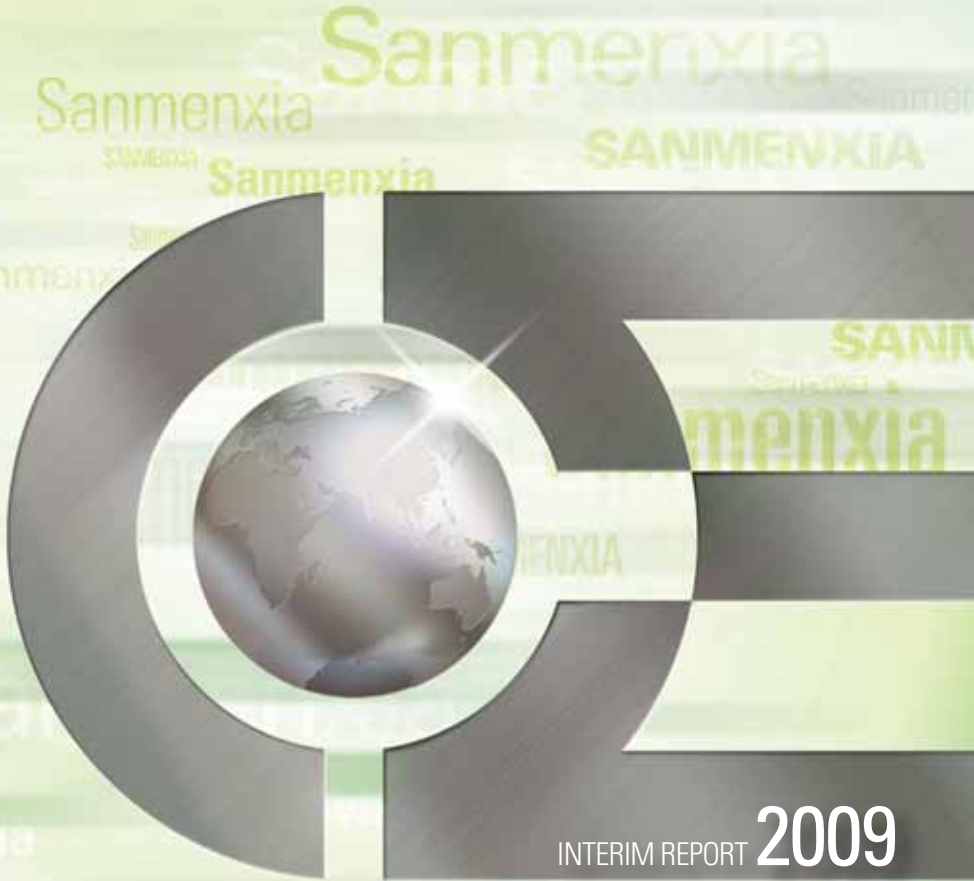




Sanmenxia Tianyuan Aluminum Company Limited*

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



INTERIM REPORT **2009**

*For identification only

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This report, for which the directors of Sanmenxia Tianyuan Aluminum Company Limited (the “Directors”) collectively and individually accept 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 Sanmenxia Tianyuan Aluminum Company Limited. 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 RMB321,749,000 for the six months ended 30 June 2009.
- Net loss amounted to approximately RMB29,442,000 for the six months ended 30 June 2009, as compared to a net profit of approximately RMB49,141,000 for the corresponding period in 2008.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

INTERIM RESULTS

The board of directors (the "Board") of Sanmenxia Tianyuan Aluminum Company Limited (the "Company") is pleased to announce the unaudited results of the Company for the three months ("three-month period") and the six months ("six-month period") ended 30 June 2009 together with the comparative unaudited figures for the corresponding periods in 2008. The interim report of six-month period has been reviewed by the audit committee of the Company.

STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

Three months and six months ended 30 June 2009

| | Note | Three months ended 30 June | | Six months ended 30 June | |
|--|------|-------------------------------|----------------------------|-------------------------------|-----------------------------|
| | | 2009 RMB'000 | 2008 RMB'000 | 2009 RMB'000 | 2008 RMB'000 |
| Turnover | 3 | 172,219 | 402,014 | 321,749 | 791,497 |
| Cost of goods sold | | <u>(164,923)</u> | <u>(340,612)</u> | <u>(318,390)</u> | <u>(685,408)</u> |
| Gross profit | | <u>7,296</u> | <u>61,402</u> | <u>3,359</u> | <u>106,089</u> |
| Other revenue | 3 | 4,890 | 12,902 | 8,953 | 26,236 |
| Expenses related to other revenue | 4 | <u>(3,355)</u> | <u>(6,815)</u> | <u>(5,265)</u> | <u>(11,830)</u> |
| Other revenue, net | | <u>1,535</u> | <u>6,087</u> | <u>3,688</u> | <u>14,406</u> |
| Selling and distribution expenses | | <u>(3,323)</u> | <u>(5,157)</u> | <u>(6,526)</u> | <u>(15,097)</u> |
| General and administrative expenses | | <u>(8,221)</u> | <u>(2,569)</u> | <u>(18,408)</u> | <u>(13,624)</u> |
| Operating (loss)/profit | 5 | <u>(2,713)</u> | <u>59,763</u> | <u>(17,887)</u> | <u>91,774</u> |
| Finance costs | | <u>(6,352)</u> | <u>(11,499)</u> | <u>(11,555)</u> | <u>(26,253)</u> |
| (Loss)/profit before income tax | | <u>(9,065)</u> | <u>48,264</u> | <u>(29,442)</u> | <u>65,521</u> |
| Income tax | 6 | <u>-</u> | <u>(12,066)</u> | <u>-</u> | <u>(16,380)</u> |
| (Loss)/profit for the period | | <u>(9,065)</u> | <u>36,198</u> | <u>(29,442)</u> | <u>49,141</u> |
| Other recognised income and expense for the period, net of tax | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total recognised income and expense for the period | | <u><u>(9,065)</u></u> | <u><u>36,198</u></u> | <u><u>(29,442)</u></u> | <u><u>49,141</u></u> |
| Dividend | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (Loss)/earnings per Share | 7 | <u><u>RMB(0.78) cents</u></u> | <u><u>RMB3.1 cents</u></u> | <u><u>RMB(2.52) cents</u></u> | <u><u>RMB4.21 cents</u></u> |

BALANCE SHEET

As at 30 June 2009

| | | 30 June 2009 (Unaudited) RMB'000 | 31 December 2008 (Audited) RMB'000 |
|--|-------------|---|---|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Prepaid land lease and land use rights | | 11,883 | 13,171 |
| Property, plant and equipment | | 785,704 | 798,918 |
| Debenture, at cost | | 500 | 500 |
| Available-for-sale financial assets | | - | 500 |
| Deferred tax assets | | 13,599 | 15,624 |
| | | 811,686 | 828,713 |
| Current assets | | | |
| Prepaid land lease and land use rights | | 306 | 306 |
| Inventories | | 87,685 | 72,158 |
| Trade receivables | <i>8</i> | 43,965 | 49,267 |
| Other current assets | <i>8</i> | 202,852 | 191,250 |
| Income tax recoverable | | 2,700 | 1,435 |
| Pledged and restricted bank balances | | 469,118 | 559,547 |
| Cash at banks and on hand | | 225,458 | 198,924 |
| | | 1,032,084 | 1,072,887 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | <i>9</i> | 376,134 | 491,793 |
| Other payables and accruals | <i>9</i> | 572,520 | 479,408 |
| Income tax payable | | - | - |
| Bank borrowings | <i>10</i> | 594,149 | 647,990 |
| | | 1,542,803 | 1,619,191 |
| Net current liabilities | | (510,719) | (546,304) |
| Non-current liabilities | | | |
| Bank borrowing | <i>10</i> | 48,000 | - |
| Net assets | | 252,967 | 282,409 |
| EQUITY | | | |
| Share capital | | 116,820 | 116,820 |
| Reserves | | 136,147 | 165,589 |
| | | 252,967 | 282,409 |

CASH FLOW STATEMENT (UNAUDITED)

| | Six months ended 30 June | |
|--|--------------------------|-----------------------|
| | 2009 | 2008 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net cash inflow from operating activities | <u>34,312</u> | <u>111,424</u> |
| Net cash outflow from investing activities | <u>(2,927)</u> | <u>(197,940)</u> |
| Net cash (outflow)/inflow from financing activities | <u>(4,851)</u> | <u>56,817</u> |
| Increase/(decrease) in cash and cash equivalents | <u>26,534</u> | <u>(29,699)</u> |
| Cash and cash equivalents at beginning of the period | <u>198,924</u> | <u>273,377</u> |
| Cash and cash equivalents at end of the period, representing unpledged cash and bank balances | <u>225,458</u> | <u>243,678</u> |

