



Sanmenxia Tianyuan Aluminum Company Limited*

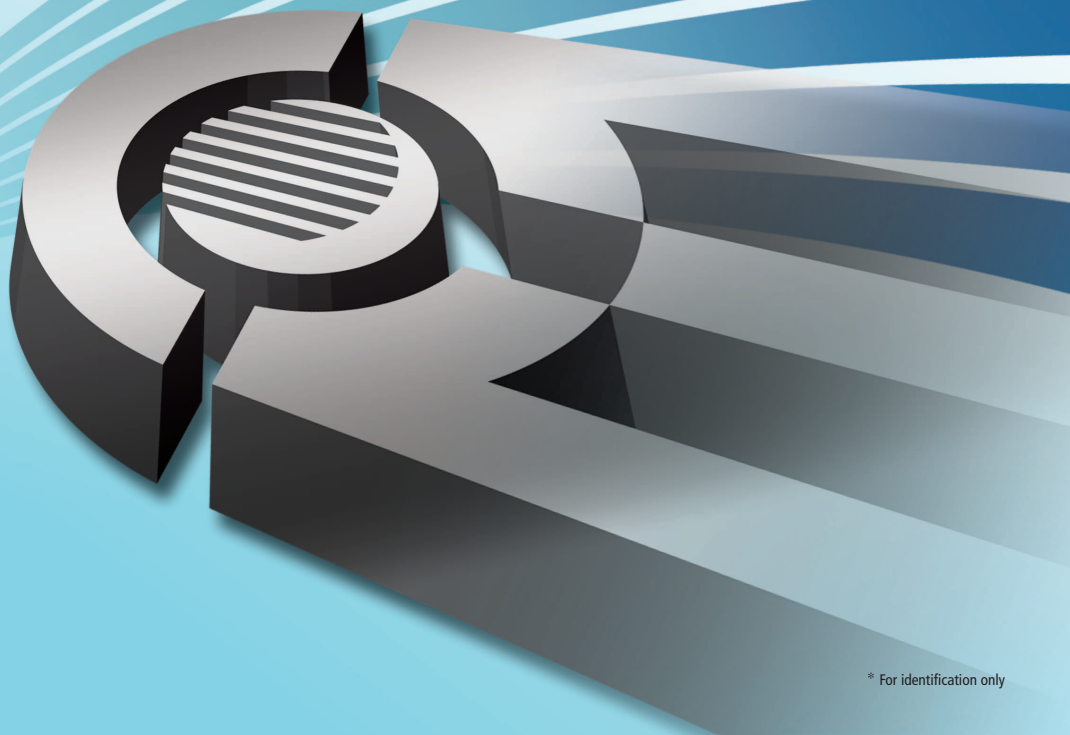
三門峽天元鋁業股份有限公司

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

Stock Code : 8253

2011

Interim Report



* For identification only

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange 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 (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 RMB843,036,000 for the six months ended 30 June 2011.
- Net loss amounted to approximately RMB111,106,000 for the six months ended 30 June 2011, as compared to a net loss of approximately RMB11,820,000 for the corresponding period in 2010.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

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 2011 together with the comparative unaudited figures for the corresponding periods in 2010. 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 2011

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	3	484,522	341,446	843,036	661,372
Cost of goods sold		(487,439)	(343,676)	(894,236)	(639,218)
Gross (loss)/profit		(2,917)	(2,230)	(51,200)	22,154
Other revenue	3	495,348	13,134	850,936	25,323
Expenses related to other revenue	4	(497,968)	(10,965)	(848,197)	(22,314)
Other revenue, net		(2,620)	2,169	2,739	3,009
Selling and distribution expenses		(2,901)	(4,633)	(8,147)	(10,063)
General and administrative expenses		(16,291)	(7,900)	(31,850)	(18,419)
Operating loss	5	(24,729)	(12,594)	(88,458)	(3,319)
Finance costs		(8,152)	(2,874)	(22,648)	(8,501)
Loss before income tax		(32,881)	(15,468)	(111,106)	(11,820)
Income tax	6	—	—	—	—
Loss for the period		(32,881)	(15,468)	(111,106)	(11,820)
Other recognised income and expense for the period, net of tax		—	—	—	—
Total recognised income and expense for the period		(32,881)	(15,468)	(111,106)	(11,820)
Dividend		—	—	—	—
Loss per Share	7	RMB(0.84) cents	RMB(0.4) cents	RMB(2.84) cents	RMB(0.3) cents

