum Group Limited, the former parent company, should be remitted to the National Social Security Fund (the "Fund"). The amount payable to the Fund for the year ended 31 December 2009 was approximately RMB1,865,000.

(b) As at 31 December 2009, the other payables and accruals denominated in United States dollars, Renminbi and Hong Kong dollars amounted to RMB241,465,000, RMB221,411,000 and RMB881,000 (2008:RMB 247,508,000, RMB229,150,000 and RMB2,750,000) respectively.

28. FINANCIAL GUARANTEE LIABILITIES

	2009 RMB'000	2008 RMB'000
Financial guarantee issued	***5,299***	–
Amortized within one year	***4,086***	–
More than one year	***1,213***	–
	5,299	–

The fair value initial recognised of the financial guarantee has been arrived at based on the valuation carried out by an independent qualified valuer, Grant Sherman Appraisal Limited.

29. BORROWINGS

	2009 **RMB'000**	2008 RMB'000
Bank loans – secured	***531,802***	647,990
Other loans – secured	***48,000***	–
	579,802	647,990
Carrying amount repayable:		
On demand or within one year	***531,802***	647,990
More than one year, but not exceeding two years	***48,000***	–
	579,802	647,990
Less: Amounts due within one year shown under current liabilities	***(531,802)***	(647,990)
	48,000	–

The loans were secured by the following assets and financial guarantees given by related parties and third parties. The effective interest rate at the year end date was ranging from 4.78% to 21.60% (2008: from 5.04% to 13.45%) per annum.

	2009 **RMB'000**	2008 RMB'000
Plant and machinery	***71,693***	106,297
Bank balances	***211,761***	261,197
Trade receivables	***43,184***	44,267
Total	***326,638***	411,761

30. 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 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	(17,648,860)	(1,765)	17,648,860	1,765	–	–
At 31 December 2009	***2,700,627,244***	***270,063***	***1,207,716,860***	***120,771***	***3,908,344,104***	***390,834***

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.

31. RESERVES

(a) Capital reserve

Capital reserve represents the difference between the aggregate nominal value of the share capital issued by the Company and the consideration received as a result of issue of the Company's shares. Such reserve can only be used to increase share capital or offsetting with direct share issuing costs.

(b) Statutory surplus reserve

In accordance with the PRC Company Law and relevant financial regulations, the Company is required to transfer 10% of the profit after tax arrived at in accordance with PRC accounting standards to the statutory surplus reserve every year until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Statutory surplus reserve balance should not fall below 25% of the registered capital after the placing.

32. CASH (USED IN)/GENERATED FROM OPERATIONS

	2009 RMB'000	2008 RMB'000
Loss before tax	***(60,638)***	(34,568)
Adjustments for:		
– Depreciation and amortisation	***42,535***	44,022
– Loss on disposal of property, plant and equipment	***933***	185
– Financial gurantee issued	***5,298***	–
– Gain on disposal of available-for-sale investment	***(28)***	–
– Gain on disposal of held-for-trade investment	***(19)***	–
– Write back of impairment on trade and other receivables	***(58)***	(296)
– Unrealised foreign exchange (gain)/loss	***(337)***	23,041
– Interest income	***(5,610)***	(21,560)
– Interest expense	***30,227***	62,822
	12,303	73,646
(Increase)/decrease in inventories	***(19,530)***	48,550
(Increase)/decrease in trade and other receivables and deposits	***(25,321)***	227,399
(Decrease)/increase in trade and other payables and accruals	***(88,192)***	275,912
Cash (used in)/generated from operations	***(120,740)***	625,507

33. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Interim and final dividend	***–***	–

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

34. CONTINGENT LIABILITIES

	2009	2008
	RMB'000	RMB'000
Financial guarantee given to banks in connection with facilities granted to independent third parties	***103,400***	92,280

The Company had entered two agreements with two independent third parties on 7 May 2009 and 9 December 2009 for 2 and 1 years ("Effective periods") respectively. Pursuant to which the Company shall provide guarantees for the maximum amount of RMB200,000,000 and RMB40,000,000 respectively to secure the banking facilities granted to the independent third parties during the Effective periods.

As at 31 December 2009, the banking facilities granted to the independent third parties subject to guarantee given to the banks and the Company were utilised to the extent of approximately RMB103,400,000 (2008: RMB92,280,000).

