



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)

Third Quarterly Report 2005



Sanmenxia Tianyuan

Sanmenxia Tianyuan Aluminum Company Limited





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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 RMB979,764,000 for the nine months ended 30 September 2005.
- Net loss amounted to approximately RMB40,884,000 for the nine months ended 30 September 2005, as compared to a net profit of approximately RMB20,363,000 for the corresponding period in 2004.
- The Directors do not recommend the payment of dividend for the nine months ended 30 September 2005.



Third Quarterly 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 nine months ("nine-month period") ended 30 September 2005 together with the comparative unaudited figures for the corresponding periods in 2004. The unaudited results of nine-month period have been reviewed by the audit committee of the Company.

Profit and loss accounts (unaudited)

Three months and nine months ended 30 September 2005

	Note	Three months ended 30 September		Nine months ended 30 September	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	3	350,741	354,932	979,764	1,023,648
Cost of goods sold		<u>(353,479)</u>	<u>(328,604)</u>	<u>(947,350)</u>	<u>(946,680)</u>
Gross (loss)/profit		<u>-----</u> (2,738)	<u>-----</u> 26,328	<u>-----</u> 32,414	<u>-----</u> 76,968
Other revenue	3	2,741	5,202	8,114	29,452
Expenses related to other revenue		<u>(1,818)</u>	<u>(3,079)</u>	<u>(5,254)</u>	<u>(23,070)</u>
Other revenue, net		<u>-----</u> 923	<u>-----</u> 2,123	<u>-----</u> 2,860	<u>-----</u> 6,382
Selling and distribution expenses		(5,339)	(5,754)	(14,201)	(13,099)
General and administrative expenses		<u>(9,843)</u>	<u>(6,841)</u>	<u>(28,608)</u>	<u>(23,469)</u>
Operating (loss)/profit		(16,997)	15,856	(7,535)	46,782
Finance costs		<u>(17,628)</u>	<u>(5,518)</u>	<u>(33,349)</u>	<u>(16,390)</u>
(Loss)/profit before income tax		(34,625)	10,338	(40,884)	30,392
Income tax	4	<u>-----</u> -	<u>-----</u> (3,411)	<u>-----</u> -	<u>-----</u> (10,029)
(Loss)/profit for the period		<u>-----</u> (34,625)	<u>-----</u> 6,927	<u>-----</u> (40,884)	<u>-----</u> 20,363
Dividend		<u>-----</u> -	<u>-----</u> -	<u>-----</u> -	<u>-----</u> -
(Loss)/earnings per Share	5	<u>-----</u> RMB(2.96) cents	<u>-----</u> RMB0.62 cents	<u>-----</u> RMB(3.50) cents	<u>-----</u> RMB2.16 cents



Statement of changes in equity (unaudited)

	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Share issuance costs	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004	85,000	28,324	11,664	5,833	(3,618)	87,759	214,962
Profit for the period	-	-	-	-	-	20,363	20,363
Share issuance costs	-	-	-	-	(32,087)	-	(32,087)
Transfer from share issuance costs to capital reserve	-	(35,705)	-	-	35,705	-	-
Shares issued	31,820	69,530	-	-	-	-	101,350
At 30 September 2004	<u>116,820</u>	<u>62,149</u>	<u>11,664</u>	<u>5,833</u>	<u>-</u>	<u>108,122</u>	<u>304,588</u>
At 1 January 2005	116,820	62,099	14,060	7,031	-	106,914	306,924
Loss for the period	-	-	-	-	-	(40,884)	(40,884)
Dividend paid	-	-	-	-	-	(11,682)	(11,682)
At 30 September 2005	<u>116,820</u>	<u>62,099</u>	<u>14,060</u>	<u>7,031</u>	<u>-</u>	<u>54,348</u>	<u>254,358</u>



NOTES TO THE ACCOUNTS

1. Organisation and principal operation

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

The H shares of the Company were listed on GEM on 13 July 2004. Details of the restructuring have been set out in the prospectus of the Company dated 30 June 2004 ("Prospectus").

