



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



\* For identification only

First Quarterly Report **08**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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*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 RMB389,483,000 for the three months ended 31 March 2008.
- Net profit amounted to approximately RMB12,943,000 for the three months ended 31 March 2008, as compared to a net profit of approximately RMB37,199,000 for the corresponding period in 2007.
- The Directors do not recommend the payment of dividend for the three months ended 31 March 2008.

## 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 2008 ("three-month period") together with the comparative unaudited figures for the corresponding period in 2007. 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 2008

		<b>Three months ended 31 March</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
Turnover	3	<b>389,483</b>	407,087
Cost of goods sold		<b>(344,796)</b>	(321,075)
		<hr/> <b>44,687</b>	<hr/> 86,012
Gross profit		<hr/> <b>44,687</b>	<hr/> 86,012
Other revenue	3	<b>13,334</b>	5,625
Expenses related to other revenue		<b>(5,015)</b>	(2,351)
		<hr/> <b>8,319</b>	<hr/> 3,274
Other revenue, net		<hr/> <b>8,319</b>	<hr/> 3,274
Selling and distribution expenses		<b>(9,940)</b>	(6,181)
General and administrative expenses		<b>(11,055)</b>	(13,346)
		<hr/> <b>32,011</b>	<hr/> 69,759
Operating profit		<hr/> <b>32,011</b>	<hr/> 69,759
Finance costs		<b>(14,754)</b>	(14,238)
		<hr/> <b>17,257</b>	<hr/> 55,521
Profit before income tax		<hr/> <b>17,257</b>	<hr/> 55,521
Income tax	4	<b>(4,314)</b>	(18,322)
		<hr/> <b>12,943</b>	<hr/> 37,199
Profit for the period		<hr/> <b>12,943</b>	<hr/> 37,199
Dividend		<hr/> <b>-</b>	<hr/> -
Earnings per Share	5	<hr/> <b>RMB1.11 cents</b>	<hr/> RMB3.18 cents

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	<b>Share capital</b>	<b>Capital reserve</b>	<b>Statutory surplus reserve</b>	<b>Statutory public welfare fund</b>	<b>Retained earnings</b>	<b>Total</b>
	<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 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>
At 1 January 2008	116,820	62,099	33,966	-	103,544	316,429
Profit for the period	-	-	-	-	12,943	12,943
At 31 March 2008	<u>116,820</u>	<u>62,099</u>	<u>33,966</u>	<u>-</u>	<u>116,487</u>	<u>329,372</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 re-smelt ingots and aluminium alloy 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-smelt ingots and aluminum alloy ingots. Revenues recognised during the periods are as follows:

	Unaudited Three months ended 31 March	
	2008 RMB'000	2007 RMB'000
Turnover		
Sales of goods, net of value-added tax	<b>389,483</b>	407,087
Other revenue		
Sales of scrap and other materials	<b>6,305</b>	3,007
Supply of water and electricity	<b>318</b>	681
	<b>6,623</b>	3,688
Interest income	<b>6,711</b>	1,937
Total other revenue	<b>13,334</b>	5,625
Total revenue	<b>402,817</b>	412,712

#### *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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
Turnover		
- The PRC	<b>389,268</b>	339,373
- Korea	<b>215</b>	38,202
- Hong Kong	<b>-</b>	29,512
	<b>389,483</b>	407,087

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 25% (2007: 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 2008 and 2007.

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
PRC enterprise income tax	<b>4,314</b>	18,322

**5. Earnings per share**

Basic earnings per share for the three months ended 31 March 2008 are based on the unaudited profit attributable to shareholders of RMB12,943,000 (2007: RMB37,199,000), and the weighted average number of 1,168,200,000 shares (2007: 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 2008 (2007: Nil).

## **MANAGEMENT'S DISCUSSIONS AND ANALYSIS**

### **Business Review**

For the period from January to March 2008, production volume of aluminum ingots reached 28,432 tonnes, representing a decrease of 2,231 tonnes or 7.28% against that of the corresponding period in 2007. Turnover for the three months ended 31 March 2008 reached approximately RMB389,483,000 representing a decrease of approximately RMB17,604,000 or 4.32% against that of the corresponding period in previous year.

For the period from January to March of 2008, production volume of the aluminum alloy decreased to 3,438 tonnes from 6,109 tonnes in the corresponding period in previous year, representing a decrease of 2,671 tonnes or 43.72%.

