



Sanmenxia Tianyuan Aluminum Company Limited*

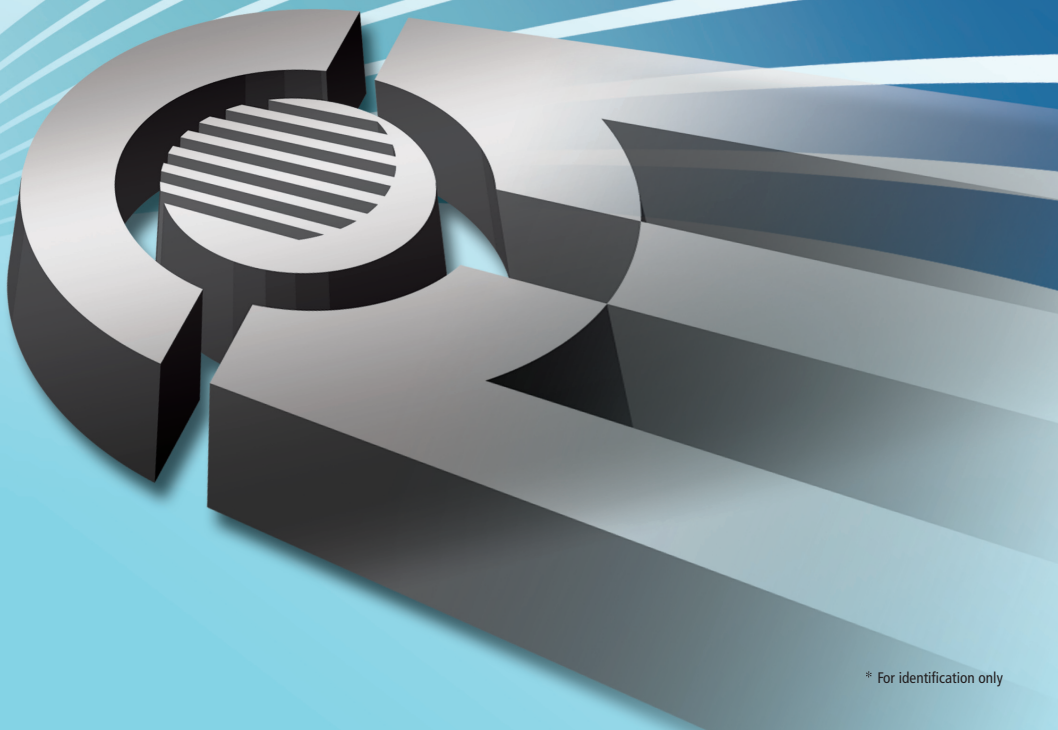
三門峽天元鋁業股份有限公司

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

Stock Code : 8253

2011

Third Quarterly Report



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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.

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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 (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.

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

	Note	Three months ended 30 September		Nine months ended 30 September	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	3	507,896	280,492	1,350,932	941,864
Cost of goods sold		(586,004)	(309,198)	(1,480,240)	(948,416)
Gross loss		(78,108)	(28,706)	(129,308)	(6,552)
Other revenue	3	435,859	62,982	1,286,795	88,305
Expenses related to other revenue		(440,634)	(64,253)	(1,288,831)	(86,567)
Other revenue, net		(4,775)	(1,271)	(2,036)	1,738
Selling and distribution expenses	5	(2,581)	(2,645)	(10,728)	(12,708)
General and administrative expenses		(20,062)	(10,644)	(51,912)	(29,063)
Operating loss		(105,526)	(43,266)	(193,984)	(46,585)
Finance costs		(27,179)	(2,567)	(49,827)	(11,068)
Loss before income tax		(132,705)	(45,833)	(243,811)	(57,653)
Income tax		—	—	—	—
Loss for the period		(132,705)	(45,833)	(243,811)	(57,653)
Other recognised income and expense for the period, net of tax		—	—	—	—
Total recognised income and expense for the period		(132,705)	(45,833)	(243,811)	(57,653)
Dividend		—	—	—	—
Loss per Share		RMB(3.4) cents	RMB(1.17) cents	RMB(6.24) cents	RMB(1.48) cents

