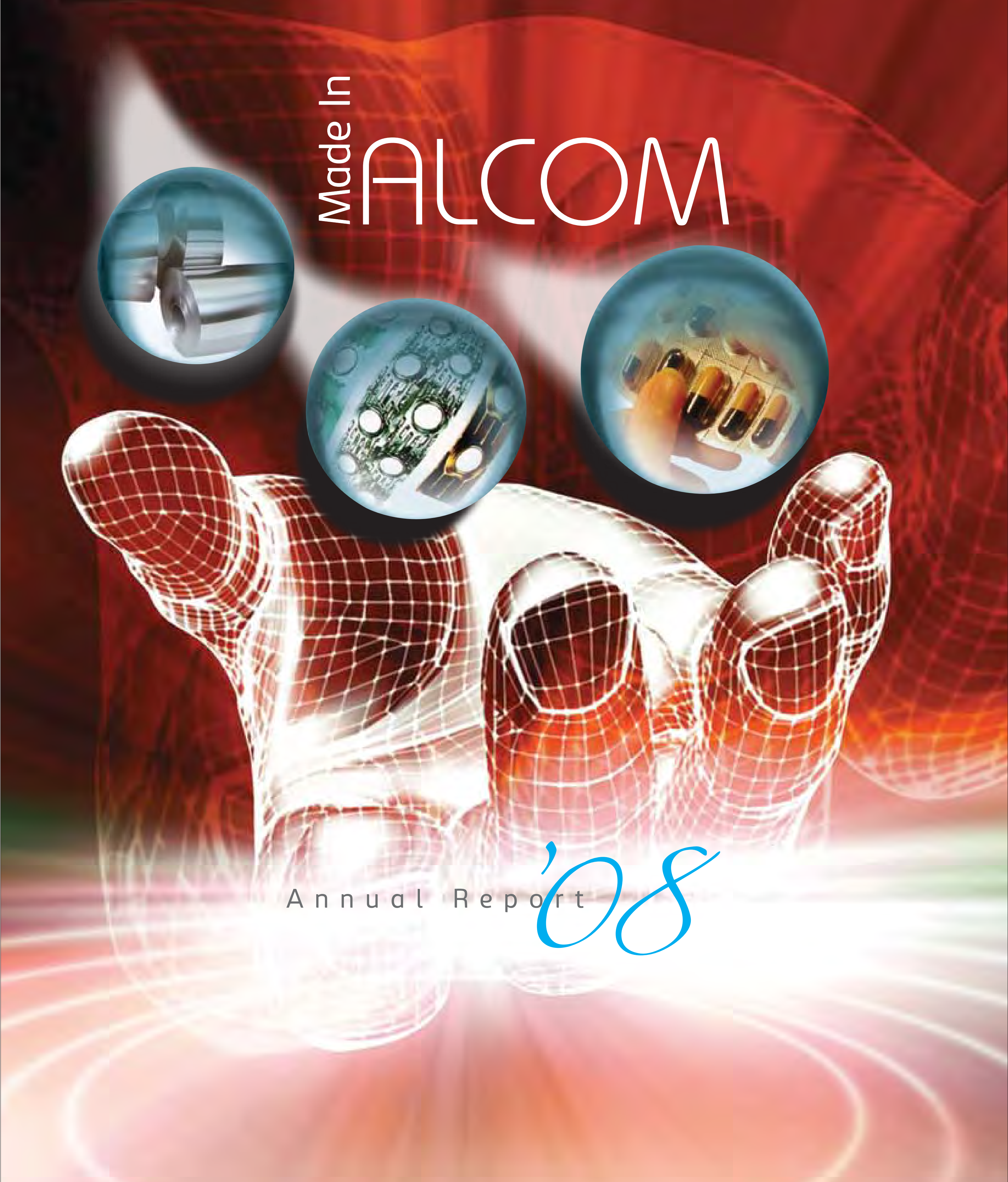
www.alcom.com.my



# Made In ALCOM

Annual Report '08

alcom

**ALUMINIUM COMPANY OF MALAYSIA BERHAD** (3859-U)

# Contents




**COVER RATIONALE**

"Made In Alcom" is a tribute to our employees and their passion for:

- delivering quality in everything we do
- winning customer trust each and every day
- building a legacy we are truly proud of

Our future lies in our hands, not only in respect of craftsmanship but also the ability to leverage knowledge and technology as we work together with our customers to shape products and solutions for tomorrow.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of Aluminium Company of Malaysia Berhad will be held at the Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 August 2008 at 11.45 a.m. for the following purposes:-**

1. To receive the audited financial statements for the period ended 31 March 2008 and the reports of the directors and auditors thereon. **Resolution 1**

2. To re-elect Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar who retires in accordance with Article 92(A) of the Articles of Association of the Company. **Resolution 2**

3. To re-elect Mr. Tan See Ping who retires in accordance with Article 92(A) of the Articles of Association of the Company. **Resolution 3**

4. To approve directors' fees. **Resolution 4**

5. To re-appoint Messrs PricewaterhouseCoopers as auditors and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors. **Resolution 5**

6. **As Special Business**

   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

   "That subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from the relevant governmental and/or regulatory authorities where such approvals shall be necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, from time to time to issue and allot ordinary shares from the unissued capital of the Company upon such terms and conditions and at such time as may be determined by the Directors of the Company to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this Resolution in any one financial year shall not exceed 10% of the issued capital for the time being of the Company AND THAT the Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

7. **As Special Business**

   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

   "That, subject always to the Companies Act, 1965 ("CA"), the Memorandum and Articles of Association of the Company and all applicable laws, regulations and guidelines and the approvals of all relevant authorities, approval be and is hereby given to the Company to purchase such amount of ordinary shares of RM1.00 each in the Company ("shares") as may be determined by the Board of Directors of the Company ("Board") from time to time through the Bursa Malaysia Securities Berhad ("BMSB") upon such terms and conditions as the Board may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed 10% of the total issued and paid-up share capital of the Company at any given point in time and that an amount not exceeding the retained profits and/or share premium accounts of the Company be allocated by the Company for the proposed purchase. The audited retained profits and share premium accounts of the Company as at 31 March 2008 are RM63,087,118 and RM4,113,085 respectively.

   AND THAT at the discretion of the Board, the shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and distributed as dividends or resold on the market of the BMSB, where an appropriate announcement will be made to the relevant authorities once the intentions of the Board is known.

# Notice of Annual General Meeting (Cont'd)

AND THAT such authority from the shareholders would be effective immediately upon the passing of this resolution and would continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the Forty-Seventh AGM at which such resolution was passed, at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT authority be and is hereby given to the Board to take all such steps as are necessary (including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act 1991) and to enter into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, re-valuations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time." **Resolution 7**

8. **As Special Business**

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution:

"That, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the category of recurrent transactions of revenue or trading nature with those related parties as set out in Section 2.2 and 2.4 of the Circular dated 4 August 2008 subject further to the following:-

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders of the Company;

(ii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year; amongst others based on the type of the recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationships with the Company and its subsidiaries and that such approval shall, continue to be in force until:-

  (a) the conclusion of the next AGM of the Company following the Forty-Seventh AGM at which such mandate was passed, at which time it shall lapse, unless by a resolution passed at the meeting, the authority is renewed;

  (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or

  (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever occurs first.

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution." **Resolution 8**

# Notice of Annual General Meeting (Cont'd)

9. **As Special Business**

   To consider and, if thought fit, to pass the following resolution as Special Resolution:

   "That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in the Appendix A of the Circular to Shareholders attached with the Annual Report for the financial period ended 31 March 2008 be and are hereby approved." **Resolution 9**

10. To transact any other business of which due notice shall have been given.

By Order of the Board

**ROGER YUE SAU YIN** (MIA 1108)
**ENG SOO FUNN** (F) (MACS 00044)
Secretaries
Bukit Raja, Klang

Date: 4 August 2008

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**Note:**

A member entitled to attend and vote at the meeting of the Company is entitled to appoint another person or persons as his proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 3, Persiaran Waja, Bukit Raja Industrial Estate, 41050 Klang, Selangor Darul Ehsan, not less than 48 hours before the time set for the meeting.

**Explanatory Notes on Special Business:**

**Resolution 6**
If passed, will empower the Directors of the Company to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

**Resolution 7**
If passed, will empower the Directors of the Company to purchase on the Bursa Malaysia Securities Berhad up to 10% of the issued and paid up ordinary shares of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

**Resolution 8**
If passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of revenue or trading nature which are necessary for its day to day operation. The recurrent related party transactions are in the ordinary course of business and which are on terms not more favourable to the related party than those generally available to the public. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 4 August 2008 with regard to Ordinary Resolution 8.

**Resolution 9**
If passed, will bring the Articles of Association of the Company to be in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad and will enhance administrative efficiency as well as render clarity and consistency throughout.

# Statement Accompanying Notice of Annual General Meeting

## Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Details of Directors seeking re-election or re-appointment as mentioned in the Notice of Annual General Meeting are set out in their respective profiles which appear in the Directors' Profile on pages 22 to 23 of this annual report. Directors' interests in the securities of the Company are disclosed on page 38 of this annual report.

# Corporate Governance

The Board of Directors of ALCOM is committed to rigorous corporate governance practices, which are essential to the Group's success and to enhancing shareholder value.

The Group is subject to a variety of corporate governance and disclosure requirements. Our corporate governance practices are designed to comply with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance ("Code"), the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"), and other applicable regulatory requirements.

The ALCOM Board along with all employees is also governed by a Code of Conduct – a company commitment to achieving the highest standards of business conduct. A critical component of our basic Company values, the Code of Conduct sets out the required tone of behaviour as a sustainable business and fosters a desirable corporate culture.

The Board regularly reviews corporate governance practices in light of developing requirements in this field. As new provisions come into effect, our board of directors will reassess our corporate governance practices and implement changes as and when appropriate.

Set out below is a statement which outlines the application of the Principles of the Code and compliance with the Best Practices as set out in Corporate Governance Practices for the financial period ended 31 March 2008.

## BOARD OF DIRECTORS

### The Board

The Board has the responsibility for stewardship of ALCOM Group, including the responsibility to ensure that the company is being properly managed in the interest of our shareholder as a whole, while taking into account the interests of other stakeholders. The Board supervises the management of the business and affairs and discharges its duties and obligations by reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and statutory requirements.

All directors are from diverse professional backgrounds with wide range of relevant business and financial experience to bring about independent judgment on issues of strategy, performance, resources and risks affecting the Group. A brief description on the background as well as profiles of each director is set out on pages 22 to 24 of the Annual Report.

### Board Meetings

The Board would meets at least four (4) times a year. It meets within two (2) months from the end of each quarter, when the Groups' financial statements and results are deliberated and considered prior to releasing them to Bursa Malaysia Securities Berhad ("BMSB"). Additional meetings are convened as and when deemed necessary. The Managing Director and Chief Financial Officer present reports on Group performance comprehensive enough to enable the Board members to discharge their responsibilities.

During the financial period ended 31 March 2008, five (5) Board meetings were held.

# Corporate Governance (Cont'd)

## BOARD OF DIRECTORS (Cont'd)

### Board Meetings (Cont'd)

Details of attendance of the directors at Board meetings held in the financial period ended 31 March 2008 are as follows:

| Name of Director | Date of Appointment | No of Meetings Attended* | Percentage of Attendance (%) |
|---|---|---|---|
| Y. A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar | 27 July 1987 | 5/5 | 100 |
| Dato' Kok Wee Kiat | 1 January 1996 | 5/5 | 100 |
| Mr. Tan See Ping | 1 June 2004 | 5/5 | 100 |
| Y.M. Tengku Yunus Kamaruddin | 27 December 2001 | 4/5 | 80 |
| Mr. John Charles Morrison # | 26 February 2002 | 1/1 | 100 |
| Mr. Bernard Sanders # | 29 August 2005 | 1/1 | 100 |
| Mr. Thomas L.Walpole ## ### | 26 February 2007 | 0/2 | 0 |
| Mr. Keith Vincent Sodan ## | 26 February 2007 | 3/4 | 75 |

Note:
* Number of meetings attended/numbers of meetings held while in office
# Resigned on 26 February 2007
## Appointed on 26 February 2007
### Resigned on 27 November 2007

### Board Responsibilities

There is a clear and distinct division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

The Chairman is responsible for the smooth running of the Board and encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings. Decisions reached at meeting reflect the consensus of the whole Board and not the views of any individual or group.

The Managing Director is primarily responsible for the day-to-day operations of the Group, which includes implementation of policies, and strategies adopted by the Board. The Managing Director is under the control of the Board and is responsible for communicating matters relating to the Group's business to the Board. The Managing Director's knowledge of the Group's business and affairs contributes significantly towards the attainment of the Group's goals and objectives.

Committees are formed to assist in the effective functioning of the Board. The Board delegates specific responsibilities to three (3) Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, which operate within clearly defined terms of reference. All these Committees are mainly lead by Independent Non-executive Directors of the Board. Management and third parties are co-opted to such committees as and when required. In addition, special committee like ESOS committee is formed for specific purposes as and when required. Reports of proceedings and outcome of the various committee meetings are submitted to the Board.

# Corporate Governance (Cont'd)

## BOARD OF DIRECTORS (Cont'd)

### Board Balance

ALCOM's Board currently has five (5) members comprising one independent non-executive Chairman, two independent non-executive directors, one non-independent non-executive directors and one non-independent executive director. The Chairman has never held any prior executive position in the Group. The Directors bring to the Board a wide range of skills and experience in fields such as commerce, law, finance as well as knowledge of the aluminium business.

The Code stipulates that at least one-third of its Board members must be made up of independent non-executive directors. ALCOM's Board balance is achieved with the presence of three (3) independent non-executive directors. They ensure that plans and strategies proposed by the management are fully discussed and examined, taking into account the long-term interests of all stakeholders of the Group (shareholders, employees, customers, suppliers, and the local community in which the Group conducts business).

Whilst the Group has a large corporate shareholder, the interests of minority shareholders are fairly represented by its independent non-executive directors.

Shareholder and other interested parties may communicate or direct its concerns to the attention of Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar, who is both the Chairman of the Board as well as the Senior Independent Non-Executive Director.

### Supply of Information

Prior to board meetings, all directors receive the agenda and full set of Board papers containing information relevant to the business of the meeting. Reports include key performance indicators; operational profitability and performance review statements, human resource developments, environment, occupational health and safety, business plans, as well as proposed announcements and releases comprising quarterly and year-end financial results to the Bursa Malaysia Securities Berhad ("BMSB"). The board papers are issued to each director at least five (5) working days in advance.

Board members may obtain independent professional advice, in the furtherance of their duties at the Group's expense.

All directors also have direct access to the advice and services of the company secretary, who is responsible for ensuring that the Board meeting procedures, applicable rules and statutory regulations are adhered to.

### Nomination Committee

The Nomination Committee is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill in Board vacancies as they occur. The Nomination Committee comprises the following directors:

| | |
|---|---|
| Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar, Chairman | Independent Non-Executive Director |
| Dato' Kok Wee Kiat | Independent Non-Executive Director |
| Mr. Bernard Sanders *(Resigned on 26 February 2007)* | Non-Independent Non-Executive Director |
| Mr. Keith Vincent Sodan *(Appointed on 26 February 2007)* | Non-Independent Non-Executive Director |

The Nomination Committee is empowered by the Board to deliberate and to present recommendations on appointments of new directors. The Committee also assesses and evaluates the effectiveness of the Board as a whole, the respective board committees and contribution of each individual director.

The company secretary who is also the secretary to the Nomination Committee ensures that all the necessary information is obtained, and all legal and regulatory obligations are met.

# Corporate Governance (Cont'd)

## BOARD OF DIRECTORS (Cont'd)

**Nomination Committee (Cont'd)**

Meetings of both the Nomination and Remuneration Committee are held on ad-hoc basis, at least once a year. During the financial period ended 31 March 2008, the Nomination Committees met once on 26 February 2007. At this meeting, the Nomination Committee reviewed the board structure, size and composition; effectiveness of the Board, the various Board Committees and the contribution of each board member. The Committee recommended after deliberation the nomination of Mr. Thomas L Walpole and Mr. Keith Vincent Sodan as new Directors, to replace Messrs John Charles Morrison and Bernard Sanders respectively. The same Committee also nominated Mr. Keith Vincent Sodan as a member of the Nomination Committee and a member of the Remuneration Committee

Details on attendance of the members of the Nomination Committee were as follows:-

| Name of Nomination Committee Member | No. of meeting attended while in office |
|---|---|
| Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar | 1 / 1 |
| Dato' Kok Wee Kiat | 1 / 1 |
| Mr. Bernard Sanders *(Resigned on 26 February 2007)* | 1 / 1 |
| Mr. Keith Vincent Sodan *(Appointed on 26 February 2007)* | 0 / 0 |

**Remuneration Committee**

The Remuneration Committee comprises the following members:-

| | |
|---|---|
| Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar, Chairman | Independent Non-Executive Director |
| Dato' Kok Wee Kiat | Independent Non-Executive Director |
| Mr. Bernard Sanders *(Resigned on 26 February 2007)* | Non-Independent Non-Executive Director |
| Mr. Keith Vincent Sodan *(Appointed on 26 February 2007)* | Non-Independent Non-Executive Director |

During the financial period ended 31 March 2008, two (2) meetings were held on 26 February 2007 and 26 February 2008; and details on attendance of the members of the Remuneration Committee were as follows:-

| Name of Remuneration Committee | No. of meetings attended while in office |
|---|---|
| Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar | 2 / 2 |
| Dato' Kok Wee Kiat | 2 / 2 |
| Mr. Bernard Sanders *(Resigned on 26 February 2007)* | 1 / 1 |
| Mr. Keith Vincent Sodan *(Appointed on 26 February 2007)* | 1 / 1 |

**ESOS Committee**

The ESOS committee administers the employees' share option scheme of the Group. This committee has been given the authority by the Board to set out the policies and to implement the scheme in accordance with the provisions of the ESOS by-laws. Currently the composition of the committee is as follows:-

i. Dato' Kok Wee Kiat (independent non-executive director) - Chairman
ii. Mr. Tan See Ping (Managing Director)
iii. Mr. Krishna Prasad a/l Balakrishnan Nair (Chief Financial Officer)

The ESOS committee did not have any meeting during the financial period ended 31 March 2008.

## BOARD OF DIRECTORS (Cont'd)

**Directors' training**

All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM); an affiliate company of the Bursa Malaysia.

