



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

2010



\* For identification only

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

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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 RMB941,864,000 for the nine months ended 30 September 2010.
- Net loss amounted to approximately RMB57,653,000 for the nine months ended 30 September 2010, as compared to a net loss of approximately RMB22,476,000 for the corresponding period in 2009.
- The Directors do not recommend the payment of dividend for the nine months ended 30 September 2010.

### 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 2010 together with the comparative unaudited figures for the corresponding periods in 2009. 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 2010

	Note	Three months ended 30 September		Nine months ended 30 September	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	3	<b>280,492</b>	203,935	<b>941,864</b>	525,684
Cost of goods sold		<b>(309,198)</b>	(179,452)	<b>(948,416)</b>	(497,842)
Gross (loss)/profit		<b>(28,706)</b>	24,483	<b>(6,552)</b>	27,842
Other revenue		<b>62,982</b>	7,826	<b>88,305</b>	16,779
Expenses related to other revenue		<b>(64,253)</b>	(4,882)	<b>(86,567)</b>	(10,147)
Other revenue, net		<b>(1,271)</b>	2,944	<b>1,738</b>	6,632
Selling and distribution expenses	5	<b>(2,645)</b>	(5,086)	<b>(12,708)</b>	(11,612)
General and administrative expenses		<b>(10,644)</b>	(10,536)	<b>(29,063)</b>	(28,944)
Operating (loss)/profit		<b>(43,266)</b>	11,805	<b>(46,585)</b>	(6,082)
Finance costs		<b>(2,567)</b>	(4,839)	<b>(11,068)</b>	(16,394)
(Loss)/profit before income tax		<b>(45,833)</b>	6,966	<b>(57,653)</b>	(22,476)
Income tax		<b>—</b>	—	<b>—</b>	—
(Loss)/profit for the period		<b>(45,833)</b>	6,966	<b>(57,653)</b>	(22,476)
Other recognised income and expense for the period, net of tax		<b>—</b>	—	<b>—</b>	—
Total recognised income and expense for the period		<b>(45,833)</b>	6,966	<b>(57,653)</b>	(22,476)
Dividend		<b>—</b>	—	<b>—</b>	—
(Loss)/earnings per Share		<b>RMB(1.17) cents</b>	RMB0.60 cents	<b>RMB(1.48) cents</b>	RMB(1.92) cents

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

	<b>Share capital</b> <i>RMB'000</i>	<b>Capital reserve</b> <i>RMB'000</i>	<b>Statutory surplus reserve</b> <i>RMB'000</i>	<b>Retained earnings</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2010	390,834	60,653	33,966	21,052	506,505
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(57,653)</u>	<u>(57,653)</u>
At 30 September 2010	<u><u>390,834</u></u>	<u><u>60,653</u></u>	<u><u>33,966</u></u>	<u><u>(36,601)</u></u>	<u><u>448,852</u></u>
At 1 January 2009	116,820	57,970	33,966	73,653	282,409
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22,476)</u>	<u>(22,476)</u>
At 30 September 2009	<u><u>116,820</u></u>	<u><u>57,970</u></u>	<u><u>33,966</u></u>	<u><u>51,177</u></u>	<u><u>259,933</u></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.

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

At 30 September 2010, 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 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 2009.

### 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	
	2010	2009	2010	2009
	<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	<b>280,492</b>	203,935	<b>941,864</b>	525,684
Other revenue				
Sales of scrap and other materials	<b>61,101</b>	3,471	<b>83,207</b>	8,685
Supply of water and electricity	<b>177</b>	145	<b>394</b>	367
	<b>61,278</b>	3,616	<b>83,601</b>	9,052
Interest income	<b>1,704</b>	710	<b>4,704</b>	4,227
Government subsidy	<b>—</b>	3,500	<b>—</b>	3,500
Total other revenue	<b>62,982</b>	7,826	<b>88,305</b>	16,779
Total revenue	<b>343,474</b>	211,761	<b>1,030,169</b>	542,463

*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*

	<b>Unaudited</b>			
	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Turnover				
– The PRC	<b><u>280,492</u></b>	<u>203,935</u>	<b><u>941,864</u></b>	<u>525,684</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:

	<b>Unaudited</b>			
	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
PRC enterprise income tax	<b><u>—</u></b>	<u>—</u>	<b><u>—</u></b>	<u>—</u>

## **5. (Loss)/earnings per share**

Basic (loss)/earnings per share for the three months and nine months ended 30 September 2010 are based on the unaudited loss attributable to shareholders of RMB45,833,000 and loss of RMB57,653,000 respectively (2009: profit of RMB6,966,000 and loss of RMB22,476,000 respectively), and the weighted average number of 3,908,344,104 shares (2009: 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 2010 (2009: Nil).

