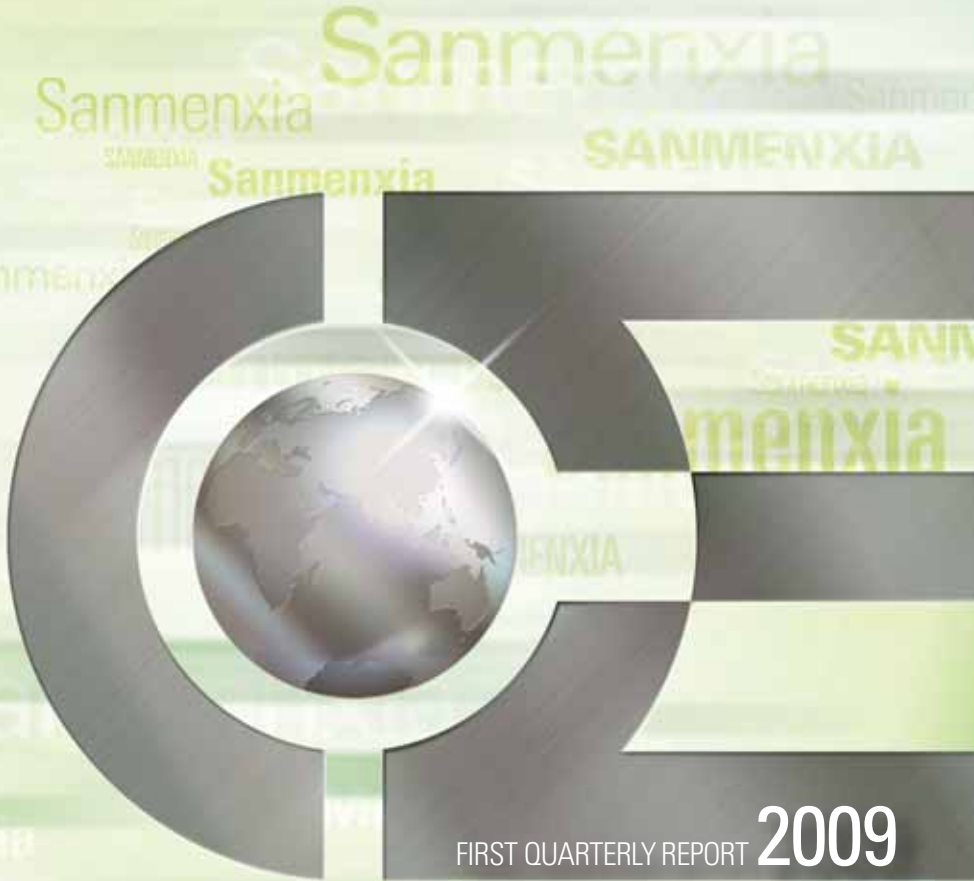




Sanmenxia Tianyuan Aluminum Company Limited\*

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



FIRST QUARTERLY REPORT **2009**

\*For identification only

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

**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](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 RMB149,530,000 for the three months ended 31 March 2009.
- Net loss amounted to approximately RMB20,377,000 for the three months ended 31 March 2009, as compared to a net profit of approximately RMB12,943,000 for the corresponding period in 2008.
- The Directors do not recommend the payment of dividend for the three months ended 31 March 2009.

## 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 2009 ("three-month period") together with the comparative unaudited figures for the corresponding period in 2008. 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 2009

		Three months ended 31 March	
		2009	2008
	Note	RMB'000	RMB'000
Turnover	3	<b>149,530</b>	389,483
Cost of goods sold		<b>(153,467)</b>	(344,796)
Gross (loss)/profit		<b>(3,937)</b>	44,687
Other revenue	3	<b>4,063</b>	13,334
Expenses related to other revenue		<b>(1,910)</b>	(5,015)
Other revenue, net		<b>2,153</b>	8,319
Selling and distribution expenses		<b>(3,203)</b>	(9,940)
General and administrative expenses		<b>(10,187)</b>	(11,055)
Operating (loss)/profit		<b>(15,174)</b>	32,011
Finance costs		<b>(5,203)</b>	(14,754)
(Loss)/profit before income tax		<b>(20,377)</b>	17,257
Income tax	4	-	(4,314)
(Loss)/profit for the period		<b>(20,377)</b>	12,943
Dividend		-	-
(Loss)/earnings per Share	5	<b>RMB(1.74) cents</b>	RMB1.11 cents