The Directors have during the financial period ended 31 March 2008, attended the following programmes:

| Name of Directors | Particulars of Training Attended |
|---|---|
| Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar<br>Mr. Tan See Ping<br>Dato' Kok Wee Kiat<br>Y.M. Tengku Yunus Kamaruddin<br>Mr. Keith Vincent Sodan | Blue Ocean Leadership<br>(28 May 2007) |
| Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar | Globalisation & Winning with Blue Ocean Strategy<br>(23-24 November 2007) |
| Y.M. Tengku Yunus Kamaruddin | The Strata Titles (Amendment) Act, 2007 and the Building & Common Property (Maintenance & Management) Act, 2007<br>(21 June2007)<br><br>Housing Development (Control & Licensing) (Amendment) Act, 2007 (Act A1289)<br>(21 June 2007) |

**Re-election**

In accordance with the Company's Article of Association, all directors appointed by the Board are subject to election by the shareholders at the first opportunity after their respective dates of appointments. The Articles also provide for at least one third of the remaining Board members to be re-elected by rotation at each Annual General Meeting (AGM).

## DIRECTORS' REMUNERATION

As recommended by the code, ALCOM has sought to ensure that the directors' remuneration is attractive enough to retain Directors of the calibre necessary to run the Group successfully.  The component parts of the remuneration include:-

**Basic Salary**

The basic salary (inclusive of statutory employer contributions to the Employees Provident Fund) for the Executive Directors takes into account the performance of the individual as well as the prevailing market salary rate for similar jobs in a selected group of comparable companies.

# Corporate Governance (Cont'd)

## DIRECTORS' REMUNERATION (Cont'd)

### Fees

The Board proposes the fees payable to non-executive Directors after considering comparable organisations and the level of responsibilities undertaken by the Director. Attendance allowances for Board meetings and Board Committees meetings were paid to Non-Executive Directors.

### Bonus Scheme

The Group operates a bonus scheme for all employees including Executive Directors. The performances of the Group along with an assessment of the individual's performance form the criteria for the scheme.

### Benefits-in-Kind

Company cars, petrol expenses, driver, hand-phone, club memberships and medical reimbursement were made available as benefits-in-kind to the Executive Directors as appropriate.

### Pension Arrangements

Contributions to the Employees Provident Fund are made at 3% above the mandatory defined contribution rate for all Group employees including the Executive Directors.

### Directors' Share Options

The movement in Directors share options during the year is set out on pages 38 to 39 of the Directors' Report and Financial Statements.

### Directors' Remuneration

Remuneration paid or payable or otherwise made available to all the directors of the Company and Group who have served during the financial period ended 31 March 2008 is as follows:

| Category | Fees (RM'000) | Salaries & Other Emoluments ** (RM'000) | Benefits-in-Kinds* (RM'000) | Total Remuneration # (RM'000) |
|---|---|---|---|---|
| Executive | – | 985 | 52 | 1,037 |
| Non-Executive | 155 | – | – | 155 |

* *Benefits-in-kind include motor vehicle, club memberships, etc.*
** *Other emoluments include bonuses, retirement benefits and performance awards.*
\# *Total amount (including salaries, other emoluments and benefits-in-kind) paid to an executive director of a subsidiary company in the Group.*

# Corporate Governance (Cont'd)

## DIRECTORS' REMUNERATION (Cont'd)

**Directors' Remuneration (Cont'd)**

The number of directors of the Company and Group who served during the financial period and whose income from the Group falls within the following bands were as follows:-

| Non-executive Directors | Number |
|---|---|
| RM0 to RM50,000 | 5 |
| **Executive Directors** | |
| RM300,001 to RM350,000 | – |
| RM350,001 to RM400,000 | 1 |
| RM400,001 to RM450,000 | – |
| RM450,001 to RM500,000 | – |
| RM500,001 to RM550,000 | – |
| RM550,001 to RM600,000 | – |
| RM600,001 to RM650,000 | – |
| RM650,001 to RM700,000 | 1 |

Remuneration by director is not disclosed for reasons of confidentiality.

## SHAREHOLDERS

**Dialogue between Group and Investors**

The Company recognises the importance of communication with its shareholders. The Managing Director and the Chief Financial Officer hold discussions with analysts and shareholders on request. During such discussions, the Group's performance, strategic plans for the future and other major developments are explained.

However, any information that may be regarded as sensitive and material information about the Group is only to be released publicly; communicated to all its stakeholders simultaneously, usually through a press release or regulatory filing like the release of financial results to the Bursa Malaysia Securities Berhad on quarterly and annual basis.

The Company's website at www.alcom.com.my also provides easy access to corporate information pertaining to the Group and its activities.

**Annual General Meeting (AGM)**

The Board reports on the progress and performance of the Group to shareholders at each AGM. At such meetings, shareholders have the opportunity to raise questions to the directors present at the meeting. Notice of the AGM and related papers thereto are sent to the shareholders at least 21 days before the meeting to facilitate easy review by the shareholders.

It is customary for Board to hold a press conference immediately after the AGM to brief the media on key Company highlights.

# Corporate Governance (Cont'd)

## SHAREHOLDERS (Cont'd)

### Annual General Meeting (AGM) (Cont'd)

In respect of items of special business, the notice of meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

While it endeavours to keep all its shareholders as much informed as is possible, the Group as mentioned earlier, has always abided by the legal and regulatory framework governing the release of materials and price-sensitive information.

## ACCOUNTABILITY AND AUDIT

### Audit Committee

The Audit Committee of the Board comprises mainly three (3) Independent Non-Executive Directors. The composition of the Audit Committee as well as a report on the Committee's activities during 2007/2008 can be found on pages 17 and 18.

### Financial Reporting

The Board aims to present a balanced, full and meaningful assessment of the Group's financial position and prospects when presenting the annual financial statements, quarterly announcements, the Chairman's statement and Reviews of Operations in the annual report. The Audit Committee assists the Board in overseeing the Group's financial reporting process and the quality of its financial reporting.

### Internal Control

The Statement on Internal Control as set out in pages 15 and 16 aims to safeguard shareholders' investments and the Company's assets, for the proper maintenance of accounting records and for the reliability of the financial information used within the business and for publication. The system is also designed to provide reasonable assurance of effective operations and compliance with laws and regulations.

During the financial period ended 31 March 2008, the Group continued to provide certification on its internal control system to its parent company on quarterly basis. The Group had in the earlier year completed documentation of its internal control system in accordance with the requirements of the US Sarbanes-Oxley Act. The documentation which details the internal control system in place acts as a framework for providing the basic assurance to stakeholder on timely and accurate reporting of its financial statements as required by the Act mentioned.

The Group's internal audit team from its parent company, on an annual basis, also provides independent and objective report on the Group's management, records, accounting policies and controls in line with both the local GAAP and the US GAAP; to the Board Audit Committee. The Group's internal audit also ensures that recommendations to improve controls, if any, are followed through by Management.

### Relationship with the Auditors

An appropriate relationship is maintained with the Company's Auditor through the Audit Committee and Board of Directors. The key features and the role of the Audit Committee in relation to the external auditors are included in the Audit Committee's terms of references detailed on pages 18 to 21.

## ACCOUNTABILITY AND AUDIT (Cont'd)

### Statement of Directors' Responsibility for Preparation of the Financial Statements

As required by the Companies Act, 1965, the Directors have taken care to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of income statement and cash-flows for the period then ended. In the preparation of the financial statements for the financial period ended 31 March 2008, the directors have:

- Adopted suitable accounting policies and applied them consistently
- Made judgments and estimates on a prudent and reasonable basis
- Ensured that applicable accounting standards have been adhered to
- Ensured that the financial statements are prepared as an on going concern basis

The directors ensure that proper accounting records are kept to disclose with reasonable accuracy at any time the financial position of the Company and Group. They are generally responsible to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## OTHER INFORMATION

### Share Buy-back

In the financial period ended 31 March 2008, a total of 1,022,200 shares were purchased at an average price of RM1.09 per share and retained as treasury shares. Inclusive of shares purchased during previous financial periods, a total of 2,069,000 shares were retained as treasury shares as at 31 March 2008.

Share Buy Back Summary for the financial period ended 31 March 2008:-

| Month | No. of shares purchased and retained as treasury shares | Lowest price paid per share (RM) | Highest price paid per share (RM) | Average Cost per share (RM) | Total Cost (RM) |
|---|---|---|---|---|---|
| February 2008 | 227,200 | 1.0830 | 1.1148 | 1.1055 | 251,178.91 |
| March 2008 | 795,000 | 1.0461 | 1.1140 | 1.0893 | 866,018.92 |
| **TOTAL** | **1,022,200** | **1.0461** | **1.1148** | **1.0929** | **1,117,197.83** |

### Options, Warrants or Convertible Securities

Under ALCOM's Employee Share Option Scheme, eligible employees accepted the first tranche options to purchase 3,845,000 shares at the option price of RM2.48 per share in year 2000. Subsequently, in July 2001 ALCOM offered a second tranche of options of 3,969,000 shares at an option price of RM1.07 per share to all eligible employees, out of which 3,523,000 options were accepted. During the financial period ended 31 March 2008, an employee exercises his option to buy 2,000 shares at RM1.07 each.

Save as disclosed above no other options, warrants or convertible securities were exercised by the Company in the financial period.

# Corporate Governance (Cont'd)

## OTHER INFORMATION (Cont'd)

**American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

**Imposition of Sanctions/Penalties**

During the financial period, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

**Non-audit Fees**

The amount of non-audit fees paid to the external auditors by the Group for the financial period amounted to RM5,000.

**Variation in Results**

As there were no profit estimate announced during the financial period, no variation in result reconciliation is applicable.

**Profit Guarantees**

There were no profit guarantees given by the Company during the financial period.

**Material Contracts**

There was no material contract on the Company and its subsidiaries during the financial period involving directors' and major shareholders' interests

**Revaluation of Landed Property**

The Company's property as at 31 March 2008 is listed on page 88. The note on revaluation of the properties is given in Note 13 to the accounts on page 64 to 68.

The Company does not have a revaluation policy on landed property.

## COMPLIANCE WITH THE CODE

The Group has taken necessary steps throughout the financial period to comply with the Best Practices of good corporate governance as set out in Part 2 of the Code. The Group will continue to review its governance principles and practices in its pursuit of achieving the highest level of transparency, accountability and integrity.

# Statement on Internal Control

For the Financial Period Ended 31 March 2008

## INTRODUCTION

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") requires the Board of Directors of listed companies to include a statement in their annual report on the state of their internal controls as a group. Set out below is the ALCOM Board's Internal Control Statement which has been prepared in accordance with the guidance provided by Bursa Malaysia Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance").

ALCOM Group's system of internal controls, financial or otherwise, is structured to provide reasonable assurance regarding the achievement of following:-

- Effectiveness and efficiency of operations including the safeguarding of the Shareholders' investments as well as the Group's resources
- Reliability and timeliness of financial reporting
- Compliance with applicable laws and regulations

## BOARD RESPONSIBILITIES

ALCOM's Board of Directors recognises the importance of maintaining sound internal controls and risk management practices to good corporate governance. The Board acknowledges its responsibility for the Group's system of internal control and there is in place, an on-going process for reviewing the adequacy and integrity of those systems in managing risks.

The Board also recognises that the internal control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance against material misstatements or loss rather than eliminate the risk of business failures.

## INTERNAL AUDIT

The Board considers the audit function to be an integral and important part of the governance process. The Internal Audit Department of the parent company carried out the internal audit function for the ALCOM Group following an approved audit plan established for each year, with priority focused on working capital and liquid assets on rotational basis. The internal audit conduct reviews on the existing systems of controls and the effectiveness of the processes which Management has in place to identify, manage and in controlling the proper conduct of business within the Group. It also provides useful advice on control assurance activities as well as opportunities for improvements to enhance existing system if not to eliminate shortcomings or deficiencies identified.

The Board Audit Committee reviews the scope of the internal audit to be carried out. The audit findings as well as any recommendations for improvement are also reported back to the same committee as well as to the full Board. ALCOM's Management is responsible for ensuring that corrective actions, if any recommended, be implemented within a defined time frame.

## KEY ELEMENTS OF THE INTERNAL CONTROL ENVIRONMENT

The current system of internal control and risk management of the Group include the following key elements:

- An effective Board which monitors the Group and Management's performance.
- An organization structure with clearly defined roles and responsibilities to achieve the Group's objectives; also providing clear segregation of duties and physical safeguards necessary to enhance internal control system.
- Setting annual plans in line with strategic direction as set out in the strategic plans.

# Statement on Internal Control (Cont'd)

For the Financial Period Ended 31 March 2008

## KEY ELEMENTS OF THE INTERNAL CONTROL ENVIRONMENT (Cont'd)

The current system of internal control and risk management of the Group include the following key elements: (Cont'd)

- Development of action plans as well as Key Performance Indicators (KPI) for the different key result areas to drive the achievement of the various plans.
- Cascading the KPIs for the different sections across the Group.
- Weekly and monthly meetings for the review and resolution of matters arising as well as to measure and monitor performance achievements.
- Performance appraisal system, which is linked to performance that is not only measurable but also bring about improvement and savings in a defined criterion.
- Structured training program for employees to maintain high competency levels.
- Clearly defined delegation of responsibilities to committees of the Board and business operating units, including authorisation for all aspects of the business within the Group.
- Regular Board Meetings to review business operations, to approve significant transactions as well as to approve releases of quarterly financial performance.
- Documentation of internal policies and procedures as set out through standard operating policies and procedures manuals. These systems/manuals such as those relating to safety, environment and insurance are the subject of regular annual review and improvement audits which helped identify gaps arising as well as ensuring compliance with regulatory requirements and standards.
- Plant visits by members of the Board on a regular basis.

## RISK MANAGEMENT

The Group has in place an on-going process of identifying, evaluating and managing the risks that the Group faced as it sought to meet its business objectives. The different internal controls hinged on the Control Structure and Environment platform which enables the ALCOM Group in the identification, analyzing, assessing, treating and monitoring of the relevant risks. This process broadly forms the framework for determining how the Groups' exposure to risks should be managed. As the economic, industrial, regulatory and operating conditions continue to change, the mechanisms needed to identify and deal with the changing risks also need to be of a dynamic nature. Accordingly risk management at ALCOM is a pro-active process which seeks to meet the challenges arising from such changes.

## CONTROL ASSURANCE OVER FINANCIAL REPORTING

As in the previous years, the Group made a representation in respect of its internal control system in line with its parent company requirements under the US Sarbanes-Oxley Act. This representation serves as a commitment of management assurance on the control system in place for financial reporting accuracy as required.

## CONCLUSION

The Board is of the opinion that the existing system of internal control is adequate to achieve the above objectives. The Board is also satisfied that, during the financial period under review, there were no significant breakdown or weakness in the system of internal controls of the ALCOM Group that would have resulted in material losses.

# Report of the Audit Committee

The Audit Committee has an oversight responsibility to assist and support the Board in discharging its fiduciary responsibilities relating to the Group's financial reporting process and internal control functions.

## MEMBERSHIP AND MEETINGS

The Audit Committee comprises of three independent non-executive directors. The Chairman of the Committee is an independent non-executive director and all members of the Committee are also members of the Board. The composition of the Audit Committee during the financial period ended 31 March 2008 is as follows:-

- Dato' Kok Wee Kiat - Independent non-executive Director, Chairman of Audit Committee
- Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar - Independent non-executive Director
- Y. M. Tengku Yunus Kamaruddin - Independent non-executive Director
- Mr. Tan See Ping - Non-Independent executive Director (#)

During the financial period ended 31 March 2008, five (5) Audit Committee meetings were held.

| No. | Name of Audit Committee Member | Total Meetings Attended* | Percentage of Attendance |
|---|---|---|---|
| 1 | Dato' Kok Wee Kiat | 5/5 | 100% |
| 2 | Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar | 5/5 | 100% |
| 3 | Y. M. Tengku Yunus Kamaruddin | 4/5 | 80% |
| 4 | Mr. Tan See Ping (#) | 4/4 | 100% |

* Number of meetings attended / number of meetings held while in office

\# Resigned on 27 November 2007

The Chief Financial Officer attended all the meetings on invitation by the Audit Committee and participated in deliberations on relevant items. Representatives from the Group's external auditors also attended the first and fourth meetings held in the year. The Board Audit Committee held their first meeting at the beginning of the year with the external auditors alone, without the executive members present.

The joint company secretaries who are also the secretaries to the Audit Committee also attended all the meetings.

### Summary of activities

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

Main issues discussed by the Audit committee during the year included the following:-

- Review of all quarterly releases/announcements to the Bursa Malaysia Securities Berhad ("BMSB") and year end financial statements prior to submission to the Board focussing on:
  1. Any changes in accounting policies and practices;
  2. Significant adjustments arising from the audit;
  3. The going concern assumption; and
  4. Compliance with accounting standards and other legal requirements.

# Report of the Audit Committee (Cont'd)

## MEMBERSHIP AND MEETINGS (Cont'd)

**Summary of activities (Cont'd)**

- Review of the audit scope and programme of the internal auditor
- Review of the internal audit report, audit recommendations and management response to these recommendations
- Review of the annual audit plan and the scope of work with external auditor
- Review of external auditors report on the financial statements with their recommendations and management's response to the recommendations
- Review of all recurrent related party transactions to ensure that they are within mandate obtained by shareholders

The final audit reports from both the internal and external auditors were forwarded directly to the Committee members for their respective attention. Key observations and opportunities for improvements identified were also presented to committee members.

**Internal Audit function**

ALCOM Group is subject to yearly audits by an internal audit team from its parent company. Internal audit performs the role of promoting an efficient and effective control environment through independent and objective internal control reviews, education and business process consultation. The areas to be covered by the audit are selected on a rotational basis, with core risk areas being subject to audit more regularly than those outside the defined core risk areas.

A risk-based approach is adopted in the planning and conduct of audits which is consistent with the Group's established risk-based framework in identifying, designing, implementing and monitoring of control systems. The Audit Committee reviews the scope of the intended audit and approves the audit plan before the actual audit takes place. The scope of the Internal Audit covers the audits of all units and operations of the Group including the various computer application systems and network of the Group.

## TERMS OF REFERENCE

**MEMBERSHIP**

The Audit Committee shall be appointed by the Board from amongst its directors and shall consist of not less than three members, all of whom must be non-executive directors, with a majority of them being independent directors in accordance with the definition in Bursa Malaysia Listing Requirement.

All members of the audit committee should be financially literate and at least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants (MIA) or have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or fulfils such other requirements as prescribed or approved by the Exchange.

The members of an audit committee shall elect a chairman from among their number who shall be an independent director.

The chairman of the audit committee should engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the company.

No alternate director can be appointed a member of the Audit Committee.

The quorum shall comprise a majority of independent directors and two members shall constitute a quorum.

