



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



THIRD QUARTERLY 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 RMB525,684,000 for the nine months ended 30 September 2009.
- Net loss amounted to approximately RMB22,476,000 for the nine months ended 30 September 2009, as compared to a net profit of approximately RMB56,681,000 for the corresponding period in 2008.
- The Directors do not recommend the payment of dividend for the nine months ended 30 September 2009.

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 2009 together with the comparative unaudited figures for the corresponding periods in 2008. The unaudited results of nine-month period have been reviewed by the audit committee of the Company.

STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

Three months and nine months ended 30 September 2009

		Three months ended 30 September		Nine months ended 30 September	
	Note	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	3	203,935	354,440	525,684	1,145,937
Cost of goods sold		<u>(179,452)</u>	<u>(320,667)</u>	<u>(497,842)</u>	<u>(1,006,075)</u>
Gross profit		<u>24,483</u>	<u>33,773</u>	<u>27,842</u>	<u>139,862</u>
Other revenue	3	7,826	11,060	16,779	37,296
Expenses related to other revenue		<u>(4,882)</u>	<u>(7,466)</u>	<u>(10,147)</u>	<u>(19,296)</u>
Other revenue, net		<u>2,944</u>	<u>3,594</u>	<u>6,632</u>	<u>18,000</u>
Selling and distribution expenses		(5,086)	(8,903)	(11,612)	(24,000)
General and administrative expenses		<u>(10,536)</u>	<u>(11,125)</u>	<u>(28,944)</u>	<u>(24,749)</u>
Operating profit/(loss)		11,805	17,339	(6,082)	109,113
Finance costs		<u>(4,839)</u>	<u>(7,286)</u>	<u>(16,394)</u>	<u>(33,539)</u>
Profit/(loss) before income tax		6,966	10,053	(22,476)	75,574
Income tax	4	<u>-</u>	<u>(2,513)</u>	<u>-</u>	<u>(18,893)</u>
Profit/(loss) for the period		6,966	7,540	(22,476)	56,681
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>6,966</u>	<u>7,540</u>	<u>(22,476)</u>	<u>56,681</u>
Dividend		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings/(loss) per Share	5	<u>RMB0.60 cents</u>	<u>RMB0.65 cents</u>	<u>RMB(1.92) cents</u>	<u>RMB4.85 cents</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 2009	116,820	57,970	33,966	73,653	282,409
Profit for the period	—	—	—	(22,476)	(22,476)
At 30 September 2009	<u>116,820</u>	<u>57,970</u>	<u>33,966</u>	<u>51,177</u>	<u>259,933</u>
At 1 January 2008	116,820	62,099	33,966	103,544	316,429
Profit for the period	—	—	—	56,681	56,681
At 30 September 2008	<u>116,820</u>	<u>62,099</u>	<u>33,966</u>	<u>160,225</u>	<u>373,110</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 aluminum alloy ingots. All of the Company's operating assets are located in the PRC.

2. Basis of preparation and accounting policies

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 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 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover				
Sales of goods, net of value-added tax	203,935	354,440	525,684	1,145,937
Other revenue				
Sales of scrap and other materials	3,471	6,481	8,685	18,687
Supply of water and electricity	145	715	367	1,337
	3,616	7,196	9,052	20,024
Interest income	710	3,864	4,227	17,272
Government subsidy	3,500	–	3,500	–
Total other revenue	7,826	11,060	16,779	37,296
Total revenue	211,761	365,500	542,463	1,183,233

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

Secondary reporting format - geographical segments

	Unaudited			
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover				
- The PRC	203,935	354,440	525,684	1,092,066
- Korea	-	-	-	28,455
- Hong Kong	-	-	-	25,416
	<u>203,935</u>	<u>354,440</u>	<u>525,684</u>	<u>1,145,937</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 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 nine months ended 30 September 2008 and 2009.

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

	Unaudited			
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax	-	(2,513)	-	(18,893)
	<u>-</u>	<u>(2,513)</u>	<u>-</u>	<u>(18,893)</u>

5. Earnings/(loss) per share

Basic earnings/(loss) per share for the three months and nine months ended 30 September 2009 are based on the unaudited profit attributable to shareholders of RMB6,966,000 and loss of RMB22,476,000 respectively (2008: profit of RMB7,540,000 and RMB56,681,000 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.

DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2009 (2008: Nil).

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Business Review

Turnover for the nine months ended 30 September 2009 recorded RMB525,684,000, representing a decrease of RMB620,253,000 or 54.13% against that of the corresponding period of the previous year. For the period from July to September of 2009, turnover reached RMB203,935,000, representing a decrease of RMB150,505,000 or 42.46% against that of the corresponding period of the previous year. The decrease in turnover for the periods from January 2009 to September 2009 and from July 2009 to September 2009 were mainly due to decrease in market demand and prices of both aluminum re-smelt ingots and aluminum alloy ingots.

For the period from January to September 2009, sales volume of aluminum re-smelt ingots and aluminum alloy ingots reached 46,728 tonnes, representing a decrease of 25,895 tonnes or 35.66% against that of the corresponding period of 72,623 tonnes in 2008.

For the period from January to September 2009, the sales volume of aluminum re-smelt ingots reached 46,683, representing an decrease of 20,146 tonnes or 30.15%, against that of the corresponding period of 66,829 tonnes in 2008.

And the sales volume of aluminum alloy ingots reached 45 tonnes, representing a decrease of 5,749 tonnes or 99.22% against that of the corresponding period of 5,794 tonnes in 2008.

For the period from July to September of 2009, the sales volume of aluminum re-smelt ingots and aluminum alloy ingots reached 16,693 tonnes, representing a decrease of 7,044 tonnes or 29.68% against that of the corresponding period of the previous year.

For the period from July to September of 2009, the sales volume of aluminum re-smelt ingots reached 16,693 tonnes, representing an decrease of 6,511 tonnes or 28.06% against that of the corresponding period of 23,204 tonnes in 2008.

No aluminum alloy ingots sale in the period from July to September of 2009 against that of the corresponding period of 533 tonnes in 2008.

For the period from January to September of 2009, production volume of aluminum re-smelt ingots and aluminum alloy ingots reached 48,270 tonnes, representing a decrease of 32,424 tonnes or 40.18% against that of the corresponding period in 2008.

For the period from January to September 2009, the production volume of aluminum re-smelt ingots reached 48,232 tonnes, representing an decrease of 26,803 tonnes or 35.72% against that of the corresponding period of 75,035 tonnes in 2008.

The production volume of aluminum alloy ingots reached 38 tonnes, representing a decrease of 5,621 tonnes or 99.33% against that of the corresponding period of 5,659 tonnes in 2008.

For the period from July to September of 2009, the production volume of aluminum re-smelt ingots and aluminum alloy ingots reached 17,048 tonnes, representing a decrease of 8,111 tonnes or 32.24% against that of the corresponding period of the previous year. For the period from July to September 2009, production volume of aluminum re-smelt ingots reached 17,048 tonnes, representing a decrease of 7,711 tonnes or 31.14% against that of the corresponding period of 24,759 tonnes in 2008.

No production of aluminum alloy ingots during the period from July to September 2009, against the production volume reached 400 tonnes of the corresponding period in 2008.

Financial Review

For the nine months ended 30 September 2009:

The Company recorded turnover of approximately RMB525,684,000 for the nine months ended 30 September 2009, a 54.13% or RMB620,253,000 decrease from approximately RMB1,145,937,000 for the same period of the previous year. The decrease in turnover was mainly attributable to the decrease in market demand and prices of aluminum re-smelt and alloy ingots.

Of the total turnover amount, RMB525,237,000 or 99.91% was generated from sales of aluminum re-smelt ingots in the PRC, and RMB447,000 or 0.09% was generated from sales of aluminum alloy ingots.

For the nine months ended 30 September 2009, the cost of goods sold was RMB497,842,000 representing a decrease of RMB508,233,000 or 50.52% against RMB1,006,075,000 for the corresponding period in 2008.

The decrease in cost of goods sold was mainly due to the decrease in the raw material cost of alumina.

The Company's gross profit for the nine months ended 30 September 2009 was approximately RMB27,842,000, representing a gross profit margin of approximately 5.30%, against the gross profit margin of about 12.21% for the nine months ended 30 September 2008. The decrease in gross profit margin was mainly due to the decrease in market price of the products.