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	<b>Share capital</b> <i>RMB'000</i>	<b>Capital reserve</b> <i>RMB'000</i>	<b>Statutory surplus reserve</b> <i>RMB'000</i>	<b>Retained earnings</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
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>116,487</u>	<u>329,372</u>
At 1 January 2009	116,820	57,970	33,966	73,653	282,409
Loss for the period	–	–	–	(20,377)	(20,377)
At 31 March 2009	<u>116,820</u>	<u>57,970</u>	<u>33,966</u>	<u>53,276</u>	<u>262,032</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.

The accounting policies and method of computation used in the preparation of the unaudited results are consistent with those adopted by the Company in its annual financial statements or the year ended 31 December 2008.

### 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:

	<b>Unaudited Three months ended 31 March</b>	
	<b>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Turnover		
Sales of goods, net of value-added tax	<b>149,530</b>	389,483
	<hr/>	<hr/>
Other revenue		
Sales of scrap and other materials	<b>1,742</b>	6,305
Supply of water and electricity	<b>85</b>	318
	<hr/>	<hr/>
	<b>1,827</b>	6,623
Interest income	<b>2,236</b>	6,711
	<hr/>	<hr/>
Total other revenue	<b>4,063</b>	13,334
	<hr/>	<hr/>
Total revenue	<b>153,593</b>	402,817
	<hr/> <hr/>	<hr/> <hr/>

#### *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>2009</b>	2008
	<b>RMB'000</b>	RMB'000
Turnover		
– The PRC	<b>149,530</b>	389,268
– Korea	–	215
	<b>149,530</b>	389,483

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% (2008: 25%) 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 2009 and 2008.

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>2009</b>	2008
	<b>RMB'000</b>	RMB'000
PRC enterprise income tax	–	4,314

**5. Earnings per share**

Basic earnings per share for the three months ended 31 March 2009 are based on the unaudited loss attributable to shareholders of RMB20,377,000 (2008: profit of RMB12,943,000), and the weighted average number of 1,168,200,000 shares (2008: 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 2009 (2008: Nil).

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

### **Business Review**

For the period from January to March 2009, production volume of aluminum re-smelt ingots and alloy reached 15,369 tonnes, representing a decrease of 13,063 tonnes or 45.94% against that of the corresponding period in 2008. Turnover for the three months ended 31 March 2009 reached approximately RMB149,530,000 representing a decrease of approximately RMB239,953,000 or 61.61% against that of the corresponding period in previous year.

For the period from January to March of 2009, sales volume of the aluminum re-smelt ingots and alloy decreased to 14,629 tonnes from 24,037 tonnes in the corresponding period in previous year, representing a decrease of 9,408 tonnes or 39.14%.

Decrease in production volume of the Company for the period from January to March 2009 was mainly due to the closure in part of the production line of aluminium re-smelt ingots. The decrease in the turnover for the period from January to March 2009 was mainly driven by the decrease in both of the average selling price of aluminum ingots and aluminum alloys and sales volume due to the reduction of market demand.

### **Financial Review**

For the three months ended 31 March 2009:

The Company recorded a turnover of approximately RMB149,530,000 for the three months ended 31 March 2009, representing a decrease of approximately 239,953,000 or 61.61% when compared with that of approximately RMB389,483,000 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 decrease in sales volume of aluminum ingots and aluminum alloys during the first quarter of the year 2009.

Of the total turnover amount, approximately RMB149,083,000 or 99.70% was generated from the sale of aluminum re-smelt ingots in the PRC, and approximately RMB447,000 or 0.30% was generated from the sale of aluminum alloy ingots.