## DUTIES

The duties of the Audit Committee should include the following:

a) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;

b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, audit plan, audit report, ensure co-ordination where more than one audit firm is involved and to evaluate the system of internal controls.

c) To review the quarterly and year-end financial statements of the board, focusing particularly on:

- Any changes in accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption; and
- Compliance with accounting standards and other legal requirements.

d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);

e) To review the external auditors' management letter and management's response;

f) To do the following in relation to the internal audit function:-

- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function; and
- Review any appraisal or assessment of the performance of members of the internal audit function.
- Establish an internal audit function which is independent of the activities it audits.
- Ensure its internal audit functions reports directly to the Audit Committee.

g) To consider any related party transactions that may arise within the Company or Group;

h) To consider the major findings of internal investigations and management's response;

i) To consider other topics as defined by the Board.

## AUTHORITY

The Audit committee is authorised by the Board to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

The Audit Committee is also authorised by the Board in accordance with the procedures to be determined by the Board and at the cost of the company to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity, and to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

# Report of the Audit Committee (Cont'd)

## MEETINGS AND REPORTING PROCEDURES

The Audit Committee shall hold meetings of not less than four times a year. However, at least twice a year, the Audit Committee shall meet with the external auditors without the executive members present.

The Managing Director and the Chief Financial Officer shall attend all meetings of the Audit Committee. Other board members may attend meetings upon the invitation of the audit committee. The external auditors shall be entitled to receive notices of and attend any meeting. A representative shall attend specific meetings when requested by the Audit Committee and they may request special meetings when they think necessary.

The secretary of the company shall act as Secretary of the Committee and shall circulate the minutes of the meeting of the Audit Committee to all members of the Board.

## REVISION OF THE TERMS OF REFERENCE

Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall be presented to the Board for its approval.

Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

# Board of Directors

From left to right:

**Dato' Kok Wee Kiat**
**Mr. Roger Yue Sau Yin** (Company Secretary)
**Mr. Tan See Ping** (Managing Director)
**Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar** (Chairman)
**Mr. Keith V. Sodan**
**Y.M. Tengku Yunus Kamaruddin**

# Profile of Directors

## Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar

Chairman. Age 60, Malaysian
Independent, Non-Executive Director


Appointed to the Board since 27 July 1987 and elected Chairman on 1 October 1987. Holds a LLB (Hons) degree from Nottingham University, UK in 1970. He was called to the Bar at Gray's Inn in 1971. He was Group Company Secretary of Malaysian National Corp. (PERNAS) from 1971 to 1972, Managing Director of Haw Par Malaysia from 1973 to 1976, CEO of Antah Group of Companies from 1977 to February 2001. Currently Chairman of Petra Group and Syarikat Pesaka Antah Sdn Bhd, he also serves as a Director of Jimah Energy Venture Sdn Bhd. He was appointed as Chairman of Lafarge Malayan Cement Berhad on 27 May 2003.

Apart from business commitments, he is a Director of the Institute of Strategic and International Studies, Malaysia, a member of the Court of Fellows of the Malaysian Institute of Management, and a member of the Malaysian-British Business Council. In the field of sports, he is the President of the Olympic Council of Malaysia, a member of the Board of Management of the National Sports Council of Malaysia, President of the Malaysian Cricket Association, and founding Chairman of the Foundation for Malaysian Sporting Excellence (SportExcel). He is also Patron of the World Squash Federation, an Executive Board Member of the International Cricket Council, Vice-President of the Commonwealth Games Federation and member of the International Olympic Committee.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than traffic offences, if any. Attended all five (5) Board meetings held in the financial period.

# Profile of Directors (Cont'd)


## Tan See Ping

Managing Director. Age 46, Malaysian
Non-Independent and Executive Director

Appointed to the Board on 1 June 2004. Holds a BA degree in Architectural Studies from the National University of Singapore. Held a variety of managerial positions in marketing and general management from 1985 to 1990. Joined Alcom in 1991 as Product and Market Development Manager, and was later appointed to the positions of General Manager, Fabrication and General Manager, Regional Corporate Planning and Development. From 2002-2005, he was Managing Director of Nikkei Siam Aluminium Limited in Bangkok. Upon his relocation from Nikkei Siam Aluminium Ltd to ALCOM in 2005, he was appointed Business Development Director of ALCOM until his current appointment as Managing Director of ALCOM with effect from 1 June 2006. Mr Tan is also Chairman of Aluminium Manufacturers Group of Malaysia (FMM-AMGM).

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than traffic offences, if any. Attended all five (5) Board meetings held in the financial period.

Mr Tan See Ping holds 70,000 ordinay shares and has share options to subscribe for an additional 35,000 ordinary shares in the Company.


## Dato' Kok Wee Kiat

Age 67, Malaysian
Independent and Non-Executive Director

Appointed to the Board since 1 January 1996 and is the current Chairman of the Audit Committee of ALCOM. Holds a LLB (Hons) degree from National University, Singapore and practised law from 1965 to 1986 and from 1990 to 2000. From 1986 to 1990 he held the position of Deputy Minister of Trade & Industry of Malaysia. Dato' Kok is also director in a number of non-listed companies such as Bata Malaysia Sdn Bhd, Cytec Industries Sdn Bhd, UCB Pharma Asia Pacific Sdn Bhd and The Bank of Nova Scotia Berhad. Since 2000 he has been the Chairman of the Environmental Quality Council, Malaysia. He is also Honorary President of the Business Council for Sustainable Development, Malaysia. In 2007, he was appointed the Honorary Consul of the Grand Duchy of Luxembourg in Malaysia.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than traffic offences, if any. Attended all five (5) Board meetings held in the financial period.

# Profile of Directors (Cont'd)

## Y.M. Tengku Yunus Kamaruddin

Age 67, Malaysian
Independent and Non-Executive Director


Appointed to the Board on 27 December 2001. He holds a BA Hons (Economics) degree from the University of Wales, is a Fellow member of Institute Of Chartered Accountants (England & Wales), Malaysia Institute of Certified Public Accountants and Malaysia Institute of Accountants. He was an audit partner of an international firm of accountants for 14 years until retirement. From 1985 to 1990 he was appointed by Bank Negara Malaysia to serve on the board of Bank Bumiputra Malaysia Berhad. At present he is also a director of Keck Seng (M'sia) Berhad. Appointed to the Board of UBS Securities Sdn Bhd on 14 September 2005.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than traffic offences, if any. Attended four (4) out of five Board meetings held in the financial period.

Y.M. Tengku Yunus Kamaruddin holds 114,500 ordinary shares in the Company.

## Keith V. Sodan

Age 55, American
Non-Independent and Non-Executive Director


Appointed to the Board on 26 February 2007. Holds a Bachelor of Science degree in Community Health Science from the State University College, Brockport, New York, USA. Held various management positions in the personnel services, human resources and EHS department at Alcan and Novelis group of companies. He joined Tioga Casting Facilities immediately upon graduation from 1979 to 1982 and held the position of Personnel Manager. Later, he joined Alcan Aluminum Corporation from 1982 till 2006 and held various positions as Personnel Services Administrator, Supervisor, Personnel Services, Divisional Personnel Manager, Director of Human Resources of Alcan Cable unit from 1995 to 2004, and as Director of ESH and Human Resources of Alcan Foil and Technical Products. Europe from 2004 to 2006. In 2006, he was appointed to his present position of Vice President Human Resources and EHS Novelis Asia having overall responsibility for all Human Resources, EHS and labor activities within the Asia region.

He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past ten years other than traffic offences, if any. He has attended three (3) out of four (4) Board meetings since his appointment on 26 February 2007.

# Directorate & Corporate Information

## BOARD OF DIRECTORS

Chairman
**Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar**
(Independent Non-Executive Chairman)

Managing Director
**Mr. Tan See Ping**
(Non-Independent Executive Director)

Directors
**Dato' Kok Wee Kiat**
(Independent Non-Executive Director)

**Y.M. Tengku Yunus Kamaruddin**
(Independent Non-Executive Director)

**Mr. Keith V. Sodan**
(Non-Independent Non-Executive Director)

## BOARD COMMITTEE

### AUDIT COMMITTEE

Chairman
Dato' Kok Wee Kiat

Members
Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar
Y.M. Tengku Yunus Kamaruddin

### NOMINATION COMMITTEE

Chairman
Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar

Members
Dato' Kok Wee Kiat
Mr. Keith V. Sodan
(Appointed w.e.f. 26 February 2007)

### REMUNERATION COMMITTEE

Chairman
Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar

Members
Dato' Kok Wee Kiat
Mr. Keith V. Sodan
(Appointed w.e.f. 26 February 2007)

## JOINT SECRETARIES

Mr. Roger Yue Sau Yin (MIA 1108)
Ms. Eng Soo Funn (MACS 00044)

## REGISTERED OFFICE

No. 3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
Selangor Darul Ehsan
Telephone : 03-3346 6262
Telefax : 03-3341 2793

## REGISTRARS

Symphony Share Registrars
Sdn Bhd (378993-D)
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Telephone : 03-2721 2222
Telefax : 03-2721 2530/31

## AUDITORS

PricewaterhouseCoopers,
Kuala Lumpur (AF: 1146)

## PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
Citibank Berhad (297089-M)

## SOLICITORS

Skrine

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Board

## WEBSITE

www.alcom.com.my

# Group Information

## HEAD OFFICE

No. 3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
P.O. Box 233, 41720 Klang
Selangor Darul Ehsan
Telephone : 03-3346 6262
Telefax : 03-3341 2793

## MANUFACTURING PLANTS

**Aluminium Company Of Malaysia Berhad** (3859-U)
**- Sheet & Foil**
No.3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
P.O. Box 233
41720 Klang
Selangor Darul Ehsan
Telephone : 03-3346 6262
Telefax : 03-3341 2793

**Alcom Nikkei Specialty Coatings Sdn Bhd** (203469-H)
**- Coated Finstock**
No.3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
P.O. Box 79
41700 Klang
Selangor Darul Ehsan
Telephone : 03-3342 2234
Telefax : 03-3342 2203

## PRODUCTS MANUFACTURED

- **Aluminium Sheet Products**
  Treadplate, Flat Sheet, Coiled Sheet, Painted Coils, Cladding Sheet

- **Aluminium Building Sheet Products**
  'PAYUNG' - Corrugated Sheet '7P', 'Alrib', 'Comspan', Stucco-Embossed and Painted Finish Ribbed Sheet

- **Aluminium Foil Products**
  Finstock (Bare & Coated), Cable Foil, Diaphragm Foil (Lacquered), Plain Foil, Converter Foil (Insulation Foil, Flexi-pack, Cigarette Foil)

- **Trade Names**
  PAYUNG - Corrugated Sheet
  COMSPAN - Industrial Building Sheet

## WEBSITE:

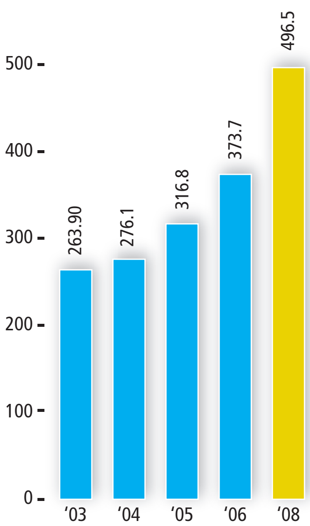
ALCOM Group : www.alcom.com.my
Parent Company : www.novelis.com

# Five-Year Summary

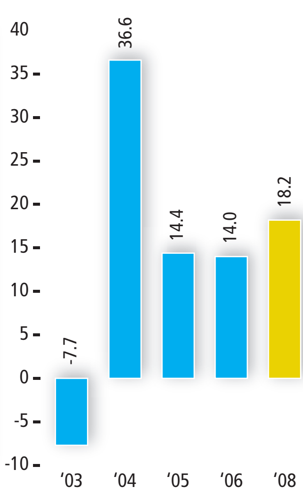
## GROUP FINANCIAL HIGHLIGHTS

| | 2003 | 2004 | 2005 | 2006 | 15 months Period Ended 31.3.2008 |
|---|---|---|---|---|---|
| **Revenue and Earnings** (RM million) | | | | | |
| Revenue | 263.9 | 276.1 | 316.8 | 373.7 | **496.5** |
| Profit/(Loss) from ordinary activities before tax | (4.5) | 43.6 | 22.1 | 17.5 | **24.5** |
| Provision for taxation | | | | | |
| - Current | (1.5) | (5.5) | (5.5) | (5.7) | **(8.1)** |
| - Deferred | (0.5) | 1.5 | 1.2 | 2.2 | **1.8** |
| Net profit/(loss) attributable to shareholders | (7.7) | 36.6 | 14.4 | 14.0 | **18.2** |
| **Balance Sheet Items** (RM million) | | | | | |
| Working capital (excluding term loan) | 82.9 | 125.6 | 134.8 | 120.3 | **130.5** |
| Non current assets | 145.0 | 118.2 | 113.1 | 105.3 | **98.4** |
| Total borrowings | – | – | – | – | **–** |
| Shareholders' funds | 189.3 | 208.1 | 211.7 | 207.5 | **212.4** |
| Total assets | 261.6 | 274.9 | 269.6 | 245.6 | **263.3** |
| **Other Statistics:** | | | | | |
| Earnings/(Loss) per Ordinary Share (RM) | (0.06) | 0.28 | 0.11 | 0.11 | **0.14** |
| Ordinary dividends per Share (RM) | 0.05 | 0.15 | 0.10 | 0.15 | **0.13** |
| Net tangible asset backing per Ordinary Share (RM) | 1.43 | 1.56 | 1.58 | 1.56 | **1.61** |
| Capital expenditure (RM million) | 7.4 | 8.0 | 8.2 | 5.1 | **7.6** |
| Net cash from operating activities (RM million) | 12.8 | 12.2 | 15.8 | (0.5) | **35.6** |
| Share prices : Highest (RM) | 1.42 | 2.18 | 2.01 | 1.56 | **1.50** |
| : Lowest (RM) | 1.00 | 0.99 | 1.30 | 1.32 | **1.00** |

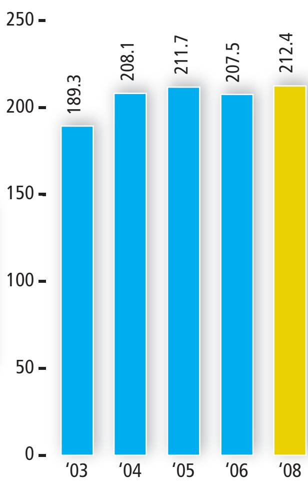
**Revenue** (RM million)



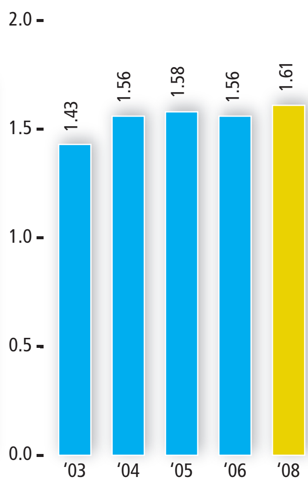

**Net profit/(loss) attributable to shareholders** (RM million)




**Shareholders' funds** (RM million)




**Net tangible asset backing per Ordinary Share** (RM)



# Kenyataan Pengerusi / Chairman's Statement

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan untuk Kumpulan Aluminium Company of Malaysia Berhad (ALCOM) bagi tempoh 15 bulan yang berakhir pada 31 Mac 2008.

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On behalf of the Board, I am pleased to present the Annual Report and Financial Statements for the Aluminium Company of Malaysia Berhad (ALCOM) Group and the Company for the 15 month period ended 31 March 2008.

# Kenyataan Pengerusi (Samb) / Chairman's Statement (Cont'd)

Tempoh kajian 15 bulan ini timbul akibat daripada keputusan kami untuk menukar tahun akhir kewangan dari 31 Disember kepada 31 Mac. Ini berlaku memandangkan pengambilalihan syarikat induk kami Novelis Inc., Kanada oleh Hindalco Industries Limited, India pada bulan Mei 2007. Perubahan ini adalah perlu supaya tempoh kewangan ALCOM selaras dengan pemegang syarikat induk utamanya yang baru.

**PRESTASI KUMPULAN**

Kumpulan ini telah mencatatkan keuntungan sebelum cukai sebanyak RM24.4 juta atas hasil jualan yang berjumlah RM497 juta, berbanding dengan keuntungan sebelum cukai sebanyak RM17.8 juta atas hasil jualan yang berjumlah RM374 juta pada 12 bulan sebelumnya.

Kenaikan hasil jualan ini dicapai berasaskan jumlah penghantaran yang bertambah baik serta purata harga logam yang meningkat sebanyak 4%. Jumlah penghantaran bagi tempoh 15 bulan adalah 39% lebih tinggi daripada jumlah yang dicatatkan pada tahun kewangan yang lalu.

**ALUMINIUM COMPANY OF MALAYSIA BERHAD**

Pada peringkat syarikat, penghantaran barangan sheet dan foil bagi tempoh 15 bulan adalah 39% melebihi tahap yang dicatatkan pada tahun kewangan 2006. Pertumbuhan dalam jumlah penghantaran ini dicapai dengan memasuki pasaran-pasaran baru dan melebarkan tapak pelanggan. Syarikat ini mencatatkan keuntungan sebelum cukai sebanyak RM21.4 juta bagi tempoh kewangan semasa berbanding dengan RM20.2 juta yang dicapai pada tahun kewangan yang lalu. Keuntungan bagi tahun kewangan sebelum itu termasuk pendapatan dividen sebanyak RM7.4 juta daripada anak syarikatnya.

Jualan eksport tetap pada 58% daripada jumlah penghantaran, iaitu pada tahap yang sama seperti tahun 2006.

**ALCOM NIKKEI SPECIALTY COATINGS SDN BHD (ANSC)**

Jumlah penghantaran ANSC meningkat sebanyak 31% daripada tahun sebelumnya. Keuntungan sebelum cukai bagi ANSC adalah RM2.9 juta berbanding dengan RM5.0 juta bagi tempoh kewangan sebelum itu. Satu sebab utama penurunan ini ialah pengukuhan Ringgit Malaysia terhadap Dollar AS dalam tahun tersebut. Ini mengakibatkan penerimaan matawang tempatannya yang lebih rendah walaupun marginnya dalam Dollar AS dikekalkan.

The review period of 15 months arises from our decision to change the financial year end from 31 December to 31 March. This was in view of the acquisition of our parent company Novelis Inc., Canada by Hindalco Industries Limited, India in May 2007. The change was necessary to bring ALCOM's financial period to be in line with its new ultimate holding company.

**GROUP PERFORMANCE**

The Group achieved a pre-tax profit of RM24.4 million on revenues of RM497 million, as compared to a pre-tax profit of RM17.8 million on revenues of RM374 million in the previous 12 months.