BALANCE SHEET

As at 30 June 2011

	Note	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
ASSETS			
Non-current assets			
Prepaid land lease and land use rights		8,615	8,730
Fixed Assets		1,574,896	1,019,852
Payments for acquisition of property, plant and equipment		11,712	460,076
Debenture, at cost		500	500
		<u>1,595,723</u>	<u>1,489,158</u>
Current assets			
Inventories		163,114	95,148
Trade receivables	8	5,969	22,250
Other current assets	8	250,116	222,654
Current tax assets		2,301	2,301
Pledged and restricted bank balances		625,580	802,999
Cash at banks and on hand		37,700	24,818
		<u>1,084,780</u>	<u>1,170,170</u>
LIABILITIES			
Current liabilities			
Trade payables	9	1,020,884	928,042
Other payables and accruals		929,574	849,700
Financial guarantee liabilities		3,607	3,607
Bank borrowings	10	572,456	612,891
		<u>2,526,521</u>	<u>2,394,240</u>
Net current liabilities		<u>(1,441,741)</u>	<u>(1,224,070)</u>
Net assets		<u>153,982</u>	<u>265,088</u>
EQUITY			
Share capital		390,834	390,834
Reserves		(236,852)	(125,746)
		<u>153,982</u>	<u>265,088</u>

CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	<u>166,920</u>	<u>62,512</u>
Net cash outflow from investing activities	<u>(110,672)</u>	<u>(7,023)</u>
Net cash outflow from financing activities	<u>(43,366)</u>	<u>(5,974)</u>
Increase in cash and cash equivalents	<u>12,882</u>	<u>49,515</u>
Cash and cash equivalents at beginning of the period	<u>24,818</u>	<u>229,886</u>
Cash and cash equivalents at end of the period, representing unpledged cash and bank balances	<u>37,700</u>	<u>279,401</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 2010	390,834	60,653	33,966	21,052	506,505
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,820)</u>	<u>(11,820)</u>
At 30 June 2010	<u>390,834</u>	<u>60,653</u>	<u>33,966</u>	<u>9,232</u>	<u>494,685</u>
At 1 January 2011	390,834	60,653	33,966	(220,365)	265,088
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(111,106)</u>	<u>(111,106)</u>
At 30 June 2011	<u>390,834</u>	<u>60,653</u>	<u>33,966</u>	<u>(331,471)</u>	<u>153,982</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.

These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

At 30 June 2011, the parent company and the ultimate parent company of the Company is Tianrui Group Company Limited which is incorporated in 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 for the year ended 31 December 2010.

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 30 June		Six months ended 30 June	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Turnover				
Sales of goods, net of value-added tax	<u>484,522</u>	<u>341,446</u>	<u>843,036</u>	<u>661,372</u>
Other revenue				
Sales of scrap and other materials	<u>489,503</u>	11,497	<u>840,269</u>	22,106
Supply of water and electricity	<u>1,521</u>	100	<u>2,571</u>	217
	<u>491,024</u>	11,597	<u>842,840</u>	22,323
Interest income	<u>3,221</u>	1,537	<u>5,189</u>	3,000
Government subsidies	<u>1,103</u>	—	<u>2,907</u>	—
Total other revenue	<u>495,348</u>	13,134	<u>850,936</u>	25,323
Total revenue	<u><u>979,870</u></u>	<u>354,580</u>	<u><u>1,693,972</u></u>	<u>686,695</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 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
- PRC	<u>484,522</u>	<u>341,446</u>	<u>843,036</u>	<u>661,372</u>
	<u>484,522</u>	<u>341,446</u>	<u>843,036</u>	<u>661,372</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

Operating loss is stated after charging and crediting the following:

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
After charging:				
Depreciation of fixed assets	<u>22,418</u>	<u>10,684</u>	<u>30,914</u>	<u>21,363</u>
Staff costs including directors' emoluments	<u>23,606</u>	<u>14,114</u>	<u>51,516</u>	<u>36,992</u>
Net exchange loss	<u>—</u>	<u>54</u>	<u>—</u>	<u>135</u>
After crediting:				
Interest income from bank deposits	<u>3,221</u>	<u>1,537</u>	<u>5,189</u>	<u>3,000</u>
Net exchange profit	<u>373</u>	<u>—</u>	<u>318</u>	<u>—</u>

6. Taxation

The provision for current PRC enterprise income tax is based on the statutory rate of 25% (2010: 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 2011 and 2010.