The Company recorded a gross loss for the three months ended 31 March 2009 was approximately RMB3,937,000, representing a gross loss margin of approximately 2.63%, against the gross profit margin of about 11.47% for the three months ended 31 March 2007. The decrease in gross profit to loss margin was mainly due to 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 2009 amounted to approximately RMB4,063,000, which comprised approximately RMB1,742,000 from sale of scrap and other materials, approximately RMB85,000 from supply of water and electricity to the other independent third parties, and approximately RMB2,236,000 of interest income. This represented a decrease of RMB9,271,000 or 69.53% when compared to RMB13,334,000 for the three months ended 31 March 2008. The decrease was mainly attributed by the decrease in interest income amounted to RMB4,475,000 and decrease in sale of pre-baked anode amounted to RMB3,965,000.

Expenses related to other revenue for the three months ended 31 March 2009 amounted to approximately RMB1,910,000, representing a decrease of approximately RMB3,105,000 or 61.91% against RMB5,015,000 of the corresponding period in 2008. The decrease was mainly due to the decrease of cost of sales of materials, pre-baked anode amounted to approximately RMB2,711,000 during the period.

The selling and distribution expenses of the Company amounted to about RMB3,203,000 or 2.14% of the turnover for the three months ended 31 March 2009, representing a decrease of approximately RMB6,737,000 or 67.78% from about RMB9,940,000 or 2.55% of the turnover for the three months ended 31 March 2008. The decrease was mainly due to the decrease in local transportation cost during the period.

The general and administrative expenses were approximately RMB10,187,000 or 6.81% of the turnover for the three months ended 31 March 2009, representing a decrease of RMB868,000 or 7.85% from about RMB11,055,000 for the three months ended 31 March 2008. The decrease was mainly due to reduction in repair and maintenance, and business entertainment expenses.

For the three months ended 31 March 2009, finance costs amounted to approximately RMB5,203,000, representing a decrease of approximately RMB9,551,000 or 64.73% from RMB14,754,000 for the same period in 2008. The decrease was mainly due to the decrease in both bank interest rates and average bank loan balances during the period under review.

Net loss for the three months ended 31 March 2009 was RMB20,377,000, representing a decrease of profit of approximately RMB33,320,000 from net profit of approximately RMB12,943,000 for the same period in previous year.

### **Significant Investment**

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 2009.

### **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.

During the year 2009, 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 2009, the shareholders of the Company are as follows:

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

### Substantial shareholders' and other shareholders' interests

As at 31 March 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:

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>						
Li Liu Fa <i>(Note 1)</i>	Interest of controlled corporation	Domestic Shares	782,882,280	95.69%	-	67.02%
Tianrui Group Company Limited (天瑞集團有限公司) ("Tianrui Group")	Beneficial owner	Domestic Shares	782,882,280	95.69%	-	67.02%
<b>Other shareholders</b>						
BOCOM International (Asia) Limited (Formerly known as BOCOM International Holdings Limited) <i>(Note 2)</i>	Beneficial owner	H Shares	94,420,000	-	26.98%	8.08%
CCIB Opportunity Income Growth Fund <i>(Note 2)</i>	Beneficial owner	H Shares	26,200,000	-	7.49%	2.24%
Chen Yamin	Beneficial owner	H Shares	17,660,000	-	5.05%	1.51%

*Notes:*

1. These 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 782,882,280 Domestic Shares under Part XV of the SFO.
2. Information on the interests of these shareholders were based on information set out in the website of the Stock Exchange.

As at 31 March 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.

## **DISCLOSURE OF INTERESTS**

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

As at 31 March 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 assets and contracts**

None of the Directors and Supervisors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

None of the Directors or supervisors were materially interested in any contract or arrangement entered into by the Company subsisting at 31 March 2009 and which is significant in relation to the business of the Company.

### **Directors' Rights to Acquire Shares**

During the year ended 31 March 2009, none of the Directors was granted any option to subscribe for shares of the Company. As at 31 March 2009, none of the Directors had any right to acquire shares in the Company.

### **Other persons who are required to disclose their interests**

As at 31 March 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 March 2009.

### **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 2009, 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).

### **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 2009, 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.

## **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 2009.

## **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 2009 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, 13 May 2009

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. Li He Ping (Chairman of the Company)  
Mr. Yan Li Qi

*Independent Non-executive Directors:*

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