35. COMMITMENTS

	2009	2008
	RMB'000	RMB'000
Contracted but not provided for:		
Property, plant and equipment	***631,485***	642,366

36. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders.

The Company manages its capital by regularly monitoring its current and expected liquidity requirements. The objectives and policies were unchanged from previous periods. In order to meet the expected liquidity requirement owing to significant capital commitments as stated in note 35, the parent company has undertaken to provide financial assistance to the Company whenever necessary.

The Company is not subject to either internally or externally imposed capital requirements.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to foreign currency, cash flow and fair value interest rate, credit and liquidity risks arise in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices as described below.

(a) *Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As the Company considered that its exposure to foreign currency risk is not significant, it had not entered into any currency forward contracts.

Carrying amounts of financial assets and financial liabilities as at 31 December 2009 that exposed to foreign currency risk were as follows:

	2009 RMB'000	2008 RMB'000
Financial assets denominated in foreign currencies:		
Cash and bank balances	***228,745***	253,319
Financial liabilities denominated in foreign currencies:		
Trade and other payables	***(222,292)***	(280,778)
Net financial assets/(liabilities) exposed to foreign currency risks	***6,453***	(27,459)
The financial assets were denominated in the following foreign currencies:		
US dollars	***226,879***	253,319
HK dollars	***1,866***	–
	228,745	253,319
The financial liabilities were denominated in the following foreign currencies:		
US dollars	***221,411***	278,028
HK dollars	***881***	2,750
	222,292	280,778

Should Renminbi at 31 December 2009 devalue by 10% against all the foreign currencies, the net carrying amount of financial assets and financial liabilities exposed to foreign currency risk at 31 December 2009 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates", and hence the equity at 31 December 2009, would be increased by approximately RMB645,000 (2008: decreased by approximately RMB2,746,000); and the loss for the year ended 31 December 2009 would be decreased by a net amount of approximately RMB645,000 (2008: loss increased by approximately RMB2,746,000).

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Cash flow and fair value interest rate risk

The Company is subject to interest rate risk in relation to borrowings and bank balances. Borrowings and bank balances carried at floating rates expose the Company to cash flow interest rate risk whereas those carried at fixed rates expose the Company to fair value interest rate risk. The Company has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

(i) Carrying amounts of financial liabilities as at 31 December 2009 that exposed to fair value interest rate risk were as follows:

	2009 ***RMB'000***	2008 RMB'000
Financial assets bearing fixed interests:		
Secured bank balances – fixed deposit	***116,600***	–
Financial liabilities bearing fixed interests:		
Bank borrowings	***344,092***	281,890

(ii) Carrying amounts of financial assets and financial liabilities as at 31 December 2009 that exposed to cash flow interest rate risk were as follows:

	2009 ***RMB'000***	2008 RMB'000
Financial assets earning variable interests:		
Deposits with banks and financial institutions	***606,858***	758,281
Deposit with Shanghai Futures Exchange	***1,701***	663
	608,559	758,944
Financial liabilities bearing variable interests:		
Bank borrowings	***244,462***	366,100
Net carrying amount of financial assets and financial liabilities exposed to interest rate risk	***364,097***	392,844

At 31 December 2009, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Company's net assets and decrease the loss for the year by approximately RMB3,641,000 (2008: RMB3,928,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the exposure to interest rate risk for variable rate borrowings in existence at that date all over other variables remain constant.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) *Credit risk*

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company manages credit risks by setting up credit control policy and periodic evaluation of credit performance of the other parties, measured by the extent of past due or default.

Carrying amounts of financial assets as at 31 December 2009, which represented the amounts of maximum exposure to credit risk, were as follows:

	2009 ***RMB'000***	2008 RMB'000
Cash and bank balances *(note 25)*	***723,460***	758,471
Trade receivables *(note 22)*	***43,184***	49,267
Other receivables *(note 23)*	***19,204***	23,624
Interest receivables *(note 23)*	***1,549***	1,822
Futures deposits *(note 23)*	***1,702***	663
Held for trading investments *(note 24)*	***2,000***	–
Debenture	***500***	500
Available-for-sale investments *(note 20)*	***–***	500

Except for the financial assets with carrying amount of RMB42,136,000 (2008: RMB42,195,000) which were either past due or impaired, the management are satisfied with the credit quality of finance assets.