The higher revenue was achieved on the back of improved shipments as well as a 4% increase in average metal prices. Shipment volume for the 15 months was 39% above that registered in the preceding financial year.

**ALUMINIUM COMPANY OF MALAYSIA BERHAD**

At the company level, shipment of sheet and foil products for the 15 month period was 39% over the level registered in financial year 2006. The growth in shipments was achieved by moving into new markets and widening the customer base. The company registered profit before tax of RM21.4 million for the current financial period as compared to RM20.2 million achieved in the previous financial year. Profit for the previous financial year included dividend income of RM7.4 million from its subsidiary company.

The level of exports remained at 58% of total shipment, which was the same level as in 2006.

**ALCOM NIKKEI SPECIALTY COATINGS SDN BHD (ANSC)**

ANSC's shipment increased 31% from the previous year. Profit before tax for ANSC was RM2.9 million as compared to RM5.0 million in the prior financial period. A principal cause for the decline was the appreciation of the Malaysian Ringgit against the US Dollar during the year. This accounted for lower receipts in local currency although the margins which were in US Dollars were sustained.

# Kenyataan Pengerusi (Samb) / Chairman's Statement (Cont'd)

Jualan eksport ANSC membentuk 89% daripada jumlah penghantarannya berbanding dengan 91% yang dicatatkan pada tahun yang lalu.

## KEWANGAN

Pada akhir tempoh kewangan, rizab wang tunai kumpulan adalah sebanyak RM47.4 juta berbanding dengan RM31.2 juta pada akhir tahun kewangan sebelumnya.

Dua dividen interim dengan jumlah pembayaran bersih sebanyak RM12.2 juta telah dibayar berkenaan dengan tempoh kewangan yang berakhir pada 31 Mac 2008. Dividen pertama sebanyak 7.5% (tolak 27% cukai) telah dibayar pada 15 Jun 2007 sementara dividen kedua sebanyak 5.0% (tolak 26% cukai) telah dibayar pada 31 Mac 2008.

## ALIRAN DAN PERKEMBANGAN EKONOMI DAN INDUSTRI

Satu kebimbangan utama bagi dunia ekonomi ialah aliran semasa harga komoditi yang semakin meningkat. Dengan harga minyak mentah yang menjangkau USD144 setong, pertumbuhan ekonomi global dijangka akan menjadi lembap. Kerajaan Malaysia telah mengenakan kenaikan harga pam bagi barangan petroleum. Tarif elektrik dan gas semula jadi juga dijangka akan meningkat. Diberikan tenaga merupakan satu kos utama bagi pengilang-pengilang pembuatan seperti Alcom, kenaikan-kenaikan harga yang dicadangkan itu akan meningkatkan kos operasi dengan hebatnya.

Tambahan pula, memandangkan harga minyak mempunyai pelbagai kesan ke atas ekonomi negara tahap inflasi secara menyeluruh yang lebih tinggi adalah dijangkakan. Akibatnya penggunaan mungkin berkurangan dan ini juga akan mempengaruhi permintaan terhadap barangan aluminium kami.

Kilang-kilang pesaing Cina juga mempunyai kelebihan untuk bertanding oleh kerana keupayaan mereka memperolehi aluminium pada harga yang lebih rendah yang dijual di 'Shanghai Futures Exchange' berbanding dengan harga antarabangsa yang disebut di 'London Metal Exchange (LME)'. Sekiranya kelebihan kos ini kekal wujud, ini akan menambahkan lagi cabaran-cabaran yang perlu diuruskan dalam tahun kewangan yang akan datang.

ANSC's exports made up 89% of total shipments as compared to the 91% registered in the preceding year.

## FINANCIAL

As at end of the period Group cash reserves amounted to RM47.4 million as compared to RM31.2 million at the end of the previous financial year.

Two interim dividends amounting to a total net payout of RM12.2 million were paid in respect of the financial period ended 31 March 2008. The first dividend of 7.5% (less 27% taxation) was paid on 15 June 2007 while the second dividend of 5.0% (less 26% taxation) was paid on 31 March 2008.

## ECONOMIC AND INDUSTRY TREND AND DEVELOPMENTS

A major cause of concern for the world economy is the current trend of increasing commodity prices. With crude oil prices having crossed the USD144 per barrel, global economic growth is forecasted to slow down significantly. The Malaysian government has also imposed a significant hike in pump prices for petroleum products. Electricity and natural gas tariffs are also set to increase. As energy constitutes a major cost for manufacturers such as Alcom, the proposed increases will substantially increase operating costs.

In addition given the considerable ramifications that the oil price has on national economies a higher overall inflation is anticipated. Consequently consumption may reduce and this could also affect demand for our aluminium products.

Competitor Chinese mills enjoy competitive advantage as a result of their ability to source lower priced aluminium sold on the Shanghai Futures Exchange compared to the international prices quoted on the London Metal Exchange (LME). Should this cost advantage persist, it would add to the challenges that need to be managed in the financial year ahead.

## PROSPECTS

Inflationary pressures on the back of the sizeable increase in oil prices are expected to pose a major hurdle in our cost management efforts. The relative advantage enjoyed by the Chinese competition based on the favourable differential in aluminium metal prices is also expected to continue into much of the next financial year. The trend of the Malaysian Ringgit is another area of concern that will have a direct impact on margins.

# Kenyataan Pengerusi (Samb) / Chairman's Statement (Cont'd)

**PROSPEK**

Tekanan inflasi akibat daripada kenaikan tinggi harga minyak dijangka akan membentukkan rintangan yang besar kepada usaha pengurusan kos kami. Kelebihan yang dinikmati oleh pesaing-pesaing Cina berdasarkan perbezaan harga logam aluminium yang memihak kepada mereka juga dijangka akan berterusan sehingga tahun kewangan yang selanjutnya. Aliran nilai Ringgit Malaysia merupakan satu lagi kebimbangan yang akan mempunyai kesan langsung ke atas margin.

Dalam 15 bulan yang lalu, kami telah melaburkan banyak usaha untuk memperbaiki kualiti, kos, produktiviti dan tahap perkhidmatan kami. Usaha ini telah membantu kami memperbaiki kedudukan kos dan mencapai tahap pengeluaran yang lebih tinggi daripada aset-aset yang sediada. Ia juga telah membantu kami memperolehi pengiktirafan daripada 3 pelanggan utama yang ternama. Ketabahan kami menghadapi dan mengatasi pelbagai cabaran yang timbul baru-baru ini memberi keyakinan bahawa kami telah mengambil tindakan yang betul untuk mengurangkan tekanan-tekanan yang dibawa oleh persekitaran pasaran yang kurang menggalak. Kami akan terus mengusahakan peluang-peluang untuk memaksimumkan nilai kepada pemegang saham. Walau bagaimanapun, kami amat berwaspada tentang prospek perniagaan pada tahun kewangan yang akan datang kerana kami menjangkakan peningkatan harga tenaga yang tinggi akan mempunyai kesan yang meluas ke atas kedua-dua kos dan permintaan pasaran.

**PENGHARGAAN**

Bagi Pihak Lembaga, saya ingin mengucapkan terima kasih kepada semua pelanggan, pekerja-pekerja, pemegang-pemegang saham, pembekal-pembekal, pihak bank, rakan kongsi perniagaan dan juga kerajaan Malaysia atas keyakinan dan sokongan mereka yang membolehkan kejayaan kami dalam 15 bulan yang lalu. Kami mengharapkan sokongan berterusan merekan ini pada tahun yang akan datang.

Saya juga ingin mengambil kesempatan ini untuk menyatakan penghargaan saya kepada teman-teman ahli di dalam Lembaga Pengarah atas nasihat-nasihat bernilai dan sokongan yang berterusan daripada mereka.

Over the last 15 months, we have invested significant efforts to improve our quality, cost, productivity and service levels. This effort has helped us to improve our cost position and achieve higher production from our existing asset base. It has also helped us to win accolades from 3 major and discerning customers.

Our resilience in meeting and overcoming the different challenges in the recent past gives us confidence that we are taking the right measures to mitigate the pressures inflicted by an unfavourable market environment. We will continue to work on opportunities for maximising shareholder value. Nonetheless, we are cautious about business prospects in the coming financial year as we expect the massive hike in energy prices to have widespread effect on both costs and market demand.

**ACKNOWLEDGEMENTS**

On behalf of the Board I would also like to thank all our customers, employees, shareholders, suppliers, bankers, business associates and the Malaysian government for their confidence and support that enabled our success in the past 15 months. We look forward to their continued support in the coming year.

I would also like to take this opportunity to express my gratitude to all my fellow members on Board for their valued counsel and continued support.

**Y. A. M. Tunku Tan Sri Imran ibni Tuanku Ja'afar**
Pengerusi / Chairman

3 Julai / July 2008

# Managing Director's Review

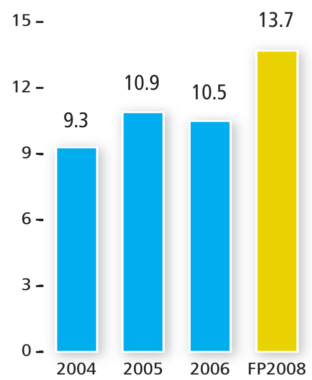
## FINANCIALS

The extended financial year of 1st January 2007 to 31st March 2008 was a period of considerable change and challenges. The Ringgit appreciated some 8% against the US Dollar over this period, with a significant adverse impact on our export revenues. At the same time, Chinese competitors continued to benefit from lower metal prices quoted on the Shanghai Futures Exchange, leading to strong pressure on conversion margins even as costs mounted on the back of escalating energy prices.

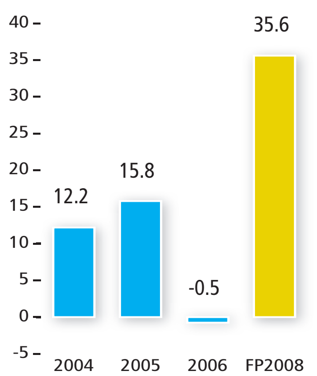
Against these backdrops of events, the ALCOM Group performed reasonably well to achieve an improved net profit after tax of RM18.2 million. Earning per share for the 15 month period was 13.7 cents as compared to 10.5 cents in the previous 12 months. The slightly higher profitability was partly attributed to an overall shipment increase of 39% as well as a significant reduction in operating cost per tonne.

The Group also did well in its cash flow management. For the financial period ended 31st March 2008, the Group generated operating cash flow of RM35.6 million which reflected improvements in the underlying key indicators related to inventory and payables management.

Earning Per Share (Sen)
(excluding gain from sale)




Net Cash From Operating
Activities (RM Million)




During the period, we pushed ahead with efforts launched in the previous year to expand our customer base and product range, and to differentiate product and service offerings. This move allowed us to grow our volumes despite the significant price advantage enjoyed by Chinese competition. We were generally able to capitalise on a more reliable level of quality and delivery performance.

## OPERATIONS

With margins squeezed by the competitive pricing and cost environment, our Continuous Improvement (CI) initiative has gained in importance as a key tool for helping us achieve operational excellence. During the period we completed 39 Lean Six Sigma projects that contributed over RM6 million in cost and productivity improvements. This is a significant step change from the 7 projects completed in 2006. With a stronger CI focus, project lead-time has also been reduced significantly.

At the shop floor level, 32 teams are actively engaged in our Total Productive Maintenance (TPM) program. During the year, our first TPM Kaizen Convention was held. The winning team was rewarded with a benchmarking trip to Thailand where they were able to study TPM deployment in other plants including two world-class TPM facilities. As part of the TPM initiative, the Overall Equipment Effectiveness (OEE) measure has now been implemented at all key machine centers. The complete roll-out of OEE monitoring now enables shop floor teams to easily identify the sources of productivity leakages so that resources can be easily focused on the high impact projects. Another visible area of improvement related to the TPM initiative is in the area of housekeeping which has drawn highly favourable comments from returning visitors and auditors.

Quality performance during the financial period improved over the previous year with percentage technical customer returns decreasing 10% in total and 20% for the coated finstock business in particular. Nonetheless, much more needs to be done to improve quality reliability as it remains a key competitive advantage for the Group, especially when competing against low priced China mills. In particular, the push for growth and the development of new markets have brought to the surface new improvement opportunities. Towards this end, the Group has launched its "Made In Alcom" quality drive which lays out a comprehensive roadmap for taking the company to world class quality levels by 2010 as measured through customer returns, number of complaints, customer satisfaction ratings and on-time delivery performance.

During the period, a number of initiatives were taken to reduce energy usage. As a result, we were able to see consumption decreasing by a further 8% per ton of output for electricity and 8% per ton for natural gas. We also saw significant productivity gains at key machine centres which partly contributed to a 6 % reduction in operating cost per tonne over the previous year.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Increasingly, outside stakeholders are taking a larger interest in the activities of the company, going beyond the bottom line to its longer term impact and influence on employees, the environment, the marketplace and the community at large. In this context, ALCOM has always been mindful of the need to operate in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders. The Group's belief is well reflected in its vision to make the world a lighter, brighter and better place.

Contribution to Majlis Kanser Nasional (MAKNA)

Sewing machines for Bengkel Daya, Klang

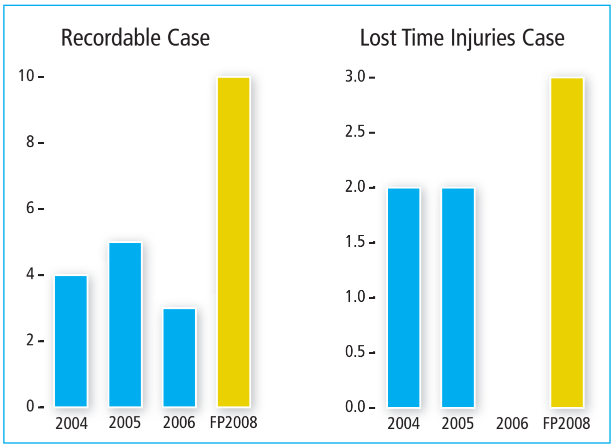
### Corporate Social Responsibility: Workplace and Environment

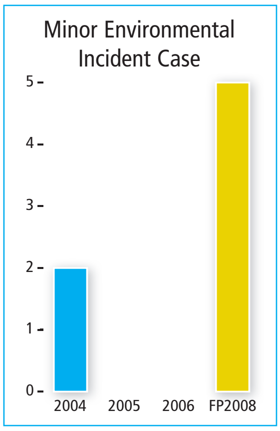
As in the past year, ALCOM continued to make substantial investment in the development of its EHS management system. In 2007, we invested significant effort into prevention of worksite injuries through engineering preventions and controls. Towards this end, we enhanced or added 77 machine guarding items to various key equipments, significantly more than the 20 numbers planned for the year. Substantial effort was required as guarding designs must not only be cost effective but also practical without hindering productivity. An EHS audit was conducted by our parent company, Novelis Inc in August 2007. ALCOM was cited as the most improved plant amongst all 33 Novelis manufacturing facilities worldwide in terms of EHS management.

While huge improvements were made in systems and engineering preventions and controls, we did not see an accompanying trend for the number of injuries. During the 15-month period, the number of recordable cases tripled from 3 to 10 numbers. Of these cases, 3 resulted in lost time. Many of the injuries were minor in nature, typically involving pinched fingers or small cuts requiring sutures. The increase in numbers and the underlying root causes indicate that there is still much work to be done to inculcate a culture of safe working. In FY2009, the Group has established key areas of improvement to further enhance employee awareness towards the ultimate goal of totally eliminating at-risk behaviours. More focus will be placed on our Behavioural Based Safety (BBS) program. With the BBS program, employees are trained to observe how their peers work and to analyse safe and unsafe practices so that appropriate feedback can be given to alert employees to workplace risks. While the program has been in place for a number of years, earlier focus has been on the number of

# Managing Director's Review (Cont'd)

observations conducted. This year, significant effort will be invested to improve the quality of observations, analysis, feedback and improvement actions.




During the review period, we also had 5 minor environmental incidents compared to none in the two previous financial years. Here, the increase in incidents was not because of a deterioration of performance but the result of a more stringent classification where documentation gaps and non-compliances are also treated as environmental incidents. In previous years, minor incidents referred mainly to short-term isolated or one-time releases that were not harmful to the environment but exceeded our control standards nevertheless. The tougher reporting standard is timely and will help us to further improve our environmental management.

Beyond this, the Group also had targets to conserve energy and reduce waste generation and disposal. As mentioned earlier, the initiatives related to reducing energy usage were highly effective. Apart from this, we successfully reduced generation of paint waste and general waste. We also reduced noise level at a critical machine.

In an effort to improve the health and well being of our employees, we arranged for health experts to give talks to employees on common health risks and its management. These talks were well received by the employees. Health screening was also arranged for all employees. An in-house medical room was set up and staffed with an experienced industrial nurse to provide on-site treatment and counseling to employees for better personal health management.

Blood donation as a way of encouraging employee volunteerism

Enhancing employees health through Tai-Chi

### Corporate Social Responsibility: Market Place

ALCOM places a lot of emphasis on becoming a partner of choice to its valued customers. This year, the Group was delighted to achieve a significant improvement in our customer satisfaction ratings, particularly for customers in the coated finstock sector where the Group has invested much effort to improve product and service offerings. We have also been working closely with customers on various green environment initiatives. One successful initiative is the effort to convert solvent-based coatings to water-based coatings. Another initiative resulted in the Group helping its customers to realize better value for scrap generated through a recycling partnership arrangement. The Group also worked with some customers on value engineering projects to deliver win-win benefits for both. This is in line with our strategic imperative to deliver high value solutions through customer intimacy. ALCOM is greatly encouraged that our progress in this aspect has met with customer approval. We were truly gratified to receive Excellent Business Partner awards from three highly demanding multinational customers during the year.


3 Awards from important customers

### Corporate Social Responsibility: People

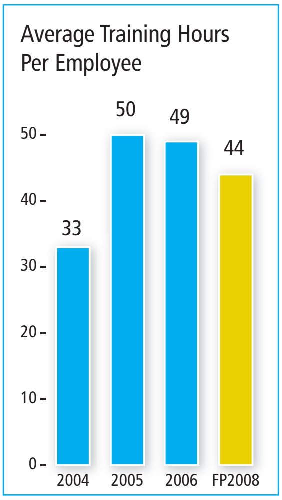
In a well governed organization, employees clearly understand their responsibility towards the organization and its stakeholders. ALCOM has a well established Code of Conduct that documents our basic expectations from employees. In early 2007, we reissued an enhanced Code of Conduct policy to all its directors, officers and employees. All employees were retrained in a bid to reinforce the

# Managing Director's Review (Cont'd)

importance of committing to the highest standards of business conduct. In summary, the Code requires us to:

- Promote honest and ethical conduct, including fair dealing and the ethical handling of conflicts of interest
- Promote full, fair, accurate, timely and understandable disclosure
- Promote compliance with applicable laws and governmental rules and regulations
- Ensure protection of the Company's legitimate business interests, including corporate opportunities, assets and confidential information and
- Deter wrongdoing

Apart from ensuring integrity in its workforce, ALCOM invests substantially in the development and training of its employees. In the review period, employees received 44 hours of training on average. ALCOM recognizes that its strength derives from harnessing the full potential of its people, and is committed to provide a stimulating and rewarding environment that will enable it to retain and grow talented employees.