2. Basis of preparation

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

3. Turnover, revenues and segment information

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

	Unaudited			
	Three months ended 30 September		Nine months ended 30 September	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of goods, net of value-added tax	<u>350,741</u>	<u>354,932</u>	<u>979,764</u>	<u>1,023,648</u>
Other revenue				
Sales of scrap and other materials	1,363	1,446	4,240	17,823
Supply of water and electricity	<u>532</u>	<u>3,409</u>	<u>2,013</u>	<u>10,615</u>
	1,895	4,855	6,253	28,438
Interest income	<u>846</u>	<u>347</u>	<u>1,861</u>	<u>1,014</u>
Total other revenue	<u>2,741</u>	<u>5,202</u>	<u>8,114</u>	<u>29,452</u>
Total revenue	<u>353,482</u>	<u>360,134</u>	<u>987,878</u>	<u>1,053,100</u>



Primary reporting format – business segments

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

Secondary reporting format – geographical segments

	Unaudited			
	Three months ended 30 September		Nine months ended 30 September	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover				
– The PRC	272,084	325,914	827,341	948,563
– Korea	–	29,018	–	29,018
– Hong Kong	–	–	–	46,067
– United Kingdom	78,657	–	122,304	–
– Singapore	–	–	30,119	–
	<u>350,741</u>	<u>354,932</u>	<u>979,764</u>	<u>1,023,648</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. Taxation

The provision for current PRC enterprise income tax is based on the statutory rate of 33% of the assessable income of the Company as determined in accordance with the relevant PRC income tax rules and regulations during the three months and the nine months ended 30 September 2004 and 2005.

The amount of taxation (credited)/charged to the profit and loss account represents:

	Unaudited			
	Three months ended 30 September		Nine months ended 30 September	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
PRC enterprise income tax	–	2,492	–	10,208
Other temporary differences	–	919	–	(179)
	<u>–</u>	<u>3,411</u>	<u>–</u>	<u>10,029</u>



5. Loss/earnings per share

Basic loss per share for the three months and nine months ended 30 September 2005 are based on the unaudited loss attributable to shareholders of RMB34,625,000 and RMB40,884,000 respectively (2004: profit of RMB6,927,000 and RMB20,363,000 respectively), and the weighted average number of 1,168,200,000 shares (2004: the weighted average number of 1,126,696,000 shares and 943,245,000 shares respectively) 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 dividend for the nine months ended 30 September 2005 (2004: Nil).

BUSINESS SUMMARY

For the period from January to September of 2005, production volume of aluminum ingots increased by 5.07% while its turnover decreased by 4.29%, as compared to the corresponding period in 2004. For the period from July to September 2005, production volume of aluminum ingots increased by 1.67% while its turnover decreased by 1.18%, as compared to the corresponding period in 2004.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Business Review

Turnover for the nine months ended 30 September 2005 recorded RMB979,764,000, representing a decrease of RMB43,884,000 or 4.29% against that of the corresponding period of the previous year. For the period from July to September of 2005, turnover reached RMB350,741,000, representing a decrease of RMB4,191,000 or 1.18% against that of the corresponding period of the previous year. The decrease in the turnover for the periods from January to September and from July to September were mainly due to the decrease in sales caused by the drop in demand of aluminum ingots as a result of the implementation of macro-economic policies on the aluminum industry.

For the period from January to September 2005, sales volume of aluminum ingots reached 68,837 tonnes, representing a decrease of 4,245 tonnes or 5.81% against that of the corresponding period of 73,082 tonnes in 2004. For the period from July to September of 2005, the sales volume of aluminum ingots reached 24,739 tonnes, representing a decrease of 1,188 tonnes or 4.58% against that of the corresponding period of the previous year.

For the period from January to September of 2005, production volume of aluminum ingots reached 79,008 tonnes, representing an increase of 3,812 tonnes or 5.07% against that of the corresponding period in 2004. For the period from July to September of 2005, the production volume of aluminum ingots reached 26,386 tonnes, representing an increase of 434 tonnes or 1.67% against that of the corresponding period of the previous year. Increase in production volume of the Company for the periods from January to September and from July to September 2005 were mainly due to the initiation of the Company's recycled aluminum project in January 2005.