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Share Capital <i>RMB'000</i> | Capital reserve <i>RMB'000</i> | Statutory surplus reserve <i>RMB'000</i> | Retained earnings <i>RMB'000</i> | Total <i>RMB'000</i> |
|-----------------------|--|--|--|--|--------------------------------|
| At 1 January 2008 | 116,820 | 62,099 | 33,966 | 103,544 | 316,429 |
| Profit for the period | <u>—</u> | <u>—</u> | <u>—</u> | <u>49,141</u> | <u>49,141</u> |
| At 30 June 2008 | <u>116,820</u> | <u>62,099</u> | <u>33,966</u> | <u>152,685</u> | <u>365,570</u> |
| At 1 January 2009 | 116,820 | 57,970 | 33,966 | 73,653 | 282,409 |
| Loss for the period | <u>—</u> | <u>—</u> | <u>—</u> | <u>(29,442)</u> | <u>(29,442)</u> |
| At 30 June 2009 | <u>116,820</u> | <u>57,970</u> | <u>33,966</u> | <u>44,211</u> | <u>252,967</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 Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited (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 for 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:

| | Unaudited | | | |
|--|-----------------------|----------------|-----------------------|----------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Turnover | | | | |
| Sales of goods, net of value-added tax | <u>172,219</u> | 402,014 | <u>321,749</u> | 791,497 |
| Other revenue | | | | |
| Sales of scrap and other materials | <u>3,472</u> | 5,901 | <u>5,214</u> | 12,206 |
| Supply of water and electricity | <u>137</u> | 304 | <u>222</u> | 622 |
| | <u>3,609</u> | 6,205 | <u>5,436</u> | 12,828 |
| Interest income | <u>1,281</u> | 6,697 | <u>3,517</u> | 13,408 |
| Total other revenue | <u>4,890</u> | 12,902 | <u>8,953</u> | 26,236 |
| Total revenue | <u><u>177,109</u></u> | <u>414,916</u> | <u><u>330,702</u></u> | <u>817,733</u> |

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 re-smelt ingots and aluminium alloy ingots, which is considered as the single business of the Company.

Secondary reporting format – geographical segments

| | Unaudited | | | |
|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Turnover | | | | |
| - PRC | 172,219 | 348,358 | 321,749 | 737,626 |
| - Korea | - | 28,240 | - | 28,455 |
| - United Kingdom | - | 25,416 | - | 25,416 |
| | <u>172,219</u> | <u>402,014</u> | <u>321,749</u> | <u>791,497</u> |

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. Expenses related to other revenue

Expenses related to other revenue include the cost of scrap and other materials, and cost of water and electricity supplied.

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging and crediting the following:

| | Unaudited | | | |
|---|---------------------|---------------------|---------------------|----------------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| After charging: | | | | |
| Depreciation of fixed assets | 10,849 | 10,937 | 21,670 | 21,852 |
| Staff costs including directors' emoluments | 13,968 | 15,594 | 28,784 | 38,324 |
| Provision for bad debt | - | - | - | - |
| Net exchange loss | 12 | 780 | 3 | 365 |
| | <u>12</u> | <u>780</u> | <u>3</u> | <u>365</u> |
| After crediting: | | | | |
| Unrealised gain on futures contracts | - | - | - | 33 |
| Interest income from bank deposits | 1,281 | 6,697 | 3,517 | 13,408 |
| Write back provision for doubtful debts | - | 134 | 42 | 5 |
| | <u>1,281</u> | <u>6,831</u> | <u>3,559</u> | <u>13,446</u> |

6. 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 and the six months ended 30 June 2009 and 2008.

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

| | Unaudited | | | |
|---------------------------|--------------------|----------------|------------------|----------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| PRC enterprise income tax | <u>–</u> | <u>12,066</u> | <u>–</u> | <u>16,380</u> |

7. (Loss)/earnings per share

(Loss)/earnings per share for the three months and six months ended 30 June 2009 are based on the unaudited loss attributable to shareholders of RMB9,065,000 and RMB29,442,000 respectively (2008: profit of RMB36,198,000 and RMB49,141,000 respectively), 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.