Analysis of trade receivables that were past due as at 31 December 2009 but not impaired:

	2009 ***RMB'000***	2008 RMB'000
Neither past due nor impaired	***43,184***	49,267
Past due but not impaired	***–***	–
Impaired	***40,892***	40,929
	84,076	90,196

Except for trade receivables whose recovery were considered remote and impairment of which were written off directly from the carrying amount, an allowance for impairment of past due trade receivables was maintained.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) ***Credit risk*** *(Continued)*

Movements of the allowance during the year were as follows:

	2009 ***RMB'000***	2008 RMB'000
At 1 January	***40,929***	42,200
Written back for the year	***(37)***	(1,271)
At 31 December	***40,892***	40,929

Analysis of other deposits and receivables that were past due as at 31 December 2009 but not impaired:

	2009 ***RMB'000***	2008 RMB'000
Neither past due nor impaired	***19,204***	23,624
Past due but not impaired	***–***	–
Impaired	***1,244***	1,266
	20,448	24,890

Except for other deposits and receivables whose recovery were considered remote and impairment of which were written off directly from the carrying amount, an allowance for impairment of past due of other deposits and receivables was maintained.

Movements of the allowance during the year were as follows:

	2009 ***RMB'000***	2008 RMB'000
At 1 January	***1,266***	291
(Written back)/impairment loss for the year	***(22)***	975
At 31 December	***1,244***	1,266

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of Company to meet its financial obligations by monitoring its current and expected liquidity requirements.

	2009	2008
	RMB'000	RMB'000
Total amounts of contractual undiscounted obligations:		
Borrowings	***579,802***	647,990
Trade, other payables and accruals	***714,875***	546,139
	1,294,677	1,194,129
Due for payment		
Not later than one year	***1,246,677***	1,194,129
Over one year	***48,000***	–
	1,294,677	1,194,129
Financial guarantees issued		
Maximum amount guaranteed	***103,400***	92,280

(e) *Other price risk*

The Company is exposed to equity price risk through its investments in held-for-trading investments and available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Company's equity price risk is mainly concentrated on listed equity fund instruments quoted in The Stock Exchange. In addition, the Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% higher/lower:–

Loss for the year ended 31 December, 2009 would decrease/increase by RMB200,000 and RMB Nil (2008: RMB Nil and RMB50,000) for the Company a result of the changes in fair value of held-for-trading investments and available-for-sale financial assets.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Categories of financial instruments

	2009	2008
	RMB'000	RMB'000
Financial assets:		
Available for sale financial assets	**–**	500
Debenture	***500***	500
Trade receivable	***43,184***	49,267
Other current assets	***224,262***	191,250
Held for trading investment	***2,000***	–
Pledged bank balances	***493,574***	559,547
Cash and bank balances	***229,886***	198,924
	993,406	999,988
Financial liabilities:		
Trade payables	***419,446***	491,793
Other payables and accruals	***469,056***	479,408
Bank borrowings	***531,802***	647,990
Long-term borrowing	***48,000***	–
	1,468,304	1,619,191

(g) Financial instruments carried at fair value

The fair values of financial assets and financial liabilities are determined as follows.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(h) Fair value measurements recognised in the statement of financial position

The following table presents the carrying value of financial instruments measured at fair value at the year end date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held for trading-listed equity securities	2,000	–	–	2,000
Total	2,000	–	–	2,000

During the year, there were no transfers between instruments in Level 1 and Level 2.

(i) Estimation of fair values

Liquid or/and short-term assets and liabilities

For financial assets and financial liabilities that are liquid or having short term maturity it is assumed that the carrying amounts approximate their fair values. The assumption is applied to trade receivable, other receivables, trade payables, other payables and accruals, cash and cash equivalents without a specific maturity.

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with its related parties during the year:

		2009	2008
		RMB'000	RMB'000
(a)	Transactions		
	Other related parties		
	Purchase of materials from a shareholder of the Company	***2,751***	742

Materials purchased from a shareholder of the Company were made at terms in accordance with the underlying agreements.

(b)	Outstanding balances		
	Trade balanced due from a shareholder of the Company *(Note 23)*	***7***	6,367
(c)	Compensation of key management personnel		
	Short-term benefits	***560***	548

Further details of the compensation of key management personnel are included in note 14 to the financial statements.

39. COMPARATIVE FIGURES

As further explained in note 5 of the financial statements, 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.