During the period under review, the Company strived to improve the structure of the products and to increase the production volume of aluminum alloy, a product with higher added-value. For the period from January to September of 2005, production volume of the aluminum alloy increased to an average of 10,541 tonnes from an average of 4,373 tonnes in the corresponding period of the previous year, representing an increase of 6,168 tonnes or 141.04%. For the period from July to September 2005, production volume of aluminum alloy increased to 3,890 tonnes from 2,262 tonnes of the corresponding period of the previous year, representing an increase of 1,628 tonnes or 71.97%.

During the period under review, the buildings of recycled aluminum production facilities had been completed, which helped to extend the product mix of the Company. This strengthened the enterprise's core competitiveness.

Financial Review

For the nine months ended 30 September 2005:

The Company recorded turnover of approximately RMB979,764,000 for the nine months ended 30 September 2005, a 4.29% or RMB43,884,000 decrease from approximately RMB1,023,648,000 for the same period of the previous year. The decrease in turnover was mainly attributable to the decrease in sales caused by the drop in demand of aluminum ingots as a result of the implementation of macro-economic policies on the aluminum industry.

Of the total turnover amount, RMB836,061,000 or 85.33% was generated from sales of aluminum re-smelt ingots in the PRC and overseas, and RMB143,703,000 or 14.67% was generated from sales of aluminum alloy ingots.

The Company's gross profit for the nine months ended 30 September 2005 was approximately RMB32,414,000 representing a gross profit margin of approximately 3.31%, against the gross profit margin of about 7.52% for the nine months ended 30 September 2004. The drop in gross profit margin was mainly due to: (i) the increase in the cost of its major raw material, i.e. alumina, cannot be absorbed by raising the selling price of the aluminum re-smelt ingots due to fierce market competition as a result of abundant supply following the duplicated construction of production facilities for aluminum re-smelt ingots prior to the implementation of regulatory policies by the PRC central government in early 2004; (ii) the 8% value added tax rebate for export sales had been canceled and the export duty on aluminum ingots had been increased by 5% by the PRC central government since 1 January 2005; and (iii) the increase in the price of electricity by the PRC government in 2005.

Other revenue of the Company for the nine months ended 30 September 2005 amounted to RMB8,114,000, of which approximately RMB4,240,000 was derived from sale of scrap and other materials, approximately RMB2,013,000 from supply of water and electricity to the Company's related parties and other independent third parties and approximately RMB1,861,000 from interest income. This represented a decrease of RMB21,338,000 or 72.45% against RMB29,452,000 for the nine months ended 30 September 2004. The decrease was mainly due to the drop in sales of alumina and other major raw materials from 4,001 tonnes for the nine months ended 30 September 2004 to 20.5 tonnes for the corresponding period in 2005.



Expenses related to other revenue of the Company for the nine months ended 30 September 2005 amounted to RMB5,254,000 which represented a decrease of approximately RMB17,816,000 or 77.23% against the approximate amount of RMB23,070,000 for the nine months ended 30 September 2004. The decrease in related expenses was mainly due to the drop in sales of alumina and other major raw material from 4,001 tonnes for the nine months ended 30 September 2004 to 20.5 tonnes for the corresponding period in 2005.

For the nine months ended 30 September 2005, the finance costs amounted to RMB33,349,000, representing an increase of RMB16,959,000 or 103.47% from RMB16,390,000 for the corresponding period of 2004. The increase was mainly due to (i) the increase in banking interest rate from 5.3% to 5.6% by the PRC central bank, (ii) the increase of average bank loan balances from RMB403 million in 2004 to RMB507 million in 2005, and (iii) increase in average bills payable balances from RMB163 million in 2004 to RMB249 million in 2005.

The selling and distribution expenses of the Company amounted to approximately RMB14,201,000 or 1.45% of the turnover for the nine months ended 30 September 2005, as compared to about RMB13,099,000 or 1.28% of the turnover for the same period of the previous year. Such increase was due to the increase in transportation cost which was in turn a result of the increase in the proportion of export sales over total sales.

For the nine months ended 30 September 2005, general and administration expenses were approximately RMB28,608,000, representing an increase of approximately RMB5,139,000 or 21.90% against RMB23,469,000 for the same period 2004. This was due to (i) the increase in general salaries expenses, including staff benefits, which in line with the market trend, (ii) there was a bad debt written back in 2004.

Net loss for the nine months ended 30 September 2005 was RMB40,884,000, as compared to a net profit of approximately RMB20,363,000 for the corresponding period in 2004.