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

### **Business Review**

Turnover for the nine months ended 30 September 2010 recorded RMB941,864,000, representing an increase of RMB416,180,000 or 79.17% against that of the corresponding period of the previous year. For the period from July to September of 2010, turnover reached RMB280,492,000, representing an increase of RMB76,557,000 or 37.54% against that of the corresponding period of the previous year. The increase in turnover for the periods from January 2010 to September 2010 and from July 2010 to September 2010 were mainly due to increase in sales volume and market price of aluminum ingots.

For the period from January to September 2010, sales volume of aluminum and aluminum alloy ingots reached 72,967 tonnes, representing an increase of 26,239 tonnes or 56.15% against that of the corresponding period of 46,728 tonnes in 2009.

For the period from January to September 2010, the sales volume of aluminum ingots reached 72,967 tonnes, representing an increase of 26,284 tonnes or 56.30%, against that of the corresponding period of 46,683 tonnes in 2009.

No aluminum alloy ingots sale in the period from January to September of 2010 against that of the corresponding period of 45 tonnes in 2009.



For the period from July to September of 2010, the sales volume of aluminum ingots reached 22,985 tonnes, representing an increase of 6,292 tonnes or 37.69% against that of the corresponding period of the previous year.

For the period from January to September of 2010, production volume of aluminum and aluminum alloy ingots reached 71,886 tonnes, representing an increase of 23,616 tonnes or 48.92% against that of the corresponding period in 2009.

For the period from January to September 2010, the production volume of aluminum ingots reached 71,886 tonnes, representing an increase of 23,654 tonnes or 49.04% against that of the corresponding period of 48,232 tonnes in 2009.

No aluminum alloy ingots produce in the period from January to September 2010 against that of the corresponding period of 38 tonnes in 2009.

For the period from July to September of 2010, the production volume of aluminum ingots reached 22,368 tonnes, representing an increase of 5,320 tonnes or 31.21% against that of the corresponding period of the previous year.

### **Financial Review**

For the nine months ended 30 September 2010:

The Company recorded turnover of approximately RMB941,864,000 for the nine months ended 30 September 2010, a 79.17% or RMB416,180,000 increase from approximately RMB525,684,000 for the same period of the previous year. The increase in turnover was mainly attributable to the increase in sales volume and prices of aluminum ingots.

Of the total turnover amount, RMB941,864,000 or 100% was generated from sales of aluminum re-smelt ingots in the PRC.

For the nine months ended 30 September 2010, the cost of goods sold was RMB948,416,000 representing an increase of RMB450,574,000 or 90.51% against RMB497,842,000 for the corresponding period in 2009.

The increase in cost of goods sold was mainly due to the increase in the raw material cost of alumina and cost of electricity.

The Company's gross loss for the nine months ended 30 September 2010 was approximately RMB6,552,000, representing a gross loss margin of approximately 0.70%, against the gross profit margin of about 5.30% for the nine months ended 30 September 2009. The decrease in gross profit margin was mainly due to the increase in the price of electricity and raw material which are higher than the selling price of aluminum ingots.

Other revenue of the Company for the nine months ended 30 September 2010 amounted to RMB88,305,000, of which approximately RMB83,207,000 was derived from sale of scrap and other materials, approximately RMB394,000 from supply of water and electricity to independent third parties, approximately RMB4,704,000 from interest income. This represented an increase of RMB71,526,000 or 426.28% against RMB16,779,000 for the nine months ended 30 September 2009. The increase was mainly due to the increase in sales volume of alumina and pre-baked anode, which contributed to the increase by RMB69,509,000.

Expenses related to other revenue of the Company for the nine months ended 30 September 2010 amounted to RMB86,567,000 including the expenses of RMB85,844,000 derived from the sale of scrap and other material and RMB723,000 derived from supply of water and electricity to independent third parties which represented an increase of approximately RMB76,420,000 or 753.13% against the approximate amount of RMB10,147,000 for the nine months ended 30 September 2009. The increase was mainly due to the increase in sales volume of alumina and pre-baked anode by RMB74,308,000.

The selling and distribution expenses of the Company amounted to approximately RMB12,708,000 or 1.35% of the turnover for the nine months ended 30 September 2010, as compared to about RMB11,612,000 or 2.21% of the turnover for the same period of the previous year. Such increase were due to the increase in transportation fee caused by increase in sales volume of ingots during the period.

For the nine months ended 30 September 2010, general and administration expenses were approximately RMB29,063,000, representing an increase of approximately RMB119,000 or 0.41% against RMB28,944,000 for the same period 2009. This increase was mainly due to the increase in bank charges.

For the nine months ended 30 September 2010, the finance costs amounted to RMB11,068,000, representing a decrease of RMB5,326,000 or 32.49% from RMB16,394,000 for the corresponding period of 2009. The decrease in the finance cost was mainly due to the decrease in the average loan balances of bank against the same period in 2009.

Net loss for the nine months ended 30 September 2010 was RMB57,653,000, as compared to a net loss of approximately RMB22,476,000 for the corresponding period in 2009.