Other revenue of the Company for the nine months ended 30 September 2009 amounted to RMB16,779,000, of which approximately RMB8,685,000 was derived from sale of scrap and other materials, approximately RMB367,000 from supply of water and electricity to independent third parties, approximately RMB4,227,000 from interest income and a government subsidy accounted to RMB3,500,000. This represented a decrease of RMB20,517,000 or 55.01% against RMB37,296,000 for the nine months ended 30 September 2008. The decrease was mainly due to the decrease of bank interest income for the nine months ended 30 September 2009 amounted to RMB13,045,000, and sales of pre-baked anode, which contributed to the decrease by RMB7,147,000.

Expenses related to other revenue of the Company for the nine months ended 30 September 2009 amounted to RMB10,147,000 including the expenses of RMB9,519,000 derived from the sale of scrap and other material and RMB628,000 derived from supply of water and electricity to independent third parties which represented a decrease of approximately RMB9,149,000 or 47.41% against the approximate amount of RMB19,296,000 for the nine months ended 30 September 2008. The decrease was mainly due to the decrease of cost of sales of pre-baked anode by RMB7,344,000.

The selling and distribution expenses of the Company amounted to approximately RMB11,612,000 or 2.21% of the turnover for the nine months ended 30 September 2009, as compared to about RMB24,000,000 or 2.09% of the turnover for the same period of the previous year. Such decrease were due to the decrease in transportation fee by RMB6,137,000 and expert fee by RMB6,947,000 which are in line with the decrease in sales of ingots during the period.

For the nine months ended 30 September 2009, general and administration expenses were approximately RMB28,944,000, representing an increase of approximately RMB4,195,000 or 16.95% against RMB24,749,000 for the same period 2008. This increase was mainly due to the increase in bank charges.

For the nine months ended 30 September 2009, the finance costs amounted to RMB16,394,000, representing a decrease of RMB17,145,000 or 51.12% from RMB33,539,000 for the corresponding period of 2008. The decrease in the finance cost was mainly due to the decrease in the average loan balances and interest rate during the nine month period ended 30 September 2009 against the same period in 2008.

Net loss for the nine months ended 30 September 2009 was RMB22,476,000, as compared to a net profit of approximately RMB56,681,000 for the corresponding period in 2008.

For the three months ended 30 September 2009:

The Company recorded a turnover of approximately RMB203,935,000 for the three months ended 30 September 2009, representing a 42.46% or RMB150,505,000 decrease from approximately RMB354,440,000 for the same period in the previous year. The decrease in turnover was mainly due to the decrease in selling price and market demand of the aluminum re-smelt and alloy ingots.

Of the total turnover amount, RMB203,935,000 or 100% was generated from the sales of aluminum ingots in the PRC.

The Company's gross profit for the three months ended 30 September 2009 was approximately RMB24,483,000. The gross profit margin was 12.01%. For the three months ended 30 September 2008, the gross profit margin was 9.53%. The increase in the profit margin was mainly due to the extent of decrease in selling price is lower than that of the decrease in cost of sales of the aluminum re-smelt ingot.

Other revenue of the Company for the three months ended 30 September 2009 amounted to RMB7,826,000, which comprised approximately RMB3,471,000 from sale of scrap and other materials, approximately RMB145,000 from supply of water and electricity to independent third parties. Interest income of approximately RMB710,000 and RMB3,500,000 from government allowance. This represented a decrease of 29.24% or RMB3,234,000 when compared to RMB11,060,000 for the three months ended 30 September 2008. The decrease were mainly due to the decrease in interest income amounted to RMB3,154,000.

Expenses related to other revenue for the three months ended 30 September 2009 amounted to RMB4,882,000, representing a decrease of RMB2,584,000 or 34.61% against RMB7,466,000 of the corresponding period in 2008. The decrease is mainly due to decrease of cost of sales of pre-baked anode during the period.

The selling and distribution expenses of the Company amounted to about RMB5,086,000 or 2.49% of the turnover for the three months ended 30 September 2009, representing a decrease of approximately RMB3,817,000 when compared to about RMB8,903,000 or 2.51% of the turnover for the three months ended 30 September 2008. The decrease was mainly due to the decrease in transportation cost.