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 2011	390,834	60,653	33,966	(220,365)	265,088
Loss for the period	—	—	—	(243,811)	(243,811)
At 30 September 2011	<u>390,834</u>	<u>60,653</u>	<u>33,966</u>	<u>(464,176)</u>	<u>21,277</u>
At 1 January 2010	390,834	60,653	33,966	21,052	506,505
Loss for the period	—	—	—	(57,653)	(57,653)
At 30 September 2010	<u>390,834</u>	<u>60,653</u>	<u>33,966</u>	<u>(36,601)</u>	<u>448,852</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 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 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 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 September		Nine months ended 30 September	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover				
Sales of goods, net of value-added tax	<u>507,896</u>	<u>280,492</u>	<u>1,350,932</u>	<u>941,864</u>
Other revenue				
Sales of aluminum re-smelt ingots purchased from third party suppliers	<u>305,536</u>	<u>—</u>	<u>931,692</u>	<u>—</u>
Sales of scrap and other materials	<u>126,038</u>	<u>61,101</u>	<u>340,151</u>	<u>83,207</u>
Supply of water and electricity	<u>1,473</u>	<u>177</u>	<u>4,044</u>	<u>394</u>
	<u>433,047</u>	<u>61,278</u>	<u>1,275,887</u>	<u>83,601</u>
Interest income	<u>2,322</u>	<u>1,704</u>	<u>7,511</u>	<u>4,704</u>
Government subsidy	<u>490</u>	<u>—</u>	<u>3,397</u>	<u>—</u>
Total other revenue	<u>435,859</u>	<u>62,982</u>	<u>1,286,795</u>	<u>88,305</u>
Total revenue	<u><u>943,755</u></u>	<u><u>343,474</u></u>	<u><u>2,637,727</u></u>	<u><u>1,030,169</u></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 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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
– The PRC	<u>507,896</u>	<u>280,492</u>	<u>1,350,932</u>	<u>941,864</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 2010 and 2011.

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

	Unaudited			
	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
PRC enterprise income tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

5. Loss per share

Basic loss per share for the three months and nine months ended 30 September 2011 are based on the unaudited loss attributable to shareholders of RMB132,705,000 and loss of RMB243,811,000 respectively (2010: loss of RMB45,833,000 and loss of RMB57,653,000 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.

DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2011 (2010: Nil).

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

Business Review

Turnover for the nine months ended 30 September 2011 recorded RMB1,350,932,000, representing an increase of RMB409,068,000 or 43.43% against that of the corresponding period of the previous year. For the period from July to September of 2011, turnover reached RMB507,896,000, representing an increase of RMB227,404,000 or 81.07% against that of the corresponding period of the previous year. The increase in turnover for the periods from January 2011 to September 2011 and from July 2011 to September 2011 were mainly due to increase in sales volume and market price of aluminum ingots.

For the period from January to September 2011, sales volume of aluminum ingots and processing aluminum ingots reached 101,970 tonnes, representing an increase of 29,003 tonnes or 39.75% against that of the corresponding period of 72,967 tonnes in 2010.

For the period from January to September 2011, the sales volume of aluminum ingots reached 81,856 representing an increase of 10,975 tonnes or 15.48%, against that of the corresponding period of 70,881 tonnes in 2010, and the sales volume of processing aluminum ingots reached 20,114 tonnes, representing an increased of 18,028 tonnes or 864.43%, against that of the corresponding period of 2,086 tonnes in 2010.

For the period from July to September of 2011, the sales volume of aluminum ingots and processing aluminum ingots reached 36,408 tonnes, representing an increase of 13,423 tonnes or 58.40% against that of the corresponding period of the previous year.

For the period from January to September of 2011, production volume of aluminum ingots and processing aluminum ingots reached 102,914 tonnes, representing an increase of 31,028 tonnes or 43.16% against that of the corresponding period in 2010.

