



Sanmenxia Tianyuan Aluminum Company Limited*

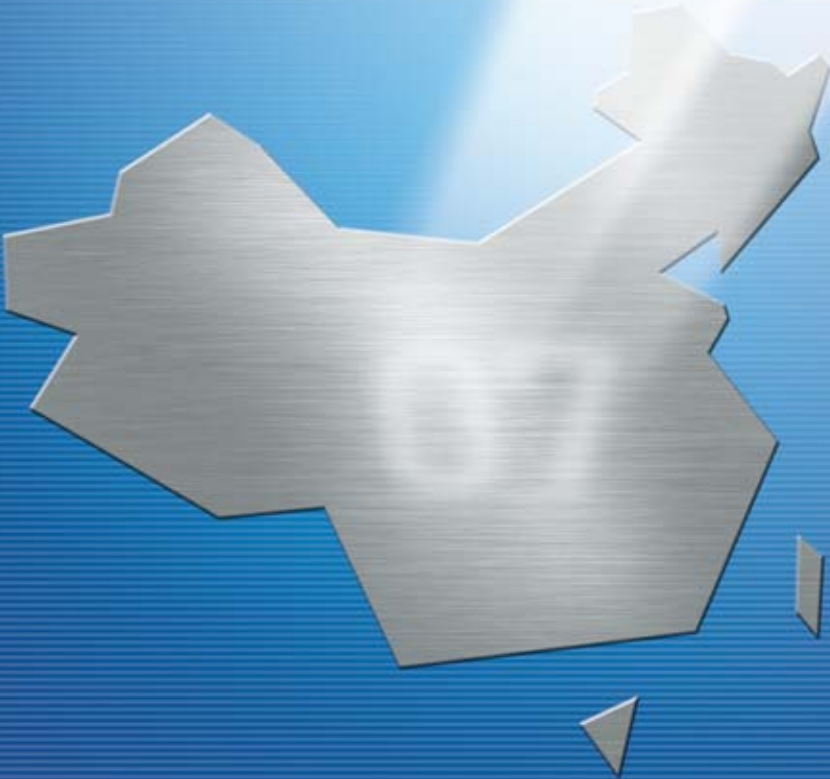
三門峽天元鋁業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 8253

07

First Quarterly Report



* For identification only

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Sanmenxia Tianyuan Aluminum Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Achieved a turnover of approximately RMB407,087,000 for the three months ended 31 March 2007.
- Net profit amounted to approximately RMB37,199,000 for the three months ended 31 March 2007, as compared to a net profit of approximately RMB8,247,000 for the corresponding period in 2006.
- The Directors do not recommend the payment of dividend for the three months ended 31 March 2007.

FIRST QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited results of the Company for the three months ended 31 March 2007 ("three-month period") together with the comparative unaudited figures for the corresponding period in 2006. The first quarterly unaudited results of the three-month period have been reviewed by the audit committee of the Company.

PROFIT AND LOSS ACCOUNT (UNAUDITED)

Three months ended 31 March 2007

		Three months ended 31 March	
		2007	2006
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Turnover	3	407,087	369,881
Cost of goods sold		(321,075)	(346,252)
		<hr/>	<hr/>
Gross profit		86,012	23,629
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Other revenue	3	5,625	7,593
Expenses related to other revenue		(2,351)	(3,052)
		<hr/>	<hr/>
Other revenue, net		3,274	4,541
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Selling and distribution expenses		(6,181)	(3,063)
General and administrative expenses		(13,346)	(7,423)
		<hr/>	<hr/>
Operating profit		69,759	17,684
Finance costs		(14,238)	(9,437)
		<hr/>	<hr/>
Profit before income tax		55,521	8,247
Income tax	4	(18,322)	-
		<hr/>	<hr/>
Profit for the period		37,199	8,247
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Dividend		-	-
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Earnings per Share	5	RMB3.18 cents	RMB0.71 cents
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STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2006	116,820	62,099	14,060	7,031	(69,486)	130,524
Profit for the period	-	-	-	-	8,247	8,247
At 31 March 2006	<u>116,820</u>	<u>62,099</u>	<u>14,060</u>	<u>7,031</u>	<u>(61,239)</u>	<u>138,771</u>
At 1 January 2007	116,820	62,099	27,436	-	10,864	217,219
Profit for the period	-	-	-	-	37,199	37,199
At 31 March 2007	<u>116,820</u>	<u>62,099</u>	<u>27,436</u>	<u>-</u>	<u>48,063</u>	<u>254,418</u>