8. Trade and other receivables

| | As at | |
|---|--|--|
| | 30 June 2009 Unaudited <i>RMB'000</i> | 31 December 2008 Audited <i>RMB'000</i> |
| Trade receivables <i>(Note (a))</i> | 84,208 | 85,196 |
| Less: provision for impairment of receivables | <u>(40,893)</u> | <u>(40,929)</u> |
| | 43,315 | 44,267 |
| Bills receivable <i>(Note (b))</i> | <u>650</u> | <u>5,000</u> |
| Trade receivables – Net | <u><u>43,965</u></u> | <u><u>49,267</u></u> |

The carrying amounts of trade and other receivables approximate their fair value.

- (a) *Trade receivables and receivables from related parties*
Aging analysis of trade receivables was as follows:

| | As at | |
|---|---|---|
| | 30 June 2009 Unaudited RMB'000 | 31 December 2008 Audited RMB'000 |
| 1-30 days | 53 | 35 |
| 31-60 days | 9 | 94 |
| 61-90 days | 7 | 13 |
| 91-120 days | 11 | 44 |
| 121-365 days | 298 | 10 |
| Over 365 days | 83,830 | 85,000 |
| | 84,208 | 85,196 |
| Less: provision for impairment of receivables | (40,893) | (40,929) |
| | 43,315 | 44,267 |

There is no concentration of credit risk with respect to trade receivables as the Company has a large number of customers.

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.

- (b) *Bills receivable*

Bills receivable are bills of exchange with maturity dates less than six months.

- (c) *Other Current Assets*

| | 2009 RMB'000 | 2008 RMB'000 |
|---|-------------------------|-----------------|
| Other deposits and receivables | 25,154 | 24,890 |
| Less: Provision for impairment of other receivables | (1,244) | (1,266) |
| | 23,910 | 23,624 |
| Interest receivables | 1,351 | 1,822 |
| Futures deposits | 663 | 663 |
| Purchase deposits to third parties | 173,384 | 158,774 |
| Purchase deposits to related parties | 3,544 | 6,367 |
| | 202,852 | 191,250 |

9. Trade and other payables

| | As at | |
|---------------------------------------|---|---|
| | 30 June 2009 Unaudited RMB'000 | 31 December 2008 Audited RMB'000 |
| Trade payables (Note (a)) | 96,898 | 91,593 |
| Bills payables (Note (b)) | 279,236 | 400,200 |
| Other payable and accruals (Note (c)) | 572,520 | 479,408 |
| | 948,654 | 971,201 |

Notes:

- (a) *Trade payables and payables to related parties*
The aging analysis of trade payables was as follows:

| | As at | |
|--------------|---|---|
| | 30 June 2009 Unaudited RMB'000 | 31 December 2008 Audited RMB'000 |
| 1-60 days | 69,638 | 76,556 |
| 61-90 days | 1,177 | 4,869 |
| 91-120 days | 3,872 | 1,580 |
| 121-365 days | 15,467 | 5,372 |
| Over 1 year | 6,744 | 3,216 |
| | 96,898 | 91,593 |

- (b) *Bills payable*
Bills payables are repayable within six months, and are supported by pledged bank deposits of RMB182,848,000 (31 December 2008: RMB105,120,000) and by guarantees.

- (c) *Other payables and accruals*

| | 2009 RMB'000 | 2008 RMB'000 |
|------------------------------------|-----------------|-----------------|
| Receipts in advance from customers | 509,963 | 425,062 |
| Staff welfare payables | 37,664 | 21,330 |
| Accrued construction costs | 7,267 | 12,488 |
| Others | 17,626 | 20,528 |
| | 572,520 | 479,408 |

10. Borrowings

Bank borrowings comprised:

| | As at | |
|-----------------------|---|---|
| | 30 June 2009 Unaudited RMB'000 | 31 December 2008 Audited RMB'000 |
| Bank borrowings due – | | |
| Within 1 year | 594,149 | 647,990 |
| Between 1 and 2 years | 48,000 | – |
| | <u>642,149</u> | <u>647,990</u> |