In March 2008, the company conducted an extensive employee survey. 85% of employees responded positively when asked whether they are "extremely satisfied with ALCOM as a place of work". This is a level of employee satisfaction that compares very favourably with international benchmarks.

**Corporate Social Responsibility: Community**

As in past years, ALCOM extends its caring value to the community in several ways. Our own emphasis on environment has drawn us more towards community activities in this particular area. The Group is now into its ninth year with the creative micro-business project involving several primary schools in Selangor. This project teaches our young children the value of recycling while helping them to develop an entrepreneurial spirit. The children learn how to produce greeting cards from recycled material, and to market them. The Group is also a regular sponsor of the Prime Minister's Hibiscus Award. This award is the premier private sector environmental award for business and industry in Malaysia.

Supporting the holistic development of our youth is another theme that ALCOM believes in. It has been a strong charter member of Yayasan Kecemerlangan Sukan Malaysia (SportExcel), a foundation dedicated to Malaysian junior sports development. Through its 13 Junior Circuits embracing 10 sports, SportExcel provides a unique platform for young talents to showcase their skills. Nicol Ann David, Shalin Zulkifli, Esther Cheah, Azlan Iskandar, Ong Beng Hee, Ben Leong and M. Kumaresan are some of the athletes who first featured on the SportExcel circuits and went on to achieve fame on the world stage.

With Chairman at SportExcel Award of Excellence ceremony

## LOOKING AHEAD

The year ahead has begun on a difficult note. Electricity tariffs have been increased by 26% effective July 2008. Natural gas prices will be up 71% effective August 2008. The aluminium rolling business consumes much energy and will be impacted significantly by this recent development. Costs of most operating supplies and services are also expected to move up further in line with the fuel price hike. Coupled with this, we are faced with the possibility of softer demand in key markets, both at home and abroad. It is uncertain how well the market and general consumers will cope with the significant changes that have occurred in recent months. Given all these, we are cautious about the future.

For period under review, our employees had put in much effort to improve productivity, reduce costs and develop new markets. Their dedication and perseverance helped ALCOM to register improved profits despite challenges such as an appreciating ringgit, rising costs and low-price Chinese competition. All these efforts will continue with even greater urgency as the Group work to realize various opportunities identified. Our recent track record has demonstrated an improved capability for execution. More than ever, we are committed to the development of a high performance culture and we certainly hope that this enhanced resilience will help us to meet the upcoming challenges successfully.

# Analysis of Shareholdings

As at 30 June 2008

## ANALYSIS BY SIZE OF SHAREHOLDINGS

| Category | Shareholders | % | Shareholdings | % |
|---|---|---|---|---|
| Less than 100 | 144 | 4.05 | 3,536 | 0.00 |
| 100 to 1,000 | 882 | 24.80 | 774,179 | 0.59 |
| 1,001 to 10,000 | 1,928 | 54.22 | 8,490,623 | 6.42 |
| 10,001 to 100,000 | 528 | 14.85 | 14,975,631 | 11.32 |
| 100,001 to less than 5% of issued shares | 73 | 2.05 | 29,783,825 | 22.52 |
| 5% and above of issued shares | 1 | 0.03 | 78,234,054 | 59.15 |
| Total | 3,556 | 100 | 132,261,848 | 100 |

## LIST OF DIRECTORS' SHAREHOLDING

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Y.A.M Tunku Tan Sri Imran ibni Tuanku Ja'afar | – | 0.00 |
| 2 | Keith Vincent Sodan | – | 0.00 |
| 3 | Dato' Kok Wee Kiat | – | 0.00 |
| 4 | Y.M. Tengku Yunus Kamaruddin | 114,500 | 0.09 |
| 5 | Tan See Ping | 70,000 | 0.05 |

## LIST OF THIRTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Novelis Inc. | 78,234,054 | 59.15 |
| 2 | Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Ittikal Fund) | 5,346,500 | 4.04 |
| 3 | Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Islamic Equity Fund) | 2,971,200 | 2.25 |
| 4 | HSBC Nominees (Tempatan) Sdn. Bhd. (HSBC (M) Trustee Bhd for MAAKL AL-Fauzan) | 1,700,000 | 1.29 |
| 5 | Permodalan Nasional Berhad | 1,351,000 | 1.02 |
| 6 | Mayban Nominees (Tempatan) Sdn Bhd. (Mayban Trustees Berhad for MAAKL Value Fund) | 1,250,000 | 0.95 |
| 7 | HSBC Nominees (Tempatan) Sdn. Bhd. (HSBC (M) Trustee Bhd for Prudential Equity Income Fund) | 1,081,300 | 0.82 |
| 8 | Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Islamic Opportunities Fund) | 1,003,800 | 0.76 |
| 9 | HSBC Nominees (Tempatan) Sdn. Bhd. (HSBC (M) Trustee Bhd for MAAKL Dividend Fund) | 680,000 | 0.51 |
| 10 | Yeoh Kean Hua | 564,000 | 0.43 |
| 11 | Quarry Lane Sdn. Bhd. | 537,600 | 0.41 |
| 12 | PFM Capital Sdn. Bhd. | 500,000 | 0.38 |
| 13 | Yeoh Ah Tu | 500,000 | 0.38 |
| 14 | Sow Tiap | 441,000 | 0.33 |
| 15 | Kurnia Insurans (Malaysia) Berhad | 423,100 | 0.32 |
| 16 | Toh Kam Choy | 407,000 | 0.31 |
| 17 | Tay Kak Chok | 398,200 | 0.30 |
| 18 | Wentel Corporation Sdn. Bhd. | 384,000 | 0.29 |
| 19 | Lee Yu Yong @ Lee Yuen Ying | 331,500 | 0.25 |
| 20 | Loh Loon Teik Sdn. Bhd. | 330,000 | 0.25 |
| 21 | Tan Lim Hua @ Tan Hoe Tim | 320,000 | 0.24 |
| 22 | Khor Meow Siang | 302,500 | 0.23 |
| 23 | Mayban Nominees (Tempatan) Sdn. Bhd. (Capital Dynamics Asset Management Sdn. Bhd. for Ace Synergy Insurance Berhad) | 301,800 | 0.23 |
| 24 | EB Nominees (Tempatan) Sendirian Berhad (Pledged Securities Account for Lee Yu Yong @ Lee Yuen Ying) | 288,900 | 0.22 |
| 25 | Malaysian Reinsurance Berhad | 283,500 | 0.21 |
| 26 | Chow Song Kuang | 280,800 | 0.21 |
| 27 | Mayban Nominees (Tempatan) Sdn. Bhd. (Capital Dynamics Asset Management Sdn. Bhd. for Lee Hau Hian) | 277,000 | 0.21 |
| 28 | Ng Ah Ooi | 273,000 | 0.21 |
| 29 | Mayban Nominees (Tempatan) Sdn. Bhd. (Capital Dynamics Asset Management Sdn. Bhd. for Rasma Corporation Sdn. Bhd.) | 260,000 | 0.20 |
| 30 | Goh Beng Beng | 260,000 | 0.20 |

Based on the issued and paid-up share capital of the Company of RM134,330,848 comprising 134,330,848 ordinary shares and after deduction of 2,069,000 treasury shares retained by the Company as per Record of Depositors.

# Directors' Report

The Directors are pleased to submit their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 March 2008.

## CHANGE OF FINANCIAL YEAR END

During the financial period, the Group changed its financial year end from 31 December to 31 March to coincide with that of its new ultimate holding company (Note 33).

## PRINCIPAL ACTIVITIES

The Company is primarily engaged in the manufacturing and trading of aluminium sheet and foil products. The principal activities of the subsidiaries are shown in Note 15 to the financial statements.

There were no significant changes in the nature of these activities during the financial period.

## FINANCIAL RESULTS

| | GROUP RM'000 | COMPANY RM'000 |
|---|---|---|
| Net profit for the financial period | 18,213 | 15,621 |

## DIVIDENDS

The dividends paid by the Company since 31 December 2006 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial period ended 31 March 2008 | |
| - interim dividend of 7.5%, less 27% taxation, paid on 15 June 2007 | 7,297 |
| - interim dividend of 5.0%, less 26% taxation, paid on 31 March 2008 | 4,905 |
| | 12,202 |

The Directors do not recommend the payment of any final dividend for the financial period ended 31 March 2008

## RESERVES AND PROVISIONS

Material transfers to or from reserves and provisions during the financial period are shown in the financial statements.

# Directors' Report (Cont'd)

## ISSUE OF SHARES

During the financial period, 2,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employee Share Option Scheme at an exercise price of RM1.07.

The new ordinary shares issued during the financial period ranked pari passu in all respects with the existing ordinary shares of the Company.

## TREASURY SHARES

During the financial period, the Company repurchased 1,022,200 of its issued share capital from the open market on the Bursa Malaysia Securities for RM1,117,198 at a price of RM1.09 per share. Details of the treasury shares are set out in Note 26(a) to the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar, Chairman
Dato' Kok Wee Kiat
Y.M. Tengku Yunus Kamaruddin
Keith Vincent Sodan
Tan See Ping, Managing Director
Thomas L Walpole (resigned on 27 November 2007)

In accordance with Articles 92(A) of the Company's Articles of Association, Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar and Mr. Tan See Ping retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' BENEFITS

During and at the end of the financial period, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate, other than the Company's Employee Share Option Scheme ('ESOS').

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration and benefits as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial period in shares in the Company are as follows:

| | Number of ordinary shares of RM1.00 each in the Company | | | |
|---|---|---|---|---|
| | At 1.1.2007 | Purchased | Sold | At 31.3.2008 |
| Tan See Ping | 40,000 | 30,000 | – | 70,000 |

## DIRECTORS' INTERESTS IN SHARES (Cont'd)

In addition to the above, the Directors are deemed to have an interest in shares in the Company by virtue of the options granted to them pursuant to the Company's Employee Share Option Scheme ('ESOS') to the extent as follows:

| | Number of options over ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | At 1.1.2007 | Exercise of ESOS | Sold | At 31.3.2008 |
| Tan See Ping | 35,000 | – | – | 35,000 |

## EMPLOYEE SHARE OPTION SCHEME

The Company implemented an ESOS, which became effective on 14 March 2000 for a period of 10 years. The ESOS is governed by the by-laws, which were approved by the shareholders on 15 December 1999. Details of the ESOS are set out in Note 26(b) to the financial statements.

Since the implementation of the ESOS in 2000, 4,549,000 (2006: 4,319,000) share options of ordinary shares have lapsed.

The number of share options outstanding and vested at balance sheet date amounted to 1,499,000 (2006: 1,731,000).

In 2006, the shareholders approved a new ESOS to replace the abovementioned scheme. This new scheme will however only come into effect when the existing ESOS is terminated upon consent from all existing option holders.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

# Directors' Report (Cont'd)

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Cont'd)

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial period.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

## HOLDING AND ULTIMATE HOLDING COMPANY

The holding company of the Company is Novelis Inc., a company incorporated in Canada.

The former ultimate holding company was Novelis Inc. Following the acquisition of Novelis Inc. by Hindalco Industries Limited, a company incorporated in India, on 15 May 2007, the ultimate holding company of the Company is now Hindalco Industries Limited.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 May 2008.

**Y.A.M. TUNKU TAN SRI IMRAN IBNI TUANKU JA'AFAR**
DIRECTOR

**TAN SEE PING**
DIRECTOR

Bukit Raja, Klang

# Consolidated Income Statement

For the 15 Months Financial Period Ended 31 March 2008

| | Note | GROUP<br>Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
|---|---|---|---|
| Revenue | 4 | **496,545** | 373,708 |
| Other operating income | 5 | **1,536** | 836 |
| Changes in inventories of raw materials, work-in-progress and finished goods | | **(3,892)** | 15,297 |
| Raw materials and consumables used | | **(388,611)** | (305,969) |
| Staff costs | 7 | **(29,223)** | (22,604) |
| Utilities and fuel | | **(16,408)** | (12,215) |
| Depreciation of property, plant and equipment | | **(14,142)** | (12,447) |
| Upkeep, repairs and maintenance of assets | | **(8,555)** | (7,111) |
| Environmental costs | | **(2,613)** | (1,992) |
| Technical fees | | **(509)** | (1,625) |
| Telecommunication expenses | | **(245)** | (255) |
| Amortisation of prepaid lease rentals | | **(239)** | (189) |
| Other operating expenses | | **(8,775)** | (7,667) |
| Profit from operations | 6 | **24,869** | 17,767 |
| Finance cost | 9 | **(415)** | (314) |
| Profit from ordinary activities before tax | | **24,454** | 17,453 |
| Tax expense | 10 | **(6,241)** | (3,487) |
| Profit from ordinary activities after tax | | **18,213** | 13,966 |
| Attributable to: | | | |
| Shareholders of the Company | | **18,213** | 13,966 |
| Earnings per share | | | |
| - basic | 11(a) | **13.7 sen** | 10.5 sen |
| - diluted | 11(b) | **13.7 sen** | 10.5 sen |
| Dividends per share | 12 | **12.5 sen** | 15.0 sen |

# Company Income Statement

For the 15 Months Financial Period Ended 31 March 2008

| | Note | COMPANY Financial period ended 31.03.2008 RM'000 | COMPANY Financial year ended 31.12.2006 RM'000 |
|---|---|---|---|
| Revenue | 4 | **472,375** | 351,659 |
| Other operating income | 5 | **1,321** | 8,496 |
| Changes in inventories of raw materials, work-in-progress and finished goods | | **(4,452)** | 12,540 |
| Raw materials and consumables used | | **(377,205)** | (295,852) |
| Staff costs | 7 | **(25,915)** | (19,951) |
| Utilities and fuel | | **(13,982)** | (10,413) |
| Depreciation of property, plant and equipment | | **(12,031)** | (10,775) |
| Upkeep, repairs and maintenance of assets | | **(7,337)** | (6,097) |
| Environmental costs | | **(2,298)** | (1,643) |
| Technical fees | | **(290)** | (1,416) |
| Amortisation of prepaid lease rentals | | **(239)** | (189) |
| Telecommunication expenses | | **(225)** | (203) |
| Other operating expenses | | **(7,913)** | (5,736) |
| Profit from operations | 6 | **21,809** | 20,420 |
| Finance cost | 9 | **(325)** | (213) |
| Profit from ordinary activities before tax | | **21,484** | 20,207 |
| Tax expense | 10 | **(5,863)** | (3,082) |
| Net profit attributable to shareholders | | **15,621** | 17,125 |

# Balance Sheets

As at 31 March 2008

| | Note | GROUP 31.03.2008 RM'000 | GROUP 31.12.2006 (Restated) RM'000 | COMPANY 31.03.2008 RM'000 | COMPANY 31.12.2006 (Restated) RM'000 |
|---|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 13 | 83,199 | 89,900 | 68,606 | 74,121 |
| Prepaid lease rentals | 14 | 15,194 | 15,433 | 15,194 | 15,433 |
| Subsidiaries | 15 | – | – | 26,860 | 26,860 |
| | | 98,393 | 105,333 | 110,660 | 116,414 |
| CURRENT ASSETS | | | | | |
| Inventories | 16 | 66,194 | 69,214 | 54,841 | 58,890 |
| Trade receivables | 17 | 48,759 | 39,303 | 27,344 | 23,629 |
| Amounts due from subsidiary companies | 18 | – | – | 21,510 | 20,418 |
| Other receivables and prepayments | 19 | 2,589 | 501 | 1,555 | 406 |
| Deposits, cash and bank balances | 20 | 47,401 | 31,223 | 36,721 | 18,124 |
| | | 164,943 | 140,241 | 141,971 | 121,467 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 21 | 30,524 | 12,632 | 27,262 | 10,682 |
| Other payables and accruals | 22 | 3,369 | 3,349 | 3,038 | 3,094 |
| Amounts due to related companies | 23 | 10 | 3,950 | 601 | 4,113 |
| Provision for taxation | | 538 | 45 | 679 | – |
| | | 34,441 | 19,976 | 31,580 | 17,889 |
| NET CURRENT ASSETS | | 130,502 | 120,265 | 110,391 | 103,578 |
| NON-CURRENT LIABILITIES | | | | | |
| Provision for retirement benefits | 24 | 4,782 | 4,552 | 4,486 | 4,298 |
| Deferred taxation | 25 | 11,695 | 13,524 | 8,856 | 10,289 |
| | | 16,477 | 18,076 | 13,342 | 14,587 |
| | | 212,418 | 207,522 | 207,709 | 205,405 |

# Balance Sheets (Cont'd)

As at 31 March 2008

| | Note | GROUP 31.03.2008 RM'000 | GROUP 31.12.2006 (Restated) RM'000 | COMPANY 31.03.2008 RM'000 | COMPANY 31.12.2006 (Restated) RM'000 |
|---|---|---|---|---|---|
| CAPITAL AND RESERVES | | | | | |
| Share capital | 26 | 134,331 | 134,329 | 134,331 | 134,329 |
| Share premium | | 4,112 | 4,112 | 4,112 | 4,112 |
| Revaluation and other reserves | 27 | 2,147 | 3,275 | 6,179 | 7,296 |
| Revenue reserve | 28 | 71,828 | 65,806 | 63,087 | 59,668 |
| Total equity | | 212,418 | 207,522 | 207,709 | 205,405 |
| Net tangible assets per ordinary share | | RM1.61 | RM1.56 | | |