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

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
PRC enterprise income tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. Loss per share

Basic loss per share for the three months and six months ended 30 June 2011 are based on the unaudited loss attributable to shareholders of RMB32,881,000 and RMB111,106,000 respectively (2010: loss of RMB15,468,000 and RMB11,820,000 respectively), and the weighted average number of 3,908,344,104 shares (2010: 3,908,344,104 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	
	31 June	31 December
	2011	2010
	Unaudited	Audited
	RMB'000	<i>RMB'000</i>
Trade receivables <i>(Note (a))</i>	88,481	107,432
Less: provision for impairment of receivables	(88,112)	(88,382)
	<u>369</u>	19,050
Bills receivable <i>(Note (b))</i>	5,600	3,200
Trade receivables — Net	5,969	22,250

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 2011	31 December 2010
	Unaudited RMB'000	Audited RMB'000
1-30 days	369	19,050
31-60 days	—	—
61-90 days	—	—
91-120 days	—	—
121-365 days	—	—
Over 365 days	—	—
	369	19,050

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*

	2011	2010
	RMB'000	RMB'000
Other deposits and receivables	115,911	73,762
Interest receivables	2,985	2,495
Futures deposits	1,733	1,726
Tax receivables	10,356	21,163
Purchase deposits to third parties	119,124	123,501
Purchase deposits to related parties	7	7
	250,116	222,654

9. Trade and other payables

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Trade payables (Note (a))	292,328	127,188
Bills payables (Note (b))	728,556	800,854
	1,020,884	928,042

Notes:

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

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
1-60 days	126,070	88,670
61-90 days	87,406	16,791
91-120 days	3,936	2,811
121-365 days	74,236	10,584
Over 1 year	680	8,332
	292,328	127,188

- (b) *Bills payable*
Bills payables are repayable within six months, and are supported by pledged bank deposits of RMB524,235,000 (31 December 2010: RMB459,110,000) and by guarantees.

- (c) *Other payables and accruals*

	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Receipts in advance from customers	313,856	243,470
Staff welfare payables	73,169	45,740
Accrued construction costs	17,362	30,150
Payables to directors' and senior management's emoluments	—	1,606
Amount due to ultimate holding company	54,335	4,335
Amount due to a fellow subsidiary	3,082	31,879
Others	467,770	492,520
	929,574	849,700

10. Borrowings

Bank borrowings comprised:

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Bank borrowings due –		
Within 1 year	572,456	612,891
Between 1 and 2 years	—	—
	<u>572,456</u>	<u>612,891</u>

Bank borrowings are supported by:

	As at	
	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Secured by:		
Plant and machinery	84,696	88,602
Bank deposits	101,345	141,593
Trade receivable	28,416	28,416
	<u>214,457</u>	<u>258,611</u>

11. Related party transactions

Save as disclosed elsewhere in this report, no significant related party transactions, which were carried out in the normal course of the Company's business during the periods.

12. Commitments

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

	As at	
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
Property, plant and equipment		
Contracted but not provided for	782,743	788,589

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 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 2011 (2010: Nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the period from January to June of 2011, production volume of aluminum ingots reached 67,349 tonnes, representing an increase of 17,831 tonnes or 36.01% against that of the corresponding period in 2010 of 49,518 tonnes. For the period from April to June of 2011, the production volume of aluminum ingots reached 36,404 tonnes, representing an increase of 10,177 tonnes or 38.80% against that of the corresponding period of the previous year of 26,227 tonnes. Increase in production volume of the Company for the period from January to June of 2011 was mainly due to the increase in market demand of aluminum ingots.

FINANCIAL REVIEW

For the six months ended 30 June 2011:

The Company recorded turnover of approximately RMB843,036,000 for the six months ended 30 June 2011, a 27.47% or RMB181,664,000 increase from approximately RMB661,372,000 for the corresponding period of the previous year. The increase in turnover was mainly due to the increase in sales volume and average selling price of aluminum ingots.

Of the total turnover amount, RMB723,803,000 or 85.86% was generated from sales of aluminum re-smelt ingots and RMB119,233,000 or 14.14% was generated from processing aluminum ingots.

For the six months ended 30 June 2011, the cost of goods sold amounted to approximately RMB894,236,000, representing an increase of RMB255,018,000 or 39.90% against the corresponding period of the previous year of approximately RMB639,218,000. The increase was mainly due to the increase in the cost of raw material and electricity.

The Company's gross loss for the six months ended 30 June 2011 was approximately RMB51,200,000, representing a gross loss margin of approximately 6.07%, against the gross profit margin of about 3.35% for the six months ended 30 June 2010. The decrease in gross profit margin was mainly due to the increase in price of electricity.