Bank borrowings are supported by:

| | As at | |
|---------------------|---|---|
| | 30 June 2009 Unaudited RMB'000 | 31 December 2008 Audited RMB'000 |
| Secured by: | | |
| Guarantees | 359,000 | 389,490 |
| Secured by: | | |
| Plant and machinery | 26,000 | 26,000 |
| Bank deposits | 257,149 | 232,500 |
| | <u>283,149</u> | <u>258,500</u> |
| Unsecured | – | – |
| | <u>642,149</u> | <u>647,990</u> |

11. Related party transactions

Save as disclosed elsewhere in this report, significant related party transactions, which were carried out in the normal course of the Company's business during the periods are as follows:

| <i>Notes</i> | Unaudited | | | |
|--------------|--------------------|----------------|------------------|----------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2009 | 2008 | 2009 | 2008 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |

Continuing transactions:

Purchases of key and
auxiliary materials from
– Other related companies

| | | | |
|------------|---|--------------|------------|
| 116 | – | 2,413 | 742 |
|------------|---|--------------|------------|

Notes: Key and auxiliary materials purchased from the parent company, fellow subsidiaries, other related companies and other state-controlled enterprises were at terms in accordance with the underlying agreements.

12. Commitments

Capital commitments outstanding not provided for in the interim financial report are as follows:

| | As at | |
|--|-----------------------------------|---------------------------------------|
| | 30 June 2009 RMB'000 | 31 December 2008 RMB'000 |
| Property, plant and equipment Contracted but not provided for | 639,733 | 642,366 |

Included within is a contract between the Company and its former parent company, Sanmenxia Tianyuan Group Limited, whereby the Company would acquire the properties and land use rights currently leased from the former parent company at a total consideration of RMB168,088,000. The entire consideration is to be settled by (i) assignment of the Company's balances due from a former related company of RMB43,990,000 to the former parent company; (ii) assignment of purchase deposits of RMB72,213,000; and (iii) cash or inventories (at the option of the Company) or assuming bank borrowings originally owed by the former parent company of totally RMB51,885,000.

13. Seasonality of operations

The Company experiences 64.72% higher sales in the fourth quarter, compared to other quarters in the year, due to the increased demand for its products near the end of the year. The Company anticipates this demand by increasing its production to build up inventories during the second half of the year. As a result, the Company typically reports lower revenues and segment results for the first half of the year, than the second half.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period from January to June of 2009, production volume of aluminum re-smelt ingots and aluminum alloy ingots reached 31,222 tonnes, representing a decrease of 24,313 tonnes or 43.78% against that of the corresponding period in 2008 of 55,535 tonnes. For the period from April to June of 2009, the production volume of aluminum re-smelt ingots and aluminum alloy ingots reached 15,853 tonnes, representing a decrease of 11,250 tonnes or 41.51% against that of the corresponding period of the previous year of 27,103 tonnes. Decrease in production volume of the Company for the period from January to June of 2009 was mainly due to the decrease in market demand of both re-smelt and alloy ingots.

FINANCIAL REVIEW

For the six months ended 30 June 2009:

The Company recorded turnover of approximately RMB321,749,000 for the six months ended 30 June 2009, a 59.35% or RMB469,748,000 decrease from approximately RMB791,497,000 for the corresponding period of the previous year. The decrease in turnover was mainly due to the decrease in both sales volume and market price of both aluminum re-smelt ingots and aluminum alloy ingots.

Of the total turnover amount, RMB321,302,000 or 99.86% was generated from sales of aluminum re-smelt ingots in the PRC, and RMB447,000 or 0.14% was generated from sales of aluminum alloys ingots.

For the six months ended 30 June 2009, the cost of goods sold amounted to approximately RMB318,390,000, representing a decrease of RMB367,018,000 or 53.55% against the corresponding period of the previous year of approximately RMB685,408,000. The decrease was mainly due to the decrease in the average cost of material for alumina during January to June 2009.

The Company's gross profit for the six months ended 30 June 2009 was approximately RMB3,359,000, representing a gross profit margin of approximately 1.04%, against the gross profit margin of about 13.40% for the six months ended 30 June 2008. The decrease in gross profit margin was mainly due to the decrease in unit price of aluminium re-smelt ingots and aluminum alloys ingots.