# Consolidated Statement of Changes in Equity

For the 15 Months Financial Period Ended 31 March 2008

| | Note | Attributable to shareholders of the Company — Issued and fully paid ordinary shares of RM1 each: No. of shares '000 | Nominal value RM'000 | Non-distributable: Share premium RM'000 | Non-distributable: Revaluation and other reserves RM'000 | Distributable: Revenue reserve RM'000 | Minority interests RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2007** | | **134,329** | **134,329** | **4,112** | **3,275** | **65,806** | **–** | **207,522** |
| Net profit for the financial period | | **–** | **–** | **–** | **–** | **18,213** | **–** | **18,213** |
| Dividends for the financial period ended: - 31 March 2008 (paid) | 12 | **–** | **–** | **–** | **–** | **(12,202)** | **–** | **(12,202)** |
| Share buyback - treasury shares | 26(a) | **–** | **–** | **–** | **(1,117)** | **–** | **–** | **(1,117)** |
| Issue of shares - exercise of share options | 26(b) | **2** | **2** | **–** | **–** | **–** | **–** | **2** |
| Transfer of reserve on consolidation to revenue reserve | | **–** | **–** | **–** | **(11)** | **11** | **–** | **–** |
| **At 31 March 2008** | | **134,331** | **134,331** | **4,112** | **2,147** | **71,828** | **–** | **212,418** |
| At 1 January 2006 | | 134,065 | 134,065 | 4,094 | 7,308 | 66,231 | 16,215 | 227,913 |
| Net profit for the financial year | | – | – | – | – | 13,966 | – | 13,966 |
| Dividends for the financial year ended: - 31 December 2006 (paid) | 12 | – | – | – | – | (14,391) | – | (14,391) |
| Share buyback - treasury shares | 26(a) | – | – | – | (1) | – | – | (1) |
| Issue of shares - exercise of share options | 26(b) | 264 | 264 | 18 | – | – | – | 282 |
| Acquisition of minority interest | | – | – | – | – | – | (16,215) | (16,215) |
| Goodwill written-off | | – | – | – | (4,032) | – | – | (4,032) |
| At 31 December 2006 | | 134,329 | 134,329 | 4,112 | 3,275 | 65,806 | – | 207,522 |

# Company Statement of Changes in Equity

For the 15 Months Financial Period Ended 31 March 2008

| | | Issued and fully paid ordinary shares of RM1 each | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|---|---|
| | Note | No. of shares '000 | Nominal value RM'000 | Share premium RM'000 | Revaluation and other reserves RM'000 | Revenue reserve RM'000 | Total RM'000 |
| **At 1 January 2007** | | **134,329** | **134,329** | **4,112** | **7,296** | **59,668** | **205,405** |
| Net profit for the financial period | | **–** | **–** | **–** | **–** | **15,621** | **15,621** |
| Dividends for the financial period ended: | | | | | | | |
| - 31 March 2008 (paid) | 12 | **–** | **–** | **–** | **–** | **(12,202)** | **(12,202)** |
| Share buyback | | | | | | | |
| - treasury shares | 26(a) | **–** | **–** | **–** | **(1,117)** | **–** | **(1,117)** |
| Issue of shares | | | | | | | |
| - exercise of share options | 26(b) | **2** | **2** | **–** | **–** | **–** | **2** |
| **At 31 March 2008** | | **134,331** | **134,331** | **4,112** | **6,179** | **63,087** | **207,709** |
| At 1 January 2006 | | 134,065 | 134,065 | 4,094 | 7,297 | 56,934 | 202,390 |
| Net profit for the financial year | | – | – | – | – | 17,125 | 17,125 |
| Dividends for the financial year ended: | | | | | | | |
| - 31 December 2006 (paid) | 12 | – | – | – | – | (14,391) | (14,391) |
| Share buyback | | | | | | | |
| - treasury shares | 26(a) | – | – | – | (1) | – | (1) |
| Issue of shares | | | | | | | |
| - exercise of share options | 26(b) | 264 | 264 | 18 | – | – | 282 |
| At 31 December 2006 | | 134,329 | 134,329 | 4,112 | 7,296 | 59,668 | 205,405 |

# Cash Flow Statements

For the 15 Months Financial Period Ended 31 March 2008

| | Note | GROUP Financial period ended 31.03.2008 RM'000 | GROUP Financial year ended 31.12.2006 RM'000 | COMPANY Financial period ended 31.03.2008 RM'000 | COMPANY Financial year ended 31.12.2006 RM'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net profit attributable to shareholders | | 18,213 | 13,966 | 15,621 | 17,125 |
| Adjustments for: | | | | | |
| Property, plant and equipment | | | | | |
| - depreciation | | 14,142 | 12,447 | 12,031 | 10,775 |
| - written off | | 58 | – | 51 | – |
| - gain on disposal | | (64) | (39) | (64) | (39) |
| Amortisation of prepaid lease rentals | | 239 | 189 | 239 | 189 |
| Interest income | | (1,429) | (774) | (1,082) | (475) |
| Dividend income | | – | – | – | (7,350) |
| Provision for retirement benefits | | 608 | 540 | 566 | 484 |
| Reversal of allowance for doubtful debts | | (68) | (530) | (68) | (482) |
| Allowance/ (reversal of allowance) for inventory obsolescence | | 352 | (24) | 241 | 59 |
| Unrealised foreign exchange loss | | 118 | 118 | 76 | 123 |
| Tax expense | | 6,241 | 3,487 | 5,863 | 3,082 |
| | | 38,410 | 29,380 | 33,474 | 23,491 |
| (Increase)/decrease in working capital: | | | | | |
| Inventories | | 2,668 | (15,668) | 3,808 | (13,509) |
| Receivables | | (11,531) | (7,912) | (4,816) | (8,115) |
| Payables | | 17,985 | (1,405) | 16,629 | (1,468) |
| Balances with related companies | | (3,940) | 2,001 | (4,604) | (2,041) |
| Cash from/(used in) operations | | 43,592 | 6,396 | 44,491 | (1,642) |
| Tax paid | | (7,577) | (5,855) | (6,617) | (4,955) |
| Payment of retirement benefits | | (387) | (1,040) | (387) | (1,040) |
| Net cash from/(used in) operating activities | | 35,628 | (499) | 37,487 | (7,637) |

# Cash Flow Statements (Cont'd)

For the 15 Months Financial Period Ended 31 March 2008

| | Note | GROUP Financial period ended 31.03.2008 RM'000 | GROUP Financial year ended 31.12.2006 RM'000 | COMPANY Financial period ended 31.03.2008 RM'000 | COMPANY Financial year ended 31.12.2006 RM'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Property, plant and equipment | | | | | |
| - purchases | | (7,709) | (6,471) | (6,806) | (5,179) |
| - proceeds from disposal | | 167 | 272 | 167 | 272 |
| Interest income received | | 1,409 | 759 | 1,066 | 465 |
| Dividend income received | | – | – | – | 7,350 |
| Acquisition of shares in a subsidiary | | – | (20,247) | – | (20,247) |
| Net cash used in investing activities | | (6,133) | (25,687) | (5,573) | (17,339) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Payment of dividends to: | | | | | |
| - shareholders | | (12,202) | (14,391) | (12,202) | (14,391) |
| Share buyback | | (1,117) | (1) | (1,117) | (1) |
| Proceeds from issue of shares | | 2 | 282 | 2 | 282 |
| Net cash used in financing activities | | (13,317) | (14,110) | (13,317) | (14,110) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | 16,178 | (40,296) | 18,597 | (39,086) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | 31,223 | 71,519 | 18,124 | 57,210 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 20 | 47,401 | 31,223 | 36,721 | 18,124 |

NON-CASH TRANSACTION

The principal non-cash transaction during the financial year is the acqusition of plant and equipment by the Group and the Company of which RM1,225,000 (2006: RM1,332,000) and RM1,056,000 (2006: RM1,192,000) respectively remain payable as at the end of the financial period/ year.

# Notes to the Financial Statements

For the Financial Period Ended 31 March 2008

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to the financial period/ year presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies' Act 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

Judgements and estimates

These estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors do not foresee that the estimates and assumptions used will have any significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except for those pertaining to property, plant and equipment as outlined in Note 1(a)(i) below:

(i) Estimated useful life and residual values of property, plant and equipment

The Group will periodically review the useful lives and residual values of property, plant and equipment in accordance with the accounting policy as stated in Note 1(c). The estimated useful lives and residual values are based on guidelines provided by the ultimate holding company as well as a review carried out by the Group's plant engineering management.

Adoption of new Financial Reporting Standards

The new accounting standards, amendments to published standard and interpretations effective and applicable for the Group's financial period beginning 1 January 2007 are as follows:

- FRS 117 Leases
- FRS 124 Related Party Disclosures
- Amendments to FRS 119 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The effects of the adoption of the above accounting standards have been disclosed in Notes 24, 30(b) and 34 to the financial statements.

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of preparation (Cont'd)

Standards and amendments to published standards that are not yet effective and have not been early adopted.

The new standards and amendments to published standards that are mandatory for the Group's financial years beginning on or after 1 April 2008 or later periods, but which the Group has not early adopted, are as follows:

- FRS 107 Cash Flow Statements. This revised standard has no significant changes as compared to the original standard.
- FRS 111 Construction Contracts. This revised standard has no significant changes as compared to the original standard.
- FRS 112 Income Taxes. This revised standard has removed the requirements that prohibit recognition of deferred tax on reinvestment allowances or other allowances in excess of capital allowances.
- FRS 118 Revenue. This revised standard has no significant changes as compared to the original standard.
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance. This revised standard allows alternative treatment for non-government grants to be recorded at nominal amount.
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation. This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.
- FRS 134 Interim Financial Reporting. This revised standard has no significant changes as compared to the original standard.
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets. This revised standard has no significant changes as compared to the original standard.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

(i) Subsidiaries

Subsidiaries are defined as those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are shown at cost. Where impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. A listing of the Group's subsidiaries is set out in Note 15.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of preparation (Cont'd)

(i) Subsidiaries (Cont'd)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill.

Goodwill arising from business combinations for agreements entered into prior to 1 January 2006 was written off against revaluation reserves. The Group has taken advantage of the exemption provided by FRS 3 to apply the standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 have not been restated to comply with the standard. Goodwill arising from business combinations for agreements on or after 1 January 2006 is tested annually for impairment and carried at cost less accumulated impairment losses.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated; realised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### b) Economic entities in the Group

Minority interest represent that portion of the profit or loss or net assets of a subsidiary attributable to equity interests that are not owned , direcly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

### (c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Buildings are subsequently shown at fair value, less subsequent depreciation and impairment losses. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board on adoption of FRS 116 'Property, Plant and Equipment', the valuation of these buildings has not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation and impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (c) Property, plant and equipment (Cont'd)

Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of such assets over their estimated useful lives at the following average annual rates:

| | |
|---|---|
| Buildings | 3% |
| Plant, machinery, equipment and vehicles | 4% - 30% |

Projects-in-progress are not depreciated until their completion.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. No revision in the estimates was made by the Group at balance sheet date, as none were deemed necessary.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit from operations.

### (d) Prepaid lease rentals

Leasehold land that normally has a finite useful life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease rentals that are amortised over the lease term in accordance with the pattern of benefits provided.

### (e) Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication of impairment. When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units).

Impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### (f) Inventories

Inventories, which include spares and operating supplies, raw materials, work-in-progress, supplies and finished goods, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Cost in the case of work-in-progress and finished goods comprises raw materials, direct labour and related factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (g) Trade receivables

Trade receivables are carried at invoice amount less an allowance of doubtful debts. Specific allowance is made for known doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Bad debts are written off when it is established that they are irrecoverable.

### (h) Cash and cash equivalents

Cash comprises cash in hand, bank balances and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts.

### (i) Income taxes

Current tax expenses are determined according to the taxation laws of Malaysia and include all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

### (j) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined benefit plan

The Group operates an unfunded defined benefit plan, taking account of the recommendations of independent qualified actuaries. The accounting cost for the retirement benefits is assessed using the projected unit credit method. Under this method, the cost for providing the benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the retirement plan every three years.

The pension obligation is measured at the present value of the estimate future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

All actuarial gains and losses are charged or credited to the income statement in the year of valuation.

(iii) Defined contribution plan

The Group contributes to the Employees Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations.

(iv) Share-based compensation

Details of the Group's Employee Share Option Scheme ('ESOS') are set out in Note 26(b) to the financial statements. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium. FRS 2 is applicable to share options granted after 31 December 2004 and had not yet vested as at 1 January 2006. The standard requires the fair value of the employee services received in exchange for the grant of such share options be recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The Group has not applied FRS 2 'Share-based Payment' during the financial period/ year, as the ESOS were granted prior to 31 December 2004. Accordingly, the Group does not recognise a charge to the income statement in connection with these share options.

### (l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (m) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### (n) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Purchase of own shares

Where the Company purchases its equity share capital, the consideration paid, including any directly attributable incremental external costs, net of tax is deducted from total shareholders' equity as treasury shares until they are cancelled, reissued or disposed of.

### (o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Rental and interest income is recognised on the accruals basis.

### (p) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings to a "proposed dividend reserve". Upon the dividend becoming payable, it will be accounted for as a liability.

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (q) Financial instruments

(i) Description

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial instruments carried on the balance sheet include cash and bank balances, receivables and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(ii) Financial instruments not recognised on the balance sheet

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

(iii) Fair value estimation for disclosure purposes

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of long term financial assets and liabilities is estimated by discounting contractual cash flows at current market interest rates available to the Group for similar financial instruments.

The carrying values for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values.

### r) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. The Group is solely involved in the manufacturing and trading of business products. Geographical segments provide products or services from within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue and assets are those amounts resulting from the operating activities of the segment that are directly attributable to the segment and the relevant portion that can be allocated to the segment on a reasonable basis.

## 2 GENERAL INFORMATION

The principal activity of the Company is the manufacturing and trading of aluminium sheet and foil products. The principal activities of the subsidiaries are shown in Note 15 to the financial statements.

The holding company of the Company is Novelis Inc., a company incorporated in Canada.

The former ultimate holding company was Novelis Inc. Following the acquisition of Novelis Inc. by Hindalco Industries Limited, a company incorporated in India, on 15 May 2007, the ultimate holding company of the Company is now Hindalco Industries Limited.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Bursa Malaysia Securities.

The address of the registered office and principal place of business of the Company is as follows:

No. 3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
Selangor Darul Ehsan

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are subject to a variety of financial risks, including fluctuations in exchange rates, interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, a comprehensive insurance programme and adherence to Group financial risk management policies. Senior management regularly reviews these risks and approves the treasury policies, which covers the management of these risks. The Board is updated on all issues arising in the management of such risks.

The Group uses financial instruments such as forward foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

Details of financial risks faced by the Group are further described as follows:

### (a) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by any of the Group companies in currencies other than their functional currency. The Group's foreign exchange risk management seeks to protect cash flows and shareholder value by limiting the impact from adverse exchange movement whilst sharing in the benefit from favourable movements. Aside from natural hedges, the Group also enters into forward foreign currency exchange contracts to limit their exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (b) Interest rate risk

The Group does not have any borrowings and hence its' operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's deposits, and is managed through the use of short term deposit placements.

### (c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty limits as well as credit periods and ensuring that sales of products and services are made to customers with an acceptable credit history. Credit facilities are accorded after formal review and have to be authorised by different levels of management according to the quantum of credit subject to approval. Loading in of orders for production as well as shipment of finished goods are subject to credit checks. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

### (d) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

## 4 REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Sale of finished goods | 492,174 | 360,243 | 472,079 | 344,235 |
| Sale of scrap | 4,371 | 13,465 | 296 | 7,424 |
| | 496,545 | 373,708 | 472,375 | 351,659 |

Revenue of the Group and Company represents the aggregate invoiced value of goods sold to customers, net of trade allowances and discounts and after eliminating sales within the Group.

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 5 OTHER OPERATING INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Dividends (gross) from | | | | |
| - unquoted investment in subsidiary | – | – | – | 7,350 |
| Interest income on | | | | |
| - short term deposits | 1,364 | 751 | 1,017 | 451 |
| - trade receivables | 65 | 23 | 65 | 24 |
| Gain on disposal of property, plant and equipment | 64 | 39 | 64 | 39 |
| Rental income | – | – | 153 | 612 |
| Miscellaneous income | 43 | 23 | 22 | 20 |
| | 1,536 | 836 | 1,321 | 8,496 |

## 6 PROFIT FROM OPERATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Profit from operations is arrived at after charging/(crediting): | | | | |
| Auditors' remuneration | 130 | 108 | 85 | 70 |
| Allowance/ (reversal of allowance) for inventory obsolescence | 352 | (24) | 241 | 59 |
| Reversal of allowance for doubtful debts | (68) | (530) | (68) | (482) |
| Loss/ (gain) on foreign exchange | | | | |
| - unrealised | 118 | 118 | 76 | 123 |
| - realised | (781) | (576) | (219) | (252) |

The cost of goods sold for the Group and the Company recognised as an expense during the year amounted to RM462,747,000 and RM441,852,000 respectively (2006: RM348,355,000 and RM331,585,000).

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 7 STAFF COSTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Wages, salaries and bonus | 25,060 | 19,261 | 22,003 | 16,840 |
| Defined contribution retirement plan | 2,461 | 2,092 | 2,278 | 1,939 |
| Defined benefit retirement plan | 608 | 590 | 566 | 534 |
| Other employee benefits | 1,094 | 661 | 1,068 | 638 |
| | 29,223 | 22,604 | 25,915 | 19,951 |

## 8 DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors of the Group and Company during the financial period/ year were as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Non-executive Directors: | | | | |
| - fees | 155 | 128 | 155 | 128 |
| Executive Directors: | | | | |
| - salaries and bonus | 856 | 779 | 554 | 664 |
| - defined contribution retirement plan | 128 | 119 | 83 | 98 |
| - estimated monetary value of benefits-in-kind | 53 | 44 | 39 | 38 |
| | 1,037 | 942 | 676 | 800 |
| Former Executive Director: | | | | |
| - salaries and bonus | – | 66 | – | 66 |
| - defined benefit retirement plan | – | 497 | – | 497 |
| - estimated monetary value of benefits-in-kind | – | 3 | – | 3 |
| | – | 566 | – | 566 |
| | 1,192 | 1,636 | 831 | 1,494 |

The Executive Directors' and former Executive Director's salaries, bonus and payments to defined contribution retirement plan are included in staff cost in the income statement for the financial period/ year.

## 8 DIRECTORS' REMUNERATION (Cont'd)

Executive Directors (including a former Executive Director) of the Company have been granted options under the Employees Share Option Scheme on the same terms and conditions as those offered to other employees of the Group (see Note 26(b)) as follows:

| Granted on | Subscription price per share | Balance as at 1.01.2007 | Granted | Exercised | Lapsed | Balance as at 31.03.2008 |
|---|---|---|---|---|---|---|
| 17.3.2000 | RM2.48 | 71,000 | – | – | (36,000) | 35,000 |

| | 31.03.2008 '000 | 31.12.2006 '000 |
|---|---|---|
| Number of share options vested at balance sheet date | 35 | 71 |

There was no exercise of share options by the Executive Directors in the current financial period.