For the period from January to September 2011, the production volume of aluminum ingots reached 82,800 tonnes, representing an increase of 13,000 tonnes or 18.62% against that of the corresponding period of 69,800 tonnes in 2010, and the production volume of processing aluminum ingots reached 20,114 tonnes, representing an increase of 18,028 tonnes against that of the corresponding period of 2,086 tonnes in 2010.

For the period from July to September of 2011, the production volume of aluminum ingots reached 35,564 tonnes, representing an increase of 13,196 tonnes or 59.00% against that of the corresponding period of the previous year.

Financial Review

For the nine months ended 30 September 2011:

The Company recorded turnover of approximately RMB1,350,932,000 for the nine months ended 30 September 2011, a RMB409,068,000 or 43.43% increase from approximately RMB941,864,000 for the same period of the previous year. The increase in turnover was mainly attributable to the increase in sales volume and markets prices of aluminum ingots.

Of the total turnover amount, RMB1,175,141,000 or 86.99% was generated from sales of aluminum re-smelt ingots in the PRC, and RMB175,791,000 or 13.01% was generated from sales of processing aluminum ingots in the PRC.

For the nine months ended 30 September 2011, the cost of goods sold was RMB1,480,240,000 representing an increase of RMB531,824,000 or 56.07% against RMB948,416,000 for the corresponding period in 2010.

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 2011 was approximately RMB129,308,000, representing a gross loss margin of approximately 9.57%, against the gross loss margin of about 0.70% for the nine months ended 30 September 2010. The increase in gross loss margin was mainly due to the increase in the price of raw material and electricity which are higher than the increase in selling price of aluminum ingots.

Other revenue of the Company for the nine months ended 30 September 2011 amounted to RMB1,286,795,000, of which approximately RMB931,692,000 from sale of aluminum ingots purchased from third party suppliers, and approximately RMB250,564,000 was derived from sale of raw material alumina, and approximately RMB89,587,000 was derived from sale of scrap and other materials, approximately RMB4,044,000 from supply of water and electricity to independent third parties, approximately RMB7,511,000 from interest income, approximately RMB3,397,000 from government subsidy. This represented an increase of RMB1,198,490,000 or 13.57 times against RMB88,305,000 for the nine months ended 30 September 2010. The increase was mainly due to the increase in sales of aluminum ingots which bought from third parties suppliers by RMB931,692,000 and sales of alumina and other materials, which contributed to the increase by RMB240,474,000.

The other revenue comprised mainly the sales of aluminum ingots purchased from third party suppliers, alumina, and other raw and scrap materials.

During the nine months ended 30 September 2011, the costs of production increased significantly as a result of increase in the price of electricity, but the price of aluminum ingots was not increased at the same level. With a view to minimize losses, the Company sold the raw materials and purchased aluminum ingots from suppliers in the vicinity of its customers to fulfill its obligations under the aluminum ingots sale agreements.

The revenue from the purchase and sale of aluminum ingots was recognized as sales of scrap and other materials to differentiate revenue from sale of aluminum ingots produced by the Company.

Expenses related to other revenue of the Company for the nine months ended 30 September 2011 amounted to RMB1,288,831,000 including the expenses of RMB944,563,000 from the sales of aluminum ingots purchase from third parties suppliers, the expenses of RMB340,366,000 derived from the sale of scrap and other material and RMB3,902,000 derived from supply of water and electricity to independent third parties. Which represented an increase of approximately RMB1,202,264,000 or 13.89 times against the approximate amount of RMB86,567,000 for the nine months ended 30 September 2010. The increase was mainly due to the increase in sales of aluminum ingots which purchase from third parties suppliers by RMB944,563,000 and sales volume of alumina and other materials by RMB240,081,000.

The selling and distribution expenses of the Company amounted to approximately RMB10,728,000 or 0.79% of the turnover for the nine months ended 30 September 2011, as compared to about RMB12,708,000 or 1.35% of the turnover for the same period of the previous year. Such decrease were due to the decrease in transportation cost by RMB1,853,000.

For the nine months ended 30 September 2011, general and administration expenses were approximately RMB51,912,000, representing an increase of approximately RMB22,849,000 or 78.62% against RMB29,063,000 for the same period 2010. This increase was mainly due to the increase in bank charges by RMB7,889,000, salaries by RMB5,047,000 and tax by RMB3,224,000.