For the three months ended 30 September 2005:

The Company recorded a turnover of approximately RMB350,741,000 for the three months ended 30 September 2005, a 1.18% decrease from approximately RMB354,932,000 for the same period in the previous year. The decrease in turnover was mainly attributable to the decrease in local demand of aluminum ingots as a result of the implementation of macro-economic policies on the aluminum industry.

Of the total turnover amount, RMB300,955,000 or 85.81% was generated from the sales of aluminum ingots in the PRC and overseas, and RMB49,786,000 or 14.19% was generated from the sales of aluminum alloy ingots.

The Company's gross loss for the three months ended 30 September 2005 was approximately RMB2,738,000, against the gross profit of about RMB26,328,000 for the three months ended 30 September 2004. The drop in gross profit margin was mainly due to (i) the increase in the cost of its major raw material, i.e. alumina, cannot be absorbed by raising the selling price of the aluminum re-smelt ingots due to fierce market competition as a result of abundant supply following the duplicated construction of production facilities for aluminum re-smelt ingots prior to the implementation of regulatory policies by the PRC central government in early 2004; (ii) the cancellation of 8% value-added tax rebate for export sales and the increase of the export duty on aluminum ingots by the PRC central government since 1 January 2005; and (iii) the government the increased in the price of electricity in the PRC government in May 2005.



Other revenue of the Company for the three months ended 30 September 2005 amounted to RMB2,741,000, which comprised approximately RMB1,363,000 from sale of scrap and other materials, approximately RMB532,000 from supply of water and electricity to the Company's related parties and other independent third parties, and interest income of approximately RMB846,000. This represented a decrease of 47.31% or RMB2,461,000 when compared to RMB5,202,000 for the three months ended 30 September 2004.

Expenses related to other revenue for the 3 months ended 30 September 2005 amounted to RMB1,818,000, representing a decrease of RMB1,261,000 or 40.95% against RMB3,079,000 of the corresponding period in 2004.

For the three months ended 30 September 2005, finance costs amounted to RMB17,628,000, representing an increase of RMB12,110,000 or 219.46% from RMB5,518,000 for the same period in 2004. The increase was mainly due to: (i) the increase in banking interest rates from 5.3% to 5.6% by the PRC central bank, (ii) the increase in amount of average loan balances from RMB429 millions in 2004 to RMB439 millions in 2005, and (iii) the increase in average bills payable balances from RMB201 million in 2004 to RMB369 million in 2005 during period under review in 2005.

The selling and distribution expenses of the Company amounted to about RMB5,339,000 or 1.52% of the turnover for the three months ended 30 September 2005, which was comparable to about RMB5,754,000 or 1.62% of the turnover for the three months ended 30 September 2004. The decrease was mainly due to the decrease in sales during the period.

The general and administrative expenses were approximately RMB9,843,000 or 2.81% of the turnover for the three months ended 30 September 2005, representing an increase of RMB3,002,000 or 43.88% from about RMB6,841,000 for the three months ended 30 September 2004. The increase was mainly due to: (i) the increase in general salaries expenses, including staff benefits, which in line with the market trend, (ii) there was a bad debt written back in 2004.

The net loss for the three months ended 30 September 2005 was RMB34,625,000, compare with a net profit of approximately RMB6,927,000 for the same period of the previous year.

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

The Company has not held any significant investment for the three months ended 30 September 2005 and made no material acquisitions or disposals during the current period. At 30 September 2005, the Company had no material capital commitments.

Acquisition of Production Facilities and Land Use Rights from Tianyuan Group

It was publicly announced on 27 October 2005 that the Company had entered into an agreement with Sanmenxia Tianyuan Aluminum Group Limited ("Tianyuan Group") on the same date, pursuant to which the Company agreed to acquire from Tianyuan Group certain production facilities and land use rights ("Acquisition") at a total consideration of approximately RMB390.78 million. The consideration shall be satisfied by the Company on completion of the Acquisition as to (i) RMB149.45 million by assuming bank borrowings of an equivalent amount owed by Tianyuan Group to two PRC commercial banks and a PRC urban credit (城市信用社); (ii) RMB40.00 million by the assignment of the Company's trade receivables of an equivalent amount; (iii) RMB162.28 million by the assignment of the Company's purchase deposits of an equivalent amount; and (iv) the remaining balance of RMB39.05 million by cash and/or, at the option of the Company, the transfer of aluminum ingots of an equivalent amount to Tianyuan Group, the price of which is determined based on the average daily closing price of aluminum ingots on the last five trading days before the completion date as quoted on the Shanghai Futures Exchange.