## 9 FINANCE COST

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Bank and other financial charges | 415 | 314 | 325 | 213 |

## 10 TAX EXPENSE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Current tax | | | | |
| Current year | 8,383 | 5,745 | 7,429 | 4,800 |
| Over provision in prior years | (313) | (63) | (133) | (48) |
| | 8,070 | 5,682 | 7,296 | 4,752 |
| Deferred tax (Note 25) | | | | |
| Origination and reversal of temporary differences | (1,829) | (2,195) | (1,433) | (1,670) |
| Tax expense | 6,241 | 3,487 | 5,863 | 3,082 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 10 TAX EXPENSE (Cont'd)

The explanation of the relationship between tax expense and profit from ordinary activities before tax is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Profit from ordinary activities before tax | 24,454 | 17,453 | 21,484 | 20,207 |
| Tax calculated at the Malaysian tax rate of 26.8% (2006: 28%) | 6,554 | 4,887 | 5,758 | 5,658 |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 517 | 504 | 457 | 381 |
| - income not subject to tax | – | – | – | (2,058) |
| - double deduction claims | (165) | (108) | (74) | (56) |
| - utilisation of reinvestment allowances | (143) | (693) | (72) | – |
| - changes in future applicable tax rates | (126) | (1,040) | (73) | (795) |
| - others | (83) | – | – | – |
| Overprovision in prior years | (313) | (63) | (133) | (48) |
| Tax expense | 6,241 | 3,487 | 5,863 | 3,082 |

The Group and the Company have no unutilised reinvestment allowances as at 31 March 2008 (2006: Nil) available for set-off against future assessable income.

## 11 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group net profit attributable to shareholders for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

| | GROUP | |
|---|---|---|
| | Financial period ended 31.03.2008 | Financial year ended 31.12.2006 |
| Net profit attributable to shareholders (RM '000) | 18,213 | 13,966 |
| Weighted average number of ordinary shares in issue ('000) | 133,201 | 133,189 |
| Basic earnings per share (sen) | 13.7 | 10.5 |

## 11 EARNINGS PER SHARE (Cont'd)

### (b) Diluted earnings per share

For diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares pertaining to share options granted to employees.

In respect of share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for shares for no consideration. This calculation serves to determine the 'bonus' element in the share options outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the period for the share options calculation.

| | GROUP | |
|---|---|---|
| | Financial period ended 31.03.2008 | Financial year ended 31.12.2006 |
| Net profit attributable to shareholders (RM'000) | **18,213** | 13,966 |
| Weighted average number of ordinary shares in issue ('000) | **133,201** | 133,189 |
| Adjustment for share options ('000) | **4** | 32 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **133,205** | 133,221 |
| Diluted earnings per share (sen) | **13.7** | 10.5 |

## 12 DIVIDENDS

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 | | Financial year ended 31.12.2006 | |
| | Dividends per share Sen | Amount of dividends, net of tax RM'000 | Dividends per share Sen | Amount of dividends, net of tax RM'000 |
| Interim dividends | | | | |
| Financial period ended 31 March 2008 | | | | |
| - paid on 15 June 2007, less 27% tax | **7.5** | **7,297** | – | – |
| - paid on 31 March 2008, less 26% tax | **5.0** | **4,905** | – | – |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 12 DIVIDENDS (Cont'd)

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 | | Financial year ended 31.12.2006 | |
| | Dividends per share Sen | Amount of dividends, net of tax RM'000 | Dividends per share Sen | Amount of dividends, net of tax RM'000 |
| Interim dividends (Cont'd) | | | | |
| Financial year ended 31 December 2006 | | | | |
| - paid on 15 June 2006, less 28% tax | – | – | 7.5 | 7,194 |
| - paid on 3 November 2006, less 28% tax | – | – | 7.5 | 7,197 |
| | 12.5 | 12,202 | 15.0 | 14,391 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| GROUP | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31.03.2008 | | | | |
| Cost or valuation | | | | |
| At beginning of the period | | | | |
| - Cost | 12,675 | 239,668 | 1,669 | 254,012 |
| - Valuation | 10,200 | – | – | 10,200 |
| | 22,875 | 239,668 | 1,669 | 264,212 |
| Additions | – | – | 7,602 | 7,602 |
| Disposals/ written off | (1) | (8,604) | – | (8,605) |
| Reclassifications | 250 | 7,978 | (8,228) | – |
| At end of the year | 23,124 | 239,042 | 1,043 | 263,209 |
| Accumulated depreciation | | | | |
| At beginning of the period | 12,629 | 161,558 | – | 174,187 |
| Charge for the period | 1,037 | 13,105 | | 14,142 |
| Disposals/ written off | (1) | (8,443) | – | (8,444) |
| At end of the period | 13,665 | 166,220 | – | 179,885 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| GROUP | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31.03.2008 (Cont'd) | | | | |
| Accumulated impairment loss | | | | |
| At beginning of the period | – | 125 | – | 125 |
| Impairment for the period | – | – | – | – |
| At end of the period | – | 125 | – | 125 |
| Net book value | | | | |
| - Cost | 7,434 | 72,697 | 1,043 | 81,174 |
| - Valuation | 2,025 | – | – | 2,025 |
| | 9,459 | 72,697 | 1,043 | 83,199 |

| GROUP | Long leasehold land RM'000 | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 31.12.2006 | | | | | |
| Cost or valuation | | | | | |
| At beginning of the year | | | | | |
| - Cost | – | 12,307 | 234,210 | 2,823 | 249,340 |
| - Valuation | 20,000 | 10,200 | – | – | 30,200 |
| | 20,000 | 22,507 | 234,210 | 2,823 | 279,540 |
| Additions | – | – | – | 5,096 | 5,096 |
| Disposals | – | – | (424) | – | (424) |
| Reclassifications | – | 368 | 5,882 | (6,250) | – |
| Reclassification per FRS 117 (Note 34) | (20,000) | – | – | – | (20,000) |
| At end of the year | – | 22,875 | 239,668 | 1,669 | 264,212 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| GROUP | Long leasehold land RM'000 | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 31.12.2006 (Cont'd) | | | | | |
| Accumulated depreciation | | | | | |
| At beginning of the year | 4,567 | 11,687 | 150,244 | – | 166,498 |
| Charge for the year | – | 942 | 11,505 | – | 12,447 |
| Disposals | – | – | (191) | – | (191) |
| Reclassification per FRS 117 (Note 34) | (4,567) | – | – | – | (4,567) |
| At end of the year | – | 12,629 | 161,558 | – | 174,187 |
| Accumulated impairment loss | | | | | |
| At beginning of the year | – | – | 125 | – | 125 |
| Impairment for the year | – | – | – | – | – |
| At end of the year | – | – | 125 | – | 125 |
| Net book value | | | | | |
| - Cost | – | 7,899 | 77,985 | 1,669 | 87,553 |
| - Valuation | – | 2,347 | – | – | 2,347 |
| | – | 10,246 | 77,985 | 1,669 | 89,900 |

| COMPANY | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31.03.2008 | | | | |
| Cost or valuation | | | | |
| At beginning of the period | | | | |
| - Cost | **12,669** | **206,203** | **1,561** | **220,433** |
| - Valuation | **10,200** | **–** | **–** | **10,200** |
| | **22,869** | **206,203** | **1,561** | **230,633** |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| COMPANY | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31.03.2008 (Cont'd) | | | | |
| Cost or valuation (Cont'd) | | | | |
| Additions | – | – | 6,670 | 6,670 |
| Disposals/ written off | (1) | (8,042) | – | (8,043) |
| Reclassifications | 250 | 6,989 | (7,239) | – |
| At end of the period | 23,118 | 205,150 | 992 | 229,260 |
| Accumulated depreciation | | | | |
| At beginning of the period | 12,623 | 143,889 | – | 156,512 |
| Charge for the period | 1,037 | 10,994 | – | 12,031 |
| Disposals/ written off | (1) | (7,888) | – | (7,889) |
| At end of the period | 13,659 | 146,995 | – | 160,654 |
| Net book value | | | | |
| - Cost | 7,434 | 58,155 | 992 | 66,581 |
| - Valuation | 2,025 | – | – | 2,025 |
| | 9,459 | 58,155 | 992 | 68,606 |

| COMPANY | Long leasehold land RM'000 | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 31.12.2006 | | | | | |
| Cost or valuation | | | | | |
| At beginning of the year | | | | | |
| - Cost | – | 12,301 | 202,074 | 2,301 | 216,676 |
| - Valuation | 20,000 | 10,200 | – | – | 30,200 |
| | 20,000 | 22,501 | 202,074 | 2,301 | 246,876 |

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| COMPANY | Long leasehold land RM'000 | Buildings RM'000 | Plant, machinery, equipment and vehicles RM'000 | Projects-in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 31.12.2006 (Cont'd) | | | | | |
| Cost or valuation (Cont'd) | | | | | |
| Additions | – | – | – | 4,181 | 4,181 |
| Disposals | – | – | (424) | – | (424) |
| Reclassifications | – | 368 | 4,553 | (4,921) | – |
| Reclassification per FRS 117 (Note 34) | (20,000) | – | – | – | (20,000) |
| At end of the year | – | 22,869 | 206,203 | 1,561 | 230,633 |
| Accumulated depreciation | | | | | |
| At beginning of the year | 4,567 | 11,681 | 134,247 | – | 150,495 |
| Charge for the year | – | 942 | 9,833 | – | 10,775 |
| Disposals | – | – | (191) | – | (191) |
| Reclassification per FRS 117 (Note 34) | (4,567) | – | – | – | (4,567) |
| At end of the year | – | 12,623 | 143,889 | – | 156,512 |
| Net book value | | | | | |
| - Cost | – | 7,899 | 62,314 | 1,561 | 71,774 |
| - Valuation | – | 2,347 | – | – | 2,347 |
| | – | 10,246 | 62,314 | 1,561 | 74,121 |

| | GROUP AND COMPANY 31.03.2008 RM'000 | GROUP AND COMPANY 31.12.2006 RM'000 |
|---|---|---|
| Net book value of revalued assets had these assets been carried at cost less accumulated depreciation: | | |
| - Buildings | **2,229** | 2,581 |
| | **2,229** | 2,581 |

## 14 PREPAID LEASE RENTALS

| | GROUP AND COMPANY 31.03.2008 RM'000 | GROUP AND COMPANY 31.12.2006 RM'000 |
|---|---|---|
| At beginning of period/ year (Note 34) | **15,433** | 15,622 |
| Amortisation for the period/ year | **(239)** | (189) |
| At end of the period/ year | **15,194** | 15,433 |
| Valuation | **15,622** | 15,622 |
| Accumulated amortisation | **(428)** | (189) |
| | **15,194** | 15,433 |

The prepaid lease payments are in respect of a land with a tenure of 99 years leasehold expiring in year 2088.

## 15 SUBSIDIARIES

| | COMPANY 31.03.2008 RM'000 | COMPANY 31.12.2006 RM'000 |
|---|---|---|
| Unquoted shares at cost | **26,860** | 26,860 |

The details of the subsidiaries are as follows:

| Name | Principal activities | Country of incorporation | Company's effective interest 31.03.2008 % | Company's effective interest 31.12.2006 % |
|---|---|---|---|---|
| Alcom Nikkei Specialty Coatings Sdn Bhd | Manufacturing and trading of pre-coated finstocks for use in air-conditioners | Malaysia | **100** | 100 |
| Al DOTCOM Sdn Bhd | Dormant | Malaysia | **100** | 100 |
| Alcom (Singapore) Pte Ltd* | Investment holding - struck off register in February 2007 | Singapore | **–** | 100 |

* Not audited by PricewaterhouseCoopers, Malaysia.

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 16 INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Raw materials | 17,793 | 18,714 | 13,999 | 14,927 |
| Work-in-progress | 24,009 | 27,740 | 23,064 | 26,896 |
| Finished goods | 15,180 | 14,119 | 9,618 | 9,281 |
| Operating supplies and spare parts | 9,212 | 8,641 | 8,160 | 7,786 |
| | 66,194 | 69,214 | 54,841 | 58,890 |

## 17 TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Trade receivables | 48,759 | 39,371 | 27,344 | 23,697 |
| Less: Allowance for doubtful debts | – | (68) | – | (68) |
| | 48,759 | 39,303 | 27,344 | 23,629 |
| The currency exposure profile of trade receivables is as follows: | | | | |
| - Ringgit Malaysia | 25,858 | 23,715 | 17,572 | 14,861 |
| - US Dollar | 22,479 | 14,679 | 9,350 | 7,992 |
| - Singapore Dollar | 422 | 776 | 422 | 776 |
| - Japanese Yen | – | 133 | – | – |
| | 48,759 | 39,303 | 27,344 | 23,629 |

Credit terms of trade receivables of the Group and the Company range from 15 days to 75 days (2006: payment in advance to 75 days).

## 18 AMOUNTS DUE FROM SUBSIDIARY COMPANIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Amounts due from subsidiaries: | | | | |
| Trade | – | – | 21,268 | 20,223 |
| Non-trade | – | – | 242 | 195 |
| Total | – | – | 21,510 | 20,418 |

## 18 AMOUNTS DUE FROM SUBSIDIARY COMPANIES (Cont'd)

Amounts due from subsidiary companies are denominated in Ringgit Malaysia.

The trade balances due from subsisiary companies are unsecured, interest free and have credit terms ranging from 30 to 60 days days (2006: 30 to 60 days). The non-trade balances due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

## 19 OTHER RECEIVABLES AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Prepayments | **2,000** | 161 | **1,114** | 154 |
| Deposits | **140** | 128 | **127** | 118 |
| Employee loans and other receivables | **449** | 212 | **314** | 134 |
| Total | **2,589** | 501 | **1,555** | 406 |
| The currency exposure profile of other receivables and prepayments is as follows: | | | | |
| - Ringgit Malaysia | **1,657** | 230 | **1,374** | 136 |
| - US Dollar | **842** | 205 | **91** | 205 |
| - Sterling Pound | **51** | – | **51** | – |
| - Singapore Dollar | **24** | 22 | **24** | 21 |
| - Japanese Yen | **15** | – | **15** | – |
| - Euro | **–** | 44 | **–** | 44 |
| | **2,589** | 501 | **1,555** | 406 |

## 20 DEPOSITS, CASH AND BANK BALANCES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Deposits with licensed discount houses | **41,810** | 27,600 | **31,860** | 14,800 |
| Deposits with licensed banks | **1,203** | 1,433 | **1,203** | 1,433 |
| Cash and bank balances | **4,388** | 2,190 | **3,658** | 1,891 |
| | **47,401** | 31,223 | **36,721** | 18,124 |

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 20 DEPOSITS, CASH AND BANK BALANCES (Cont'd)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| The currency exposure profile of deposits, cash and bank balances is as follows: | | | | |
| - Ringgit Malaysia | 47,396 | 31,216 | 36,716 | 18,117 |
| - US Dollar | 5 | 7 | 5 | 7 |
| | 47,401 | 31,223 | 36,721 | 18,124 |

The weighted average interest rates on period/ year end deposit placements were as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 % | 31.12.2006 % | 31.03.2008 % | 31.12.2006 % |
| Deposits with licensed discount houses | 3.29 | 3.21 | 3.28 | 3.21 |
| Deposit with licensed banks | 2.50 | 2.65 | 2.50 | 2.65 |

The deposits of the Group and the Company have maturity periods which range from overnight to 12 days (2006: 5 to 31 days). Bank balances are deposits held at call with banks and are non-interest bearing.

## 21 TRADE PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Trade payables | 19,521 | 4,707 | 17,326 | 3,772 |
| Trade related accruals | 6,261 | 4,768 | 5,573 | 3,986 |
| Payroll related accruals | | | | |
| - provision for retirement benefits (Note 24) | 297 | 306 | 297 | 306 |
| - others | 4,445 | 2,851 | 4,066 | 2,618 |
| | 30,524 | 12,632 | 27,262 | 10,682 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 21 TRADE PAYABLES (Cont'd)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| The currency exposure profile of trade payables is as follows: | | | | |
| - Ringgit Malaysia | **15,801** | 11,401 | **13,001** | 9,701 |
| - US Dollar | **14,346** | 1,035 | **14,127** | 949 |
| - Japanese Yen | **243** | 164 | **–** | – |
| - Singapore Dollar | **133** | 19 | **133** | 19 |
| - Australian Dollar | **–** | 11 | **–** | 11 |
| - Canadian Dollar | **–** | 2 | **–** | 2 |
| - Euro | **1** | – | **1** | – |
| | **30,524** | 12,632 | **27,262** | 10,682 |

Credit terms of trade payables granted to the Group and the Company vary from 7 days terms to 90 days (2006: cash terms to 90 days).

## 22 OTHER PAYABLES AND ACCRUALS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Plant and equipment purchases payable | **1,225** | 1,332 | **1,056** | 1,192 |
| Other accruals and sundry payables | **2,144** | 2,017 | **1,982** | 1,902 |
| | **3,369** | 3,349 | **3,038** | 3,094 |
| The currency exposure profile of other payables and accruals is as follows: | | | | |
| - Ringgit Malaysia | **2,776** | 2,059 | **2,446** | 1,804 |
| - US Dollar | **573** | 1,220 | **573** | 1,220 |
| - Sterling Pound | **19** | 56 | **19** | 56 |
| - JapaneseYen | **1** | – | **–** | – |
| - Singapore Dollar | **–** | 12 | **–** | 12 |
| - Euro | **–** | 2 | **–** | 2 |
| | **3,369** | 3,349 | **3,038** | 3,094 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 23 AMOUNTS DUE TO RELATED COMPANIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Trade | | | | |
| Amounts due to: | | | | |
| - subsidiary company | – | – | 591 | – |
| - other related companies | – | 3,950 | – | 3,950 |
| | – | 3,950 | 591 | 3,950 |
| Non-trade | | | | |
| Amounts due to: | | | | |
| - subsidiary company | – | – | – | 163 |
| - other related companies | 10 | – | 10 | – |
| | 10 | – | 10 | 163 |
| Total | 10 | 3,950 | 601 | 4,113 |
| The currency exposure profile of amounts due to related companies is as follows: | | | | |
| - Ringgit Malaysia | – | – | 591 | 163 |
| - US Dollar | 3 | 3,950 | 3 | 3,950 |
| - Euro | 7 | – | 7 | – |
| | 10 | 3,950 | 601 | 4,113 |

The trade balances due to subsidiary company and other related companies are unsecured, interest free and have credit terms of 30 days (2006: 15 to 30 days). The non-trade balances due to subsidiary company and other related companies are unsecured, interest free and have no fixed terms of repayment.