For the nine months ended 30 September 2011, the finance costs amounted to RMB49,827,000, representing an increase of RMB38,759,000 or 350.19% from RMB11,068,000 for the corresponding period of 2010. The increase in the finance cost was mainly due to the increase in the average loan balances of bank and loan interest rate against the same period in 2010.

Net loss for the nine months ended 30 September 2011 was RMB243,811,000, as compared to a net loss of approximately RMB57,653,000 for the corresponding period in 2010.

For the three months ended 30 September 2011:

The Company recorded a turnover of approximately RMB507,896,000 for the three months ended 30 September 2011, representing a RMB227,404,000 or 81.07% increase from approximately RMB280,492,000 for the same period in the previous year. The increase in turnover was mainly due to the increase in sales volume and market prices of the aluminum ingots.

Of the total turnover amount, RMB451,338,000 or 88.86% was generated from the sales of aluminum re-smelt ingots in the PRC and RMB56,558,000 or 11.14% was generated from the sales of processing aluminum ingots.

The Company's gross loss for the three months ended 30 September 2011 was approximately RMB78,108,000. The gross loss was 15.38%. For the three months ended 30 September 2010, the gross loss margin was 10.23%. The increase in the loss margin was mainly due to the increase of the price of raw material and cost of electricity which are higher than the increase in selling price of aluminum ingots.

Other revenue of the Company for the three months ended 30 September 2011 amounted to RMB435,859,000, which comprised approximately RMB305,536,000 from sale of aluminum ingots which purchase from third parties suppliers, approximately RMB72,489,000 from sale of raw materials-alumina, approximately RMB53,549,000 from sale of scrap and other materials, approximately RMB1,473,000 from supply of water and electricity to independent third parties, interest income of approximately RMB2,322,000 and approximately RMB490,000 from government subsidy. This represented an increase of 592.04% or RMB372,877,000 when compared to RMB62,982,000 for the three months ended 30 September 2010. The increase were mainly due to the increase in sale of aluminum ingots which purchase from third parties suppliers by RMB305,536,000 and sales volume of alumina and other materials amounted to RMB61,443,000.

Expenses related to other revenue for the three months ended 30 September 2011 amounted to RMB440,634,000, representing an increase of RMB376,381,000 or 585.78% against RMB64,253,000 of the corresponding period in 2010. The increase is mainly due to increase sales of aluminum ingots which purchase from third parties suppliers by RMB309,811,000 and in the sales volume of alumina and other materials by RMB61,302,000 during the period.

The selling and distribution expenses of the Company amounted to about RMB2,581,000 or 0.51% of the turnover for the three months ended 30 September 2011, representing a decrease of approximately RMB64,000 when compared to about RMB2,645,000 of the turnover for the three months ended 30 September 2010. The decrease was mainly due to the decrease in transportation cost by RMB268,000.

The general and administrative expenses were approximately RMB20,062,000 of the turnover for the three months ended 30 September 2011, representing an increase of approximately RMB9,418,000 or 88.48% from about RMB10,644,000 for the three months ended 30 September 2010. The increase in general and administrative expenses was mainly due to the increase in bank charges by RMB4,135,000, salaries by RMB613,000 and tax by RMB1,094,000.

For the three months ended 30 September 2011, finance costs amounted to approximately RMB27,179,000, representing a increase of RMB24,612,000 or 10 times from approximately RMB2,567,000 for the same period in 2010. The increase in finance cost was mainly due to increase in the average bank loan balances and loan interest rate.

The net loss for the three months ended 30 September 2011 was approximately RMB132,705,000, as compared to a net loss of approximately RMB45,833,000 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 September 2011.

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 2011, 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 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 September 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	Approximate 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%

Notes:

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 September 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 September 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 September 2011 and which is significant in relation to the business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the period ended 30 September 2011, none of the Directors was granted any option to subscribe for shares of the Company. As at 30 September 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 September 2011, 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 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 September 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 September 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 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 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 third quarterly accounts for the nine months ended 30 September 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 November 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