NOTES TO THE ACCOUNTS

1. Organisation and principal operation

The Company was incorporated in the People's Republic of China (the "PRC") as a joint stock limited company with limited liability on 8 August 2000. The Company is principally engaged in the production and distribution of aluminum ingots. All of the Company's operating assets are located in the PRC.

2. Basis of preparation

The unaudited results of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

3. Turnover, revenues and segment information

The Company is principally engaged in the production and distribution of aluminum re-smelted ingots and aluminum alloy ingots. Revenues recognised during the periods are as follows:

	Unaudited Three months ended 31 March	
	2007 RMB'000	2006 RMB'000
Turnover		
Sales of goods, net of value-added tax	407,087	369,881
Other revenue		
Sales of scrap and other materials	3,007	2,068
Supply of water and electricity	681	1,942
	3,688	4,010
Interest income	1,937	3,583
Total other revenue	5,625	7,593
Total revenue	412,712	377,474

Primary reporting format – business segments

No segment information by business segment is presented as the principal operation of the Company during the period is the production and distribution of aluminum ingots, which is considered as the single business of the Company.

Secondary reporting format – geographical segments

	Unaudited	
	Three months ended	
	31 March	
	2007	2006
	RMB'000	RMB'000
Turnover		
- The PRC	339,373	331,466
- Korea	38,202	-
- Hong Kong	29,512	38,415
	407,087	369,881

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.

4. Taxation

The provision for current PRC enterprise income tax is based on the statutory rate of 33% of the assessable income of the Company as determined in accordance with the relevant PRC income tax rules and regulations during the three months ended 31 March 2007 and 2006.

The amount of taxation charged to the profit and loss account represents:

	Unaudited	
	Three months ended	
	31 March	
	2007	2006
	RMB'000	RMB'000
PRC enterprise income tax	18,322	-

5. Earnings per share

Basic earnings per share for the three months ended 31 March 2007 are based on the unaudited profit attributable to shareholders of RMB37,199,000 (2006: profit of RMB8,247,000), and the weighted average number of 1,168,200,000 shares (2006: 1,168,200,000 shares) in issue during the respective periods.

As there are no potential dilutive shares in issue during the periods, there is no difference between basic and diluted earnings per share.

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2007 (2006: Nil).

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Business Review

During the period under review, the operations of the Company maintain at a steady growth. For the period from January to March 2007, production volume of aluminum ingots reached 30,663 tonnes, representing an increase of 4,768 tonnes or 18.41% against that of the corresponding period in 2006. Turnover for the three months ended 31 March 2007 reached approximately RMB407,087,000 representing an increase of approximately RMB37,206,000 or 10.06% against that of the corresponding period in previous year.

Increase in production volume of the Company for the period from January to March 2007 was mainly due to the increase in the utilization of production facilities and the increase in the production scale of the Company's re-cycle aluminum project. The increase in the turnover for the period from January to March 2007 was mainly driven by the increase in the average selling price of aluminum ingots and aluminum alloys and the increase in sales volume.

During the period under review, the Company strived to improve the structure of the products and to increase the production volume of aluminum alloy, a product with higher added-value. For the period from January to March of 2007, production volume of the aluminum alloy increased to 6,109 tonnes from 3,794 tonnes in the corresponding period in previous year, representing an increase of 2,315 tonnes or 61.03%.