Other revenue of the Company for the six months ended 30 June 2009 amounted to approximately RMB8,953,000, of which approximately RMB5,214,000 was derived from sales of scrap and other materials, approximately RMB222,000 from supply of water and electricity to other independent third parties and approximately RMB3,517,000 from interest income. This represented a decrease of RMB17,283,000 or 65.88% against approximately RMB26,236,000 for the six months ended 30 June 2008. The decrease was due to (1) decrease in sales of pre-baked anode amounted to RMB4,212,000, and (2) decrease in bank interest income amounted to RMB9,891,000 million.

Expenses related to other revenue of the Company for the six months ended 30 June 2009 amounted to RMB5,265,000 (including expenses of approximately RMB4,815,000 from sales of scrap and other materials, approximately RMB450,000 from supply of water which represented a decrease of approximately RMB6,565,000 or 55.49% against approximately RMB11,830,000 for the six months ended 30 June 2008. The decrease is mainly due to the decrease in cost of selling of pre-baked anode representing a decrease of RMB4,267,000 and a donation in 2008 amounted RMB2,090,000.

The selling and distribution expenses of the Company amounted to approximately RMB6,526,000 or 2.03% of the turnover for the six months ended 30 June 2009, as compared to about RMB15,097,000 or 1.91% of the turnover for the same period of the previous year. Such decrease were due to the decrease in both transportation and commission expenses which are decreased in line with the sales.

For the six months ended 30 June 2009, general and administration expenses were approximately RMB18,408,000, representing an increase of approximately RMB4,784,000 or 35.11% against approximately RMB13,624,000 for the same period in 2008. The increase was mainly due to the increase in banks charges.

For the six months ended 30 June 2009, the finance costs amounted to approximately RMB11,555,000, representing a decrease of RMB14,698,000 or 55.99% from approximately RMB26,253,000 for the corresponding period of 2008. The decrease was mainly due to the decrease in average loan balances and decrease in interest rate.

Net loss for the six months ended 30 June 2009 was approximately RMB29,442,000, as compared to a net profit of approximately RMB49,141,000 for the corresponding period in 2008.

For the three months ended 30 June 2009:

The Company recorded a turnover of approximately RMB172,219,000 for the three months ended 30 June 2009, representing a 57.16% decrease from approximately RMB402,014,000 for the corresponding period of the pervious year. The decrease in turnover was mainly due to the decrease in selling price and sales volume of both aluminum re-smelt ingots and alloy ingots for the period under review.

Of the total turnover amount, RMB172,219,000 or 100% was generated from the sales of aluminum re-smelt ingots in the PRC.

For the three months ended 30 June 2009, the cost of goods sold amounted to approximately RMB164,923,000, representing a decrease of RMB175,689,000 or 51.58% against approximately RMB340,612,000 for the corresponding period in 2008. The decrease was mainly due to the decrease in the cost of alumina for April to June 2009.

The Company's gross profit for the three months ended 30 June 2009 was approximately RMB7,296,000, representing a gross profit margin of approximately 4.24%, against the gross profit margin of about 15.27% for the three months ended 30 June 2008. The decrease in gross profit margin was mainly because of the decrease in market price of the products.

Other revenue of the Company for the three months ended 30 June 2009 amounted to approximately RMB4,890,000, which comprised approximately RMB3,472,000 from sales of scrap and other materials, approximately RMB137,000 from supply of water and electricity to other independent third parties, and interest income of approximately RMB1,281,000. This represented a decrease of 62.1% or RMB8,012,000 when compared to RMB12,902,000 for the three months ended 30 June 2008. The decrease was mainly due to (i) the interest income decrease by RMB5,416,000 compared to the corresponding period of 2008; (ii) the decrease from selling of pre-baked anode by RMB2,372,000 compared to the corresponding period of 2008.

Expenses related to other revenue for the three months ended 30 June 2009 amounted to approximately RMB3,355,000 including expenses of approximately RMB3,177,000 from sales of scrap and other materials and approximately RMB178,000 from supply of water and electricity to other independent third parties, representing a decrease of approximately RMB3,460,000 or 50.77% against approximately RMB6,815,000 of the corresponding period in 2008. The decrease was mainly due to the selling of pre-baked anode which decrease by RMB1,722,000, and a special donation of RMB2 million during the period of 2008.

The selling and distribution expenses of the Company amounted to about RMB3,323,000 or 1.93% of the turnover for the three months ended 30 June 2009, representing a decrease of RMB1,834,000 or 35.56% when compare to about RMB5,157,000 or 1.28% of the turnover for the three months ended 30 June 2008. The decrease was mainly due to the decrease in transportation expenses which in line with the decrease in sales.