Other revenue of the Company for the six months ended 30 June 2011 amounted to approximately RMB850,936,000, of which approximately RMB840,269,000 was derived from sales of scrap and other materials, approximately RMB2,571,000 from supply of water and electricity to other independent third parties, approximately RMB5,189,000 from interest income and approximately RMB2,907,000 from government subsidies. This represented an increase of RMB825,613,000 against approximately RMB25,323,000 for the six months ended 30 June 2010 which is due to the increase in sales of raw materials by RMB805,211,000.

Expenses related to other revenue of the Company for the six months ended 30 June 2011 amounted to RMB848,197,000 including expenses of approximately RMB845,726,000 from sales of scrap and other materials, approximately RMB2,471,000 from supply of water, which represented an increase of approximately RMB825,883,000 against approximately RMB22,314,000 for the six months ended 30 June 2010 which is due to increase in cost of sales of raw materials.

The selling and distribution expenses of the Company amounted to approximately RMB8,147,000 or 0.97% of the turnover for the six months ended 30 June 2011, as compared to about RMB10,063,000 or 1.52% of the turnover for the same period of the previous year. The decrease was due to the decrease in cost of transportation aluminum ingots.

For the six months ended 30 June 2011, general and administration expenses were approximately RMB31,850,000, representing an increase of approximately RMB13,431,000 or 72.92% against approximately RMB18,419,000 for the same period in 2010. The increase was mainly due to the increase in banks charges by approximately RMB3,754,000, staff costs by approximately RMB4,434,000 and tax by approximately RMB2,129,000.

For the six months ended 30 June 2011, the finance costs amounted to approximately RMB22,648,000, representing an increase of RMB14,147,000 or 166.42% from approximately RMB8,501,000 for the corresponding period of 2010. The increase was mainly due to the increase in average loan balances and increase in bank loan interest rate during the year.

Net loss for the six months ended 30 June 2011 was approximately RMB111,106,000, as compared to a net loss of approximately RMB11,820,000 for the corresponding period in 2010.

For the three months ended 30 June 2011:

The Company recorded a turnover of approximately RMB484,522,000 for the three months ended 30 June 2011, representing a 41.90% increase from approximately RMB341,446,000 for the corresponding period of the previous year. The increase in turnover was mainly due to the increase in average selling price and sales volume of aluminum ingots for the period under review.

Of the total turnover amount, RMB430,546,000 or 88.86% was generated from the sales of aluminum re-smelt ingots and RMB53,976,000 or 11.14% was generated from processing aluminum ingots.

For the three months ended 30 June 2011, the cost of goods sold amounted to approximately RMB487,439,000, representing an increase of RMB143,763,000 or 41.83% against approximately RMB343,676,000 for the corresponding period in 2010. The increase was mainly due to the increase in the unit cost of raw material and electricity during April to June 2011.

The Company experienced a gross loss for the three months ended 30 June 2011, approximately RMB2,917,000, representing a gross loss margin of approximately 0.60%, against the gross loss margin of about 0.65% for the three months ended 30 June 2010. The decrease in gross loss margin was mainly because of the increase in selling price of aluminum ingots.

Other revenue of the Company for the three months ended 30 June 2011 amounted to approximately RMB495,348,000, which comprised approximately RMB489,503,000 from sales of scrap and other materials, approximately RMB1,521,000 from supply of water and electricity to other independent third parties, interest income of approximately RMB3,221,000 and government subsidies of approximately RMB1,103,000. This represented an increase of RMB482,214,000 when compared to RMB13,134,000 for the three months ended 30 June 2010. The increase was mainly due to the increase of sales income of raw materials by RMB466,655,000 compared to the corresponding period of 2010.

Expenses related to other revenue for the three months ended 30 June 2011 amounted to approximately RMB497,968,000 including expenses of approximately RMB496,598,000 from sales of scrap and other materials and approximately RMB1,370,000 from supply of water and electricity to other independent third parties, representing an increase of approximately RMB487,003,000 against approximately RMB10,965,000 of the corresponding period in 2010. The increase was mainly due to the increase in cost of sale of raw materials which increased by RMB472,496,000.

The selling and distribution expenses of the Company amounted to about RMB2,901,000 or 0.60% of the turnover for the three months ended 30 June 2011, representing a decrease of RMB1,732,000 or 37.38% when compare to about RMB4,633,000 or 1.36% of the turnover for the three months ended 30 June 2010. The decrease was mainly due to the decrease in transportation cost of aluminum ingots.