Decrease in production volume of the Company for the period from January to March 2008 was mainly due to the decrease in production of aluminium alloy ingots. The decrease in the turnover for the period from January to March 2008 was mainly driven by the decrease in the average selling price of aluminum ingots and aluminum alloys.

### **Financial Review**

For the three months ended 31 March 2008:

The Company recorded a turnover of approximately RMB389,483,000 for the three months ended 31 March 2008, representing a decrease of approximately 4.32% when compared with that of approximately RMB407,087,000 for the same period in previous year. The decrease in turnover was mainly attributable to the decrease in average selling price of aluminum ingots and aluminum alloys and slightly offset by the increase in sales volume of aluminum ingots during the first quarter of the year 2008.

Of the total turnover amount, approximately RMB331,531,000 or 85.12% was generated from the sale of aluminum re-smelt ingots in the PRC and overseas, and approximately RMB57,952,000 or 14.88% was generated from the sale of aluminum alloy ingots.

The Company's gross profit for the three months ended 31 March 2008 was approximately RMB44,687,000, representing a gross profit margin of approximately 11.47%, against the gross profit margin of about 21.13% for the three months ended 31 March 2007. The decrease in gross profit margin was mainly due to (1) the increase in price of major raw material alumina and (2) the decrease in selling price of aluminum re-smelt ingots and aluminum alloys.



Other revenue of the Company for the three months ended 31 March 2008 amounted to approximately RMB13,334,000, which comprised approximately RMB6,305,000 from sale of scrap and other materials, approximately RMB318,000 from supply of water and electricity to the Company's related parties and other independent third parties, and approximately RMB6,711,000 of interest income. This represented an increase of 137.05% or RMB7,709,000 when compared to RMB5,625,000 for the three months ended 31 March 2007. The increase was mainly attributed by the increase in interest income due to the maturity of the fixed deposit.

Expenses related to other revenue for the three months ended 31 March 2008 amounted to approximately RMB5,015,000, representing an increase of approximately RMB2,664,000 or 113.31% against RMB2,351,000 of the corresponding period in 2007. The increase was mainly due to the increase of cost of sales of scrap materials amounted to approximately RMB2,600,000 during the period.

The selling and distribution expenses of the Company amounted to about RMB9,940,000 or 2.55% of the turnover for the three months ended 31 March 2008, representing an increase of approximately RMB3,759,000 or 60.82% from about RMB6,181,000 or 1.52% of the turnover for the three months ended 31 March 2007. The increase was mainly due to the increase in commission for sales and local transportation cost increased during the period.

The general and administrative expenses were approximately RMB11,055,000 or 2.83% of the turnover for the three months ended 31 March 2008, representing a decrease of RMB2,291,000 or 17.17% from about RMB13,346,000 for the three months ended 31 March 2007. The decrease was mainly due to reduction in cost of entertainment and staff benefit.

For the three months ended 31 March 2008, finance costs amounted to approximately RMB14,754,000, representing an increase of approximately RMB516,000 or 3.62% from RMB14,238,000 for the same period in 2007. The increase was mainly due to the increase in both bank interest rates and average bank loan balances during the period under review.

Net profit for the three months ended 31 March 2008 was RMB12,943,000, representing a decrease of approximately RMB24,256,000 from net profit of approximately RMB37,199,000 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 2008.

## 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 2008, 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.

## Share capital

As at 31 March 2008, 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

## Staff Retirement Plan

The employees of the Company participate in a retirement benefit plan organised by municipal and provincial governments under which the Company was required to make monthly defined contributions to this plan at the rate of 20% of the employees' basic salary. The Company's contributions to this defined contribution scheme are expensed as incurred. The assets of the scheme, which is operated by the respective governments, are held separately from the Company. There were no forfeited contributions during the period.