The general and administrative expenses were approximately RMB8,221,000 for the three months ended 30 June 2009, representing an increase of RMB5,652,000 or 220.01% from about RMB2,569,000 for the three months ended 30 June 2008. The increase were mainly due to the increase in professional fee and banks charges.

For the three months ended 30 June 2009, finance costs amounted to approximately RMB6,352,000, representing a decrease of RMB5,147,000 or 44.76% from approximately RMB11,499,000 for the corresponding period in 2008. The decrease was mainly due to the decrease in average bank loans balance and decrease in interest rate for borrowing.

The net loss for the three months ended 30 June 2009 was RMB9,065,000, as compared to the net profit approximately RMB36,198,000 for the same period of the 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 investment other than cash and other short-term bank deposits are currently permitted.

The Company has not held any significant investment for the period ended 30 June 2009.

CONTINGENT LIABILITIES

As at 30 June 2009, the Company had given guarantees in favour of certain third parties in respect of these companies' bank facilities in the PRC. These companies also provided reciprocal guarantees in respect of the Company's borrowings. Details of the guarantees given are as follows:

| | As at | |
|---------------|-------------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| | Unaudited | Unaudited |
| | RMB'000 | RMB'000 |
| Third parties | 132,680 | 92,280 |

The directors of the Company have reviewed the available financial information of some of the above companies to which the Company has given the guarantees. In addition, the Company has not been notified by any banks to honour its guarantee obligations and repay the relevant borrowings on behalf of the borrowers. Accordingly, the directors of the Company are of the opinion that it is unlikely that these guarantees will crystallize as liabilities of the Company as at 30 June 2009.

STRATEGIES AND PLANS

With a view to ensure the steady and healthy 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 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.

LIQUIDITY AND CAPITAL RESOURCES

The major source of liquidity of the Company for the first half of 2009 was generated from short-term bank borrowings and deposit received in advance. As at 30 June 2009, the Company's non-current assets were approximately RMB811,686,000. Non-current assets mainly comprised fixed assets of approximately RMB785,704,000.

As at 30 June 2009, the Company had net current liabilities of approximately RMB510,719,000. Current assets comprised cash and bank balances of approximately RMB694,576,000, inventories of approximately RMB87,685,000, trade receivables of approximately RMB43,965,000, other current assets of approximately RMB202,852,000. Current liabilities comprised short-term bank loans of approximately RMB594,149,000, trade and bills payables of approximately RMB376,134,000 and other payables of approximately RMB572,520,000.

CAPITAL STRUCTURE

As at 30 June 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 share capital and debt portfolio to ensure the capital structure in effective. As at 30 June, 2009, the Company had an aggregate outstanding borrowings of approximately RMB921,385,000, including bills payables of RMB279,236,000 (interest rate from 4.78% to 21.60% per annum). The gearing ratio was approximately 86.28% (2008: 82.39%) (total liabilities/total assets).

EMPLOYEE INFORMATION

The remuneration for the employees of the Company amounted to approximately RMB28,784,000, including the Directors' emoluments of approximately RMB288,209 during the six months ended 30 June 2009 (2008: approximately RMB38,324,000, including the Directors' emoluments of approximately RMB284,717). The decrease in employee remuneration was resulted from the decrease in number of employees for the period under reviewed. As at 30 June 2009, the Company has 1,900 employees (2008: 2,214).

DETAILS OF PLEDGED ASSETS OF THE COMPANY

As at 30 June 2009, the Company has pledged bank balances and plant and machinery of approximately 469,118,000 and approximately RMB107,007,000 respectively for the purpose to obtain bank borrowings and bills payables.

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 the 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 30 June 2009, 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 |

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30 June 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 |
|--|--|--------------------|--|--|--|---|
| Substantial shareholders | | | | | | |
| 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% |
| Other shareholders | | | | | | |
| 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 30 June 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 30 June 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 30 June 2009 and which is significant in relation to the business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 30 June 2009, none of the Directors was granted any option to subscribe for shares of the Company. As at 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 condensed interim accounts for the six months ended 30 June 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, 29 July 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
Mr. Li Zhiyuan

Independent Non-executive Directors:

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