The general and administrative expenses were approximately RMB16,291,000 for the three months ended 30 June 2011, representing an increase of RMB8,391,000 or 106.22% from about RMB7,900,000 for the three months ended 30 June 2010. The increase were mainly due to the increase in bank charges by approximately RMB5,116,000, staff costs by approximately RMB1,195,000 and tax by approximately RMB1,119,000.

For the three months ended 30 June 2011, finance costs amounted to approximately RMB8,152,000, representing an increase of RMB5,278,000 or 183.65% from approximately RMB2,874,000 for the corresponding period in 2010. The increase was mainly due to the increase in average bank loans balance and increase in bank loan interest rate.

The net loss for the three months ended 30 June 2011 was RMB32,881,000, as compared to the net loss approximately RMB15,468,000 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 investments 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 2011.

CONTINGENT LIABILITIES

As at 30 June 2011, 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 2011 Unaudited RMB'000	31 December 2010 Unaudited RMB'000
Third parties	84,000	284,000

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 2011.

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 2011, 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 2011 was generated from short-term bank borrowings and deposit received in advance. As at 30 June 2011, the Company's non-current assets were approximately RMB1,595,723,000. Non-current assets mainly comprised fixed assets of approximately RMB1,574,896,000.

As at 30 June 2011, the Company had net current liabilities of approximately RMB1,441,741,000. Current assets comprised cash and bank balances of approximately RMB663,280,000, inventories of approximately RMB163,114,000, trade receivables of approximately RMB5,969,000, other current assets of approximately RMB250,116,000 and current tax assets of RMB2,301,000. Current liabilities comprised short-term bank loans of approximately RMB572,456,000, trade and bills payables of approximately RMB1,020,884,000 and other payables of approximately RMB929,574,000 and financial liabilities RMB3,607,000.

CAPITAL STRUCTURE

As at 30 June 2011, 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, 2011, the Company had an aggregate outstanding borrowings of approximately RMB1,301,012,000, including bills payables of RMB728,556,000. The gearing ratio was approximately 94.26% (2010: 78.55%).

EMPLOYEE INFORMATION

The remuneration for the employees of the Company amounted to approximately RMB51,516,000, including the Directors' emoluments of approximately RMB260,120 during the six months ended 30 June 2011 (2010: approximately RMB36,992,000, including the Directors' emoluments of approximately RMB298,833). The increase in employee remuneration was resulted from the increase in number of staff. As at 30 June 2011, the Company has 3,016 employees (2010: 1,858).

DETAILS OF PLEDGED ASSETS OF THE COMPANY

As at 30 June 2011, the Company has pledged bank balances and plant and machinery of approximately 625,580,000 and approximately RMB84,696,000 respectively for the purpose to obtain bank loans 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 2011, the shareholders of the Company are as follows:

Category of Shares	Number of shares in issue	Percentage (%)
Domestic shares	2,700,627,244	69.10%
H shares	1,207,716,860	30.90%

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30 June 2011, so far as is known to the Directors, the Supervisors or chief executive of the Company, the following persons, other than a Director, Supervisor or chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Substantial shareholders' interest

Long positions in Domestic Shares:

Name of Shareholder	Capacity	Number of Shares	Percentage in the total issued Domestic Shares	Percentage in the entire issued share capital of the Company
Tianrui Group <i>(Note)</i>	Beneficial owner	2,661,799,752	97.92%	68.11%
Li Liu Fa <i>(Note)</i>	Interest of controlled corporation	2,661,799,752	97.92%	68.11%
Li Xuan Yu <i>(Note)</i>	Interest of controlled corporation	2,661,799,752	97.92%	68.11%

Note: The 2,661,799,752 Domestic Shares were held by Tianrui Group, which was owned as to 51.57% by Li Liu Fa and 48.43% by Li Xuan Yu, the son of Li Liu Fa. Li Liu Fa and Li Xuan Yu were deemed to be interested in these 2,661,799,752 Domestic Shares under Part XV of the SFO.

As at 30 June 2011, 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 2011, 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 2010, 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 2011 and which is significant in relation to the business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 30 June 2011, none of the Directors was granted any option to subscribe for shares of the Company. As at 30 June 2011, 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 2011, 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 2011.

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 2011, 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 2011, 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 2011.

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 2011 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 August 2011

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

Executive Directors:

Mr. Tan Yu Zhong
Mr. Zhao Zheng Bin

Non-executive Directors:

Mr. Li He Ping (Chairman of the Company)
Mr. Yan Li Qi
Mr. Ma Yong Zheng
Mr. Shang Ling Zhou

Independent Non-executive Directors:

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