Financial Review

For the three months ended 31 March 2007:

The Company recorded a turnover of approximately RMB407,087,000 for the three months ended 31 March 2007, representing an increase of approximately 10.06% when compared with that of approximately RMB369,881,000 for the same period in previous year. The increase in turnover was mainly attributable to the increase in average selling price of aluminum ingots and aluminum alloys and the increase in sales volume of aluminum alloys during the first quarter of the year 2007.

Of the total turnover amount, approximately RMB307,709,000 or 75.59% was generated from the sale of aluminum re-smelt ingots in the PRC and overseas, and approximately RMB99,378,000 or 24.41% was generated from the sale of aluminum alloy ingots.

The Company's gross profit for the three months ended 31 March 2007 was approximately RMB86,012,000, representing a gross profit margin of approximately 21.13%, against the gross profit margin of about 6.39% for the three months ended 31 March 2006. The increase in gross profit margin was mainly due to (1) the reduction in price of major raw material alumina and (2) the increase in sales volume and selling price of aluminum re-smelt ingots and aluminum alloys.

Other revenue of the Company for the three months ended 31 March 2007 amounted to approximately RMB5,625,000, which comprised approximately RMB3,007,000 from sale of scrap and other materials, approximately RMB681,000 from supply of water and electricity to the Company's related parties and other independent third parties, and approximately RMB1,937,000 of interest income. This represented a decrease of 25.92% or RMB1,968,000 when compared to RMB7,593,000 for the three months ended 31 March 2006. The decrease was mainly attributed by the decrease in interest income by the maturity of the fixed deposit.

Expenses related to other revenue for the three months ended 31 March 2007 amounted to approximately RMB2,351,000, representing a decrease of approximately RMB701,000 or 22.97% against RMB3,052,000 of the corresponding period in 2006. The decrease was mainly due to the decrease of sales of water which in turn reduced the cost of sales of water during the period.

The selling and distribution expenses of the Company amounted to about RMB6,181,000 or 1.52% of the turnover for the three months ended 31 March 2007, representing an increase of approximately RMB3,118,000 or 101.80% from about RMB3,063,000 or 0.83% of the turnover for the three months ended 31 March 2006. The increase was mainly due to the increase of export sales that made the transportation cost increased during the period.

The general and administrative expenses were approximately RMB13,346,000 or 3.28% of the turnover for the three months ended 31 March 2007, representing an increase of RMB5,923,000 or 79.79% from about RMB7,423,000 for the three months ended 31 March 2006. The increase was mainly due to 1. the increase in consultancy fee; 2. the increase in provision of bad debts; and 3. the increase in payment in relation to retirement scheme.

For the three months ended 31 March 2007, finance costs amounted to approximately RMB14,238,000, representing an increase of approximately RMB4,801,000 or 50.87% from RMB9,437,000 for the same period in 2006. The increase was mainly due to: (1) the increase in bank interest rates and the increase in average loan balances during the period under review; (2) international exchange rate decreased continuously that led to the increase of exchange loss.

Net profit for the three months ended 31 March 2007 was RMB37,199,000, representing an increase of approximately RMB28,952,000 from net profit of approximately RMB8,247,000 for the same period in previous year.

The Company operates a conservative set of investment policies to ensure that no unnecessary risks are taken with the Company's assets. No investments other than cash and other short-term bank deposits are currently permitted.

The Company has not held any significant investment for the three months ended 31 March 2007.

Disclosure of trade receivables under Rule 17.22 of the GEM Listing Rules

As at 31 March 2007, the Company recorded trade receivables due from Sanmenxia Jiashi Wheel Hubs Co., Ltd. (三門峽佳適鋁合金輪轂有限公司) (“Jiashi”) to the Company for approximately RMB48,604,000.