For the three months ended 30 September 2010:

The Company recorded a turnover of approximately RMB280,492,000 for the three months ended 30 September 2010, representing a 37.54% or RMB76,557,000 increase from approximately RMB203,935,000 for the same period in the previous year. The increase in turnover was mainly due to the increase in sales volume of the aluminum ingots.

Of the total turnover amount, RMB280,492,000 or 100% was generated from the sales of aluminum re-smelt ingots in the PRC.

The Company's gross loss for the three months ended 30 September 2010 was approximately RMB28,706,000. The gross loss was 10.23%. For the three months ended 30 September 2009, the gross profit margin was 12.01%. The decrease in the profit margin was mainly due to the increase of the price of raw material and the price of electricity.

Other revenue of the Company for the three months ended 30 September 2010 amounted to RMB62,982,000, which comprised approximately RMB61,101,000 from sale of scrap and other materials, approximately RMB177,000 from supply of water and electricity to independent third parties. Interest income of approximately RMB1,704,000. This represented an increase of 704.78% or RMB55,156,000 when compared to RMB7,826,000 for the three months ended 30 September 2009. The increase were mainly due to the increase in sales volume of alumina amounted to RMB55,286,000.

Expenses related to other revenue for the three months ended 30 September 2010 amounted to RMB64,253,000, representing an increase of RMB59,371,000 or 1,216.12% against RMB4,882,000 of the corresponding period in 2009. The increase is mainly due to increase in the sales volume of alumina during the period.

The selling and distribution expenses of the Company amounted to about RMB2,645,000 or 0.94% of the turnover for the three months ended 30 September 2010, representing a decrease of approximately RMB2,441,000 when compared to about RMB5,086,000 of the turnover for the three months ended 30 September 2009. The decrease was mainly due to the decrease in transportation cost and agency fee.

The general and administrative expenses were approximately RMB10,644,000 of the turnover for the three months ended 30 September 2010, representing an increase of approximately RMB108,000 or 1.03% from about RMB10,536,000 for the three months ended 30 September 2009. The increase in general and administrative expenses was mainly due to the increase in office expenses.

For the three months ended 30 September 2010, finance costs amounted to approximately RMB2,567,000, representing a decrease of RMB2,272,000 or 46.95% from approximately RMB4,839,000 for the same period in 2009. The decrease in finance cost was mainly due to decrease in the use of average bank loans compared to the corresponding period of 2009.

The net loss for the three months ended 30 September 2010 was approximately RMB45,833,000, as compared to a net profit of approximately RMB6,966,000 for the same period of the previous year.

#### **SIGNIFICANT INVESTMENT**

For the period ended 30 September 2010, the Company and Mianchi Tianrui Aluminum Company Limited (澠池天瑞鋁業有限公司) entered into an asset acquisition agreement on 4 June 2010 to acquire the assets of Mianchi Tianrui Aluminum Company Limited, which includes the production and ancillary facilities for the production of electrolytic aluminum and pre-baked carbon anode and the related land use rights located at Tiantan Industrial Park, Yangshao, Mianchi County, Henan Province, the PRC, the total consideration for the Acquisition is RMB710,882,000. The resolution sets out in the notice of the Extraordinary General Meeting on 27 July 2010 was duly passed. Upon completion of the Mianchi Tianrui's assets acquisition, a new branch, Sanmenxia Tianyuan Aluminum Company Limited, Mianchi Branch Company (hereinafter referred to as the "Mianchi Branch Company") was established. The Mianchi Branch Company has commenced production from September 2010. Accordingly, this results has incorporated financial data of the Mianchi Branch Company.

## **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 2010, 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 2010, the shareholders of the Company are as follows:

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

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS**

As at 30 September 2010, 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:*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Percentage in the total issued Domestic Shares</b>	<b>Approximate percentage in the entire issued share capital of the Company</b>
Li Liu Fa ( <i>Note 1</i> )	Interest of controlled corporation	2,661,799,752	97.92%	68.11%
Tianrui Group Company Limited (天瑞集團有限公司) ("Tianrui Group")	Beneficial owner	2,661,799,752	97.92%	68.11%

*Notes:*

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. Li Liu Fa was deemed to be interested in these 2,661,799,752 Domestic Shares under Part XV of the SFO.

As at 30 September 2010, 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 2010, 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 2009, 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 2010 and which is significant in relation to the business of the Company.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

During the period ended 30 September 2010, none of the Directors was granted any option to subscribe for shares of the Company. As at 30 September 2010, 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 2010, save for the person described in the paragraph headed "Interests of substantial shareholder and other shareholders" 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 period ended 30 September 2010.

## **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 2010, 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 2010, 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 period.



### **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 2010.

### **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 third quarterly accounts for the nine months ended 30 September 2010 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 November 2010

As at the date of this announcement, 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