Pursuant to Chapter 19 of the GEM Listing Rules, the Acquisition constitutes a very substantial acquisition for the Company. Tianyuan Group is a promoter, an initial management shareholder and a substantial shareholder of the Company holding approximately 67.02% of its issued share capital, hence, Tianyuan Group is a connected person (as defined under the GEM Listing Rules) of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The agreement is therefore subject to approval of the independent shareholders at a general meeting. Tianyuan Group is required to abstain from voting at the extraordinary general meeting which will be taken by poll. For details, please refer to the information set out in the announcement on 27 October 2005.

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

As at 30 September 2005, the Company recorded trade receivables due from Jiashi to the Company for approximately RMB63.49 million.

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

Strategies and Plans

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

In the second half of 2005 and early 2006, the Company will still face challenges both in production and management including the increase pressure on product cost and operations, 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.

Financial assistance

The Company had provided financial assistance in an aggregate sum of approximately RMB77.9 million to Tianyuan Group for the period from 1 January 2005 to 31 March 2005. Tianyuan Group repaid part of the advances to the Company from time to time, the highest amount outstanding was approximately RMB77.3 million on 4 March 2005. As at 29 March 2005, Tianyuan Group had settled in full the amount advanced by the Company. Details of the transactions have been set out in the circular of the Company dated 22 July 2005.



Foreign exchange risk

The income and expenses of the Company are mainly denominated in Renminbi. During the period under review, the Company has neither experienced any significant difficulties nor any operating capital or cash flow problems resulting from fluctuation in the exchange rate. The Directors believe that having regard to the working capital position of the Company, it is able to meet its foreign exchange liabilities as they become due. However, part of the export sales is settled by United States dollar. Thus, the appreciation of RMB in July 2005, will have an effect on the financial results of the Company.

Share capital

As at 30 September 2005, the shareholders of the Company are as follows:

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

DISCLOSURE OF INTERESTS

Interests of the directors, supervisors and chief executives

As at 30 September 2005, none of the directors, supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

Interests of substantial shareholder and other persons

As at 30 September 2005, the persons (other than a director, supervisor or chief executive of the Company) who have an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:



Interests in Domestic Shares (long positions):

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

Interests in H Shares (long positions):

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

Other persons who are required to disclose their interests

As at 30 September 2005, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the nine months ended 30 September 2005, none of the Directors was granted any option to subscribe for shares of the Company. As at 30 September 2005, none of the Directors had any rights to acquire shares in the Company.

SHARE OPTION SCHEME

Up to 30 September 2005, the Company had not adopted any share option scheme or granted any option.



COMPETING INTERESTS

As at 30 September 2005, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

COMPLIANCE ADVISER'S INTEREST

Pursuant to the agreement dated 12 July 2004 entered into between the Company and its compliance adviser, namely Oriental Patron Asia Limited, the compliance adviser has received and will receive a fee for acting as the Company's retained compliance adviser for the period from 13 July 2004 to 31 December 2006 or until the compliance adviser agreement is terminated upon the terms and conditions set out therein.

None of the Company's compliance adviser, their directors, employees or associates had any interests in the securities of the Company or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 September 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

During the nine months ended 30 September 2005, there was no purchase, sales or redemption of the Company's listed securities by the Company.

AUDIT COMMITTEE

The Company established an audit committee on 13 June 2004 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year 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 and Mr. CHAN Nap Tuck.

The unaudited third quarterly financial statements for the nine months ended 30 September 2005 have been reviewed by the audit committee.

By Order of the Board
Sanmenxia Tianyuan Aluminum Company Limited
Li Yong Zheng
Chairman

Henan, the PRC, 10 November 2005

As at the date of this report, the executive Directors are Li Yong Zheng, Tan Yu Zhong and Xiao Chong Xin; the non-executive Director is Yan Li Qi; and the independent non-executive Directors are Zhu Xiao Ping, Song Quan Qi and Chan Nap Tuck.