The trade receivables due from Jiashi to the Company arose from the sales in the Company’s ordinary course of business and on normal commercial terms. The trade receivables due from Jiashi is unsecured and with a finance charge on the outstanding amount which may be agreed between the Company and Jiashi. For the period ended 31 March 2007, the Company charged Jiashi with a monthly finance charge of 0.4425% on the outstanding trade receivable balance as at each of the month ends. Jiashi shall pay for the products supplied by the Company within 30 days after accepting delivery of the products pursuant to the relevant agreement entered into between the Company and Jiashi on 25 May 2005.

Strategies and Plans

With a view to ensure the steady development of the PRC economy, the PRC government adopted a series of policies to regulate the macro-economy of the aluminum industry and to protect the healthy development of the aluminum industry.

In the year 2007, the Company will still face challenges both in production and management including the increase pressure on product cost and operation cost, mainly due to the intensity of competition in aluminum market, the high prices of raw materials and energy sources after the implementation of macro-economic policies on the aluminum industry. The Company will continue to focus on its principal business, carry out a cost objective management model to effectively control cost and strive to increase the returns for shareholders by, inter alia, reducing energy consumption, improving internal management and enhancing production efficiency and quality.

Foreign exchange risk

The income and expenses of the Company are mainly denominated in Renminbi. During the period 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. However, part of the export sales is settled by United States dollar. Thus, the appreciation of RMB will have an effect on the financial results of the Company.

Share capital

As at 31 March 2007, the shareholders of the Company are as follows:

Category of shares	Number of shares in issue	Percentage (%)
Domestic Shares	818,180,000	70.04
H Shares	350,020,000	29.96

DISCLOSURE OF INTERESTS

Interests of the directors, supervisors and chief executives

As at 31 March 2007, none of the directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Interests of substantial shareholders and other persons

As at 31 March 2007, the persons (other than a director, supervisor or chief executive of the Company) who have 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 were as follows:

Interests in Domestic Shares (long positions):

Name	Capacity	Number of Domestic Shares	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company
三門峽天元鋁業集團 有限公司 (Sanmenxia Tianyuan Aluminum Group Limited)	Beneficial owner	782,882,280	95.69%	67.02%

Interests in H Shares (long positions):

Name	Capacity	Number of H Shares	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company
BCOM Securities Company Limited	Beneficial owner	99,930,000	28.55%	8.55%
CCIB Opportunity Income Growth Fund	Beneficial owner	33,000,000	9.43%	2.82%
Li Jun	Beneficial owner	18,000,000	5.14%	1.54%
Chen Yamin	Beneficial owner	17,660,000	5.05%	1.51%

Other persons who are required to disclose their interests

As at 31 March 2007, save for the persons 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the three months ended 31 March 2007, none of the Directors was granted any option to subscribe for shares of the Company. As at 31 March 2007, none of the Directors had any right to acquire shares in the Company.

SHARE OPTION SCHEME

Up to 31 March 2007, the Company had not adopted any share option scheme or granted any option.

COMPETING INTERESTS

As at 31 March 2007, none of the Directors or the management shareholders of the Company 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.

CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2007, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Since the listing of the Company on GEM on 13 July 2004, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31 March 2007, there was no purchase, sales or redemption of the Company's listed securities by the Company.

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 and 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 the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control system of the Company. The audit committee comprises three independent non-executive directors, namely Mr. ZHU Xiao Ping, Mr. SONG Quan Qi, Mr. CHAN Nap Tuck.

The unaudited first quarterly accounts for the three months ended 31 March 2007 have been reviewed by the audit committee.

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

Henan Province, the PRC, 15 May 2007

As at the date of this report, the executive Directors are Mr. Tan Yu Zhong, Mr. Xiao Chong Xin and Mr. Zhao Zheng Bin; the non-executive Directors are Mr. Li He Ping, Mr. Li Liu Fa and Mr. Yan Li Qi; and the independent non-executive Directors are Mr. Zhu Xiao Ping, Mr. Song Quan Qi and Mr. Chan Nap Tuck.