## 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 March 2008, the Company has no significant pending litigation.

## Directors' and Supervisors' Service Contracts and Remuneration

Each of the Directors (including non-executive Directors) and supervisors of the Company (the "Supervisors") has entered into a service contract with the Company for a term of three years. No Director or Supervisor has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## DISCLOSURE OF INTERESTS

### Directors', Chief Executives', and Supervisors' Interests in Shares of the Company

#### *Disclosure of Interests*

(a) Interests of Directors, Supervisors and chief executive of the Company

As at 31 March 2008, the interests and short positions of the Directors, the Supervisors and chief executive of the Company 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 were as follows:

#### *Long positions in the Domestic Shares of the Company*

Name of Director	Capacity	Number of Domestic Shares held in the Company	Approximate percentage in the total issued Domestic Shares of the Company	Approximate percentage in the total issued share capital of the Company
Li Liu Fa	Interest of controlled corporation	782,882,280 <i>(Note 1)</i>	95.69%	67.02%

*Long positions in associated corporations of the Company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Amount of equity interest held in the associated corporation</b>	<b>Approximate percentage in the total equity interest of the associated corporation</b>
Li Liu Fa	天瑞集團有限公司	Beneficial owner	RMB332,896,000	52.08%
		Interest of spouse	RMB201,996,000 <i>(Note 2)</i>	32.58%
			<b>Total: RMB534,892,000</b>	<b>84.66%</b>
	寶豐天瑞發電有限公司	Interest of controlled corporation	RMB29,770,000 <i>(Note 3)</i>	100%
	天瑞集團水泥有限公司	Interest of controlled corporation	US\$59,931,810 <i>(Note 3)</i>	63.90%
	河南瑞雪鋁業有限公司	Interest of controlled corporation	RMB51,000,000 <i>(Note 3)</i>	51%
	汝州天瑞煤焦化有限公司	Interest of controlled corporation	RMB3,000,000 <i>(Note 3)</i>	100%
	汝州市天瑞熱電有限公司	Interest of controlled corporation	RMB659,000 <i>(Note 3)</i>	100%
	天瑞集團鑄造有限公司	Interest of controlled corporation	RMB125,000,000 <i>(Note 3)</i>	55.56%
	天瑞集團旅遊發展有限公司	Interest of controlled corporation	RMB110,000,000 <i>(Note 3)</i>	100%

*Note:*

1. These 782,882,280 Domestic Shares were held by Tianrui Group Company Limited (天瑞集團有限公司) ["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 782,882,280 Domestic Shares under Part XV of the SFO.
2. This RMB201,996,000 equity interest in Tianrui Group was held by Li Feng Luan, the spouse of Li Liu Fa. Li Liu Fa was deemed to be interested in this RMB201,996,000 equity interest in Tianrui Group under Part XV of the SFO.
3. These equity interests in the associated corporations of the Company 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 equity interests in the associated corporations of the Company under Part XV of the SFO.

### **Directors' and Supervisors' Interests in Contracts**

During the year ended 31 March 2008, 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 March 2008, none of the Directors was granted any option to subscribe for shares of the Company. As at 31 March 2008, 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 March 2008, the Company had not adopted any share option scheme or granted any option.

### **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 March 2008, 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:

#### *Interests in Domestic Shares (long positions):*

Name	Capacity	Class of Shares	Number of Shares (Long position)	Percentage in the total issued Domestic Shares	Percentage in the total issued H Shares	Approximate percentage in the entire issued share capital of the Company
<b>Substantial shareholders</b>						
Tianrui Group	Beneficial owner	Domestic Shares	782,882,280	95.69%	-	67.02%
<b>Other shareholders</b>						
BOCOM International Holdings Company Limited (Formerly known as BCOM Securities Company Limited) [Note]	Beneficial owner	H Shares	94,420,000	-	26.98%	8.08%
CCIB Opportunity Income Growth Fund [Note]	Beneficial owner	H Shares	26,200,000	-	7.49%	2.24%
Chen Yamin	Beneficial owner	H Shares	17,660,000	-	5.05%	1.51%

*Note:* Information on the interests of these shareholders were based on information set out in the website of the Stock Exchange.

As at 31 March 2008, 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 March 2008, save for the person described in the paragraph headed "Substantial shareholders' and other shareholders' interests" above, no other person has an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company had not purchased, sold or redeemed any of the Company's listed shares in the period ended 31 March 2008.

## **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.

## **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 period ended 31 March 2008.

## **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.

## **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 2008 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, 9 May 2008

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

### *Executive Directors:*

Mr. Tan Yu Zhong  
Mr. Xiao Chong Xin  
Mr. Zhao Zheng Bin

### *Non-executive Directors:*

Mr. Yan Li Qi  
Mr. Li Liu Fa  
Mr. Li He Ping

### *Independent Non-executive Directors:*

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