The general and administrative expenses were approximately RMB10,536,000 of the turnover for the three months ended 30 September 2009, representing a decrease of approximately RMB589,000 or 5.29% from about RMB11,125,000 for the three months ended 30 September 2008. The decrease in general and administrative expenses was mainly due to the decrease in travelling expenses, repair and maintenance cost.

For the three months ended 30 September 2009, finance costs amounted to approximately RMB4,839,000, representing a decrease of RMB2,447,000 or 33.58% from approximately RMB7,286,000 for the same period in 2008. The decrease in finance cost was mainly due to decrease in average bank loans balances and interest rate when compared to the corresponding period of 2008.

The net profit for the three months ended 30 September 2009 was approximately RMB6,966,000, as compared to a net profit of approximately RMB7,540,000 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 three months ended 30 September 2009.

STRATEGIES AND PLANS

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

In the year 2009, 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.

FOREIGN EXCHANGE RISK

The income and expenses of the Company are mainly denominated in Renminbi. During the period under review, the Company has neither experienced any significant difficulties nor any operating capital or cash flow problems resulting from fluctuation in the exchange rate. The Directors believe that having regard to the working capital position of the Company, it is able to meet its foreign exchange liabilities as they become due.

SHARE CAPITAL

As at 30 September 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 September 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:

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 1)</i>	Beneficial owner	2,661,799,752	97.92% <i>(Note 3)</i>	68.11% <i>(Note 3)</i>
Li Liu Fa <i>(Note 1)</i>	Interest of controlled corporation	2,661,799,752	97.92% <i>(Note 3)</i>	68.11% <i>(Note 3)</i>

Long positions in H Shares

Name of Shareholder	Capacity	Number of Shares	Percentage in the total issued H Shares	Percentage in the entire issued share capital of the Company
BOCOM International Securities Limited <i>(Note 2)</i>	Beneficial owner	933,008,000	78.40% <i>(Note 3)</i>	23.87% <i>(Note 3)</i>

Other shareholders' interest

Long positions in H Shares

Name of Shareholder	Capacity	Number of Shares	Percentage in the total issued H Shares	Percentage in the entire issued share capital of the Company
Chen Yamin	Beneficial owner	17,660,000	5.05%	1.51%

Notes:

1. The 2,661,799,752 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, and comprised 782,882,280 existing Domestic Shares held by Tianrui Group and 1,878,917,472 Domestic Rights Shares which Tianrui Group has undertaken to subscribe for pursuant to its undertaking given to the Company. Li Liu Fa was deemed to be interested in these 2,661,799,752 Domestic Shares under Part XV of the SFO. For further details of Rights Issues, please refer to the Company's press dated 30 October 2009.
2. The 933,008,000 H Shares comprise (i) 92,960,000 H Shares beneficially owned by BOCOM International Securities Limited; and (ii) 840,048,000 H Rights Shares that BOCOM International Securities Limited has agreed to underwrite pursuant to the underwriting agreement entered into between the Company and BOCOM International Securities Limited.
3. The percentage is based on a total of 2,718,276,104 Domestic Shares and 1,190,068,000 H Shares in issue as enlarged by the Rights Issues without taking into account the conversion of 17,648,860 State-owned Domestic Shares into converted H Shares.

As at 30 September 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 September 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 September 2009 and which is significant in relation to the business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 30 September 2009, none of the Directors was granted any option to subscribe for shares of the Company. As at 30 September 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 September 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 September 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 September 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 September 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 September 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.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to an agreement dated 3 March 2008 entered into between the Company and Baron Capital Limited (the "Compliance Adviser"), the Compliance Adviser has received and will receive a fee for acting as the Company's compliance adviser for the period of two years commencing from the date of the agreement or until the above agreement is terminated upon the terms and conditions set out therein.

As updated and notified by the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or associates (as defined under the GEM Listing Rules) had any interests as at 30 September 2009 pursuant to Rule 6A.32 of the GEM Listing Rules, nor did they have an interest in a business which competes or may compete with the business of 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-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 third quarterly financial statements for the nine months ended 30 September 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, 11 November 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