## 24 PROVISION FOR RETIREMENT BENEFITS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Defined benefit retirement plan | | | | |
| At beginning of the period/year | 4,858 | 5,308 | 4,604 | 5,110 |
| Charged to the income statement* | 608 | 590 | 566 | 534 |
| Benefits paid | (387) | (1,040) | (387) | (1,040) |
| At end of the period/year | 5,079 | 4,858 | 4,783 | 4,604 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 24 PROVISION FOR RETIREMENT BENEFITS (Cont'd)

The amounts recognised in the balance sheets are reconciled as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Present value of unfunded obligations | 5,079 | 4,858 | 4,783 | 4,604 |
| Unrecognised actuarial gains | – | – | – | – |
| | 5,079 | 4,858 | 4,783 | 4,604 |

Reflected on the balance sheets as:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Current (Note 22) | 297 | 306 | 297 | 306 |
| Non-current | 4,782 | 4,552 | 4,486 | 4,298 |
| | 5,079 | 4,858 | 4,783 | 4,604 |

The movement in the present value of unfunded obligations are as follows:

Defined benefit retirement plan

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| At beginning of the period/year | 4,858 | 5,308 | 4,604 | 5,110 |
| Current service cost | 380 | 293 | 350 | 273 |
| Interest cost | 228 | 217 | 216 | 206 |
| Actuarial (gains)/losses | – | 80 | – | 55 |
| Benefits paid | (387) | (1,040) | (387) | (1,040) |
| At end of the period/year | 5,079 | 4,858 | 4,783 | 4,604 |

* The charge to the income statement is analysed as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Current service cost | 380 | 293 | 350 | 273 |
| Interest cost | 228 | 217 | 216 | 206 |
| Actuarial (gains)/losses | – | 80 | – | 55 |
| | 608 | 590 | 566 | 534 |

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 24 PROVISION FOR RETIREMENT BENEFITS (Cont'd)

The principal actuarial assumptions used in respect of the defined benefit plan were as follows:

| | GROUP AND COMPANY | |
|---|---|---|
| | 31.03.2008 | 31.12.2006 |
| | % | % |
| Discount rate | 5.0 | 5.0 |
| Expected average rate of salary increases | 4.3 | 4.3 |

The Group operates an unfunded final salary defined benefit plan for its employees. Independent actuaries value the scheme every 3 years using the projected unit credit method. The latest actuarial valuation was carried out on 21 December 2006.

The discount rate used is based on investment grade private debt securities with tenure approximating the tenure of the pension liability. The salary growth takes into account market factors such as inflation rate.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 | 31.12.2006 | 31.03.2008 | 31.12.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Present value of unfunded obligations | 5,079 | 4,858 | 4,783 | 4,604 |
| Experience (gain)/loss adj on plan liabilities | – | 80 | – | 55 |

## 25 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 | 31.12.2006 | 31.03.2008 | 31.12.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax liabilities: | | | | |
| At start of period/year | 13,524 | 15,719 | 10,289 | 11,959 |
| Credited to income statement: (Note 10) | | | | |
| - property, plant and equipment | (1,688) | (2,542) | (1,266) | (2,069) |
| - provisions and allowances | (141) | 347 | (167) | 399 |
| | (1,829) | (2,195) | (1,433) | (1,670) |
| At end of period/year | 11,695 | 13,524 | 8,856 | 10,289 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 25 DEFERRED TAXATION (Cont'd)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Subject to income tax: | | | | |
| Deferred tax liabilities (before offsetting) | | | | |
| - property, plant and equipment | 15,064 | 16,752 | 11,934 | 13,200 |
| Offsetting | (3,369) | (3,228) | (3,078) | (2,911) |
| Deferred tax liabilities (after offsetting) | 11,695 | 13,524 | 8,856 | 10,289 |
| Deferred tax assets (before offsetting) | | | | |
| - provisions and allowances | 3,369 | 3,228 | 3,078 | 2,911 |
| Offsetting | (3,369) | (3,228) | (3,078) | (2,911) |
| Deferred tax assets (after offsetting) | – | – | – | – |

## 26 SHARE CAPITAL

| | GROUP AND COMPANY | |
|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Authorised: | | |
| Ordinary shares of RM1.00 each | 200,000 | 200,000 |
| Issued and fully paid: | | |
| Ordinary shares of RM1.00 each | | |
| At beginning of the period/year | 134,329 | 134,065 |
| Share options exercised during the period/year | 2 | 264 |
| At end of the period/year | 134,331 | 134,329 |

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 26 SHARE CAPITAL (Cont'd)

### (a) Treasury shares

During the 15 month period ended 31 March 2008, the Company repurchased 1,022,200 (2006: 1,000) of its issued share capital from the open market for RM1,117,198 (2006: RM1,410) at RM1.09 (2006: RM1.41) per share, with internally generated funds. The shares repurchased are being held as treasury shares (Note 27) as allowed under Section 67A of the Companies Act 1965. There were no resale or cancellation of treasury shares during the financial period. Treasury shares have no right to voting, dividends and participation in other distribution.

At balance sheet date, of the total 134,330,848 (2006: 134,328,848) issued and fully paid ordinary shares, 2,069,000 (2006: 1,046,800) are held as treasury shares by the Company. At balance sheet date, the number of shares with voting rights in issued and fully paid share capital is 132,261,848 (2006: 133,282,048) ordinary shares of RM1.00 each.

### (b) Employee Share Option Scheme ('ESOS')

The main features of the ESOS are as follows:

(i) The total number of shares to be issued by the Company shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company.

(ii) The option price shall be based on the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by the Malaysian Securities Exchange Berhad for the 5 market days preceding the offer date, or the par value of the Company of RM1.00 whichever is the higher.

(iii) The ESOS scheme shall be in force for a period of 10 years up to 13 March 2010.

The movements during the financial period in the number of options over the shares of the Company pursuant to the ESOS are as follows:

| Granted on | Subscription price per share | Balance as at 1.1.2007 '000 | Granted '000 | Exercised '000 | Lapsed '000 | Balance as at 31.03.2008 '000 |
|---|---|---|---|---|---|---|
| 17.3.2000 | RM2.48 | 1,691 | – | – | (209) | 1,482 |
| 19.6.2001 | RM1.07 | 40 | – | (2) | (21) | 17 |
| | | 1,731 | – | (2) | (230) | 1,499 |

| | 31.03.2008 '000 | 31.12.2006 '000 |
|---|---|---|
| Number of share options vested at balance sheet date | 1,499 | 1,731 |

## 26 SHARE CAPITAL (Cont'd)

Details relating to options exercised during the financial period/year are as follows:

| Exercise date | Fair value of shares at share issue date RM/share | Exercise price RM/share | Number of shares issued 31.03.2008 '000 | 31.12.2006 '000 |
|---|---|---|---|---|
| 28 April 2006 | 1.44 | 1.07 | | 20 |
| 5 June 2006 | 1.47 | 1.07 | | 173 |
| 12 July 2006 | 1.43 | 1.07 | | 57 |
| 14 August 2006 | 1.41 | 1.07 | | 14 |
| 5 February 2007 | 1.36 | 1.07 | 2 | |
| | | | 2 | 264 |

| | GROUP AND COMPANY 31.03.2008 RM'000 | 31.12.2006 RM'000 |
|---|---|---|
| Ordinary share capital - at par | 2 | 264 |
| Share premium | – | 18 |
| Proceeds received on exercise of share options | 2 | 282 |
| Fair value at exercise date of shares issued | 3 | 384 |

In 2006, the shareholders approved a new ESOS to replace the abovementioned scheme. This new scheme will however only come into effect when the existing ESOS is terminated upon consent from all existing option holders.

## 27 REVALUATION AND OTHER RESERVES

| | GROUP 31.03.2008 RM'000 | 31.12.2006 RM'000 | COMPANY 31.03.2008 RM'000 | 31.12.2006 RM'000 |
|---|---|---|---|---|
| Non-distributable: | | | | |
| Revaluation reserve | 468 | 4,500 | 4,500 | 4,500 |
| Capital redemption reserve | 4,000 | 4,000 | 4,000 | 4,000 |
| Reserve on consolidation | – | 11 | – | – |
| Treasury shares | (2,321) | (1,204) | (2,321) | (1,204) |
| | 2,147 | 7,307 | 6,179 | 7,296 |
| Goodwill written-off | – | (4,032) | – | – |
| | 2,147 | 3,275 | 6,179 | 7,296 |

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 27 REVALUATION AND OTHER RESERVES (Cont'd)

Revaluation reserve

The revaluation reserve represents the surplus arising from the revaluation of certain leasehold land and buildings of the Company in 1985.

Capital redemption reserve

The capital redemption reserve was created upon the redemption of the cumulative redeemable preference shares of the Company in 1996.

Treasury shares

The shares repurchased are being held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965. There were no resale or cancellation of treasury shares during the financial period. Treasury shares have no rights to voting, dividends and participation in other distribution.

Goodwill written-off

Goodwill arose on acquisition of shares in a subsidiary in 2006. Goodwill, which represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary at the date of acquisition, was written-off against revaluation reserves.

## 28 REVENUE RESERVE

Subject to agreement by the tax authority the Company has sufficient Section 108 tax credits and tax exempt income to frank approximately RM45,814,000 (2006: RM39,740,000) of the revenue reserve of the Company as at 31 March 2008 if paid out as dividends. The extent of the revenue reserve not covered at that date amounted to RM17,273,000 (2006: RM19,928,000).

Under the single-tier system which came into effect from the year of assessment 2008, the Company is not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of the shareholders. The Company may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless the Company opts to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

## 29 FUTURE CAPITAL EXPENDITURE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Authorised capital expenditure for property, plant and equipment not provided for in the financial statements are as follows: | | | | |
| - contracted | 1,147 | 1,571 | 1,096 | 1,571 |
| - not contracted | 1,209 | 1,339 | 1,102 | 1,184 |
| | 2,356 | 2,910 | 2,198 | 2,755 |

## 30 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

In the normal course of business, the Group and the Company undertakes, on agreed terms and prices, a variety of transactions with certain companies some of whom are shareholders or share common shareholders or share a common ultimate holding company. The material related party transactions between the Group and the Company and these entities are described below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Income | | | | |
| Sales of finished goods to: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia | – | – | 147,585 | 111,994 |
| Rental income from: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia | – | – | 153 | 612 |
| Expenditure | | | | |
| Purchases of materials from: - Novelis Korea Ltd, a related company incorporated in Korea | 33,621 | 34,391 | 33,621 | 34,391 |
| Purchase of scrap from: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia | – | – | 11,605 | 6,877 |
| Technical service fees charged by - Novelis Inc., holding company | 434 | 413 | 290 | 275 |

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 30 SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

### (b) Key management remuneration

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include the Executive Directors and certain members of senior management of the Group. The remuneration below is inclusive of home country salary and other benefit payments made to expatriate staff.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 | Financial period ended 31.03.2008 RM'000 | Financial year ended 31.12.2006 RM'000 |
| Key management personnel remuneration are as follows: | | | | |
| Salaries and bonus | 2,936 | 2,647 | 2,238 | 2,007 |
| Defined contribution retirement plan | 211 | 210 | 211 | 210 |
| Defined benfit retirement plan | – | 485 | – | 485 |
| Estimated monetary value of benefits-in-kind | 242 | 189 | 159 | 132 |
| | 3,389 | 3,531 | 2,608 | 2,834 |

## 31 FINANCIAL INSTRUMENTS

Details of the Group's credit risk, financial instruments entered into and the fair values of financial assets and liabilities are as follows:

### (a) Credit risk

Trade receivables

There is limited concentration of credit risk in respect of trade receivables due to the spread of the number of customers both in the domestic and in export markets. Export sales are in fact subject to tighter rules and control in view of the sovereign risk. The level and aging of receivables as at period/ year end fall within the Group's historical experience of collection. As such, management believes that no additional credit risk beyond the amount already provided as allowance for doubtful debts exists.

Short term deposit placements

The Group and the Company does not have any significant concentration of credit risk except that the majority of its deposits are placed with major discount houses in Malaysia.

## 31 FINANCIAL INSTRUMENTS (Cont'd)

### (b) Forward foreign exchange contracts

Aside from using natural hedges, the Group also enters into forward foreign currency exchange contracts to limit their exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

31.03.2008

As at 31 March 2008, the settlement dates of these open forward contracts range between 1 month to 2 months. The foreign currency amounts to be received and contractual exchange rates of the Company's outstanding contracts are as follows:

| Hedged item | Currency to be received | Currency to be paid | RM equivalent | Contractual rate |
|---|---|---|---|---|
| Trade receivables: SGD91,000 | Ringgit Malaysia | Singapore Dollar | 209,000 | RM1 = SGD0.436 |
| Trade receivables: USD3,078,000 | Ringgit Malaysia | United States Dollar | 9,870,000 | range from RM1 = USD0.309 to RM1 = USD0.314 |

In addition to the above, the outstanding contracts entered into by other Group companies are as follows:

| Hedged item | Currency to be received | Currency to be paid | RM equivalent | Contractual rate |
|---|---|---|---|---|
| Trade receivables: USD3,984,000 | Ringgit Malaysia | United States Dollar | 12,770,000 | Range from RM1 = USD0.309 to RM1=USD0.314 |

31.12.2006

As at 31 December 2006, the settlement dates of these open forward contracts range between 1 month to 3 months. The foreign currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were as follows:

| Hedged item | Currency to be received | Currency to be paid | RM equivalent | Contractual rate |
|---|---|---|---|---|
| Trade payables: USD591,000 | United States Dollar | Ringgit Malaysia | 2,081,000 | RM1 = USD0.284 |
| Trade receivables SGD335,000 | Ringgit Malaysia | Singapore Dollar | 776,000 | RM1 = USD0.432 |
| Trade receivables SGD1,369,000 | Ringgit Malaysia | United States Dollar | 4,901,000 | Range from RM1 = USD0.279 to RM1 = USD0.284 |

# Notes to the Financial Statements (Cont'd)
For the Financial Period Ended 31 March 2008

## 31 FINANCIAL INSTRUMENTS (Cont'd)

### (b) Forward foreign exchange contracts (Cont'd)

31.12.2006 (Cont'd)

In addition to the above, the outstanding contracts entered into by other Group companies are as follows:

| Hedged item | Currency to be received | Currency to be paid | RM equivalent | Contractual rate |
|---|---|---|---|---|
| Trade receivables: USD1,799,000 | Ringgit Malaysia | United States Dollar | 6,482,000 | RM1 = USD0.277 |

### (c) Fair values

The fair value of the outstanding forward foreign exchange contracts of the Group and the Company at the balance sheet date was a favourable position of RM361,006 and RM159,250 respectively (2006: favourable position of RM305,590 and RM102,078 respectively).

The carrying amounts of the provision for retirement benefits and other financial assets and liabilities of the Group and Company at the balance sheet date approximate their fair values.

## 32 SEGMENT INFORMATION

### (a) Primary segment - business

The Group is solely involved in the manufacturing and trading of aluminium products.

### (b) Secondary segment - geographical

In determining the geographical segments of the Group, sales are based on the region in which the customer is located. Total assets and capital expenditure are determined based on where the assets are located.

| | Revenue | | Total assets | | Capital expenditure | |
|---|---|---|---|---|---|---|
| | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 | 31.03.2008 RM'000 | 31.12.2006 RM'000 |
| Malaysia * | 332,677 | 255,890 | 263,336 | 245,574 | 7,602 | 5,096 |
| Asia | 105,925 | 91,024 | – | – | – | – |
| Other regions | 57,943 | 26,794 | – | – | – | – |
| | 496,545 | 373,708 | 263,336 | 245,574 | 7,602 | 5,096 |

* Included in sales to Malaysian customers are sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas amounting to RM102,861,000 (2006: RM76,282,000).

# Notes to the Financial Statements (Cont'd)

For the Financial Period Ended 31 March 2008

## 33 SIGNIFICANT EVENT

With effect from 15 May 2007, the ultimate holding company of the Group was changed to Hindalco Industries Limited, a company incorporated in India, following the acquisition of the entire equity interest in Novelis Inc., the former ultimate holding company of the Group, by AV Metal Inc., a wholly owned subsidiary of Hindalco Industries Limited.

Consequently, the Group changed its financial year end from 31 December to 31 March to coincide with that of the new ultimate holding company.

## 34 CHANGES IN ACCOUNTING POLICIES

FRS 117 Leases

Under FRS 117, if the land title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be an operating lease. The Group previously classified its leasehold land as property, plant and equipment. Adoption of FRS 117 has resulted in the reclassficiation of the leasehold land from property, plant and equipment to prepaid lease rentals on the balance sheet.

The effects of adoption of FRS 117 on the Group's and Company's financial statements are as follows:

| GROUP | As previously reported RM'000 | Effects of reclassification RM'000 | As restated RM'000 |
|---|---|---|---|
| Balance sheet as at 31.12.2006: | | | |
| Property, plant and equipment | 105,333 | (15,433) | 89,900 |
| Prepaid lease rentals | – | 15,433 | 15,433 |
| **COMPANY** | | | |
| Balance sheet as at 31.12.2006: | | | |
| Property, plant and equipment | 89,554 | (15,433) | 74,121 |
| Prepaid lease rentals | – | 15,433 | 15,433 |

## 35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 May 2008.

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar** and **Tan See Ping**, two of the Directors of Aluminium Company of Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 41 to 85 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and of the results and cash flows of the Group and of the Company for the financial period ended on that date in accordance with provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 May 2008.

**Y.A.M. TUNKU TAN SRI IMRAN IBNI TUANKU JA'AFAR**
DIRECTOR

**TAN SEE PING**
DIRECTOR

Bukit Raja, Klang

# Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Krishna Prasad a/l Balakrishnan Nair**, being the officer primarily responsible for the financial management of Aluminium Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 41 to 85 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**KRISHNA PRASAD A/L BALAKRISHNAN NAIR**

Subscribed and solemnly declared by the abovenamed Krishna Prasad a/l Balakrishnan Nair at Bukit Raja, Klang in Malaysia on 27 May 2008 before me.

**COMMISSIONER FOR OATHS**

PESURUHJAYA SUMPAH
NO: B144
NAMA: S. SELVARAJAH
MALAYSIA

92M, JALAN SS21/39,
DAMANSARA UTAMA P.J
TEL: 7728 2811
H/P: 013-369 4119

# Report of the Auditors

To the Members of Aluminium Company of Malaysia Berhad (Company No. 3859-U)

We have audited the financial statements set out on pages 41 to 85. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purposes. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:

   (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

   (ii) the state of affairs of the Group and of the Company as at 31 March 2008 and of the results and cash flows of the Group and of the Company for the financial period ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**PRICEWATERHOUSECOOPERS**
(No. AF: 1146)
Chartered Accountants

**LEE TUCK HENG**
(No. 2092/09/08 (J))
Partner of the firm

Kuala Lumpur
27 May 2008

# Property of the Group

As at 31 March 2008

| Location | Description | Tenure | Land Area | Approximate Built up Area (sq.metre) | Age of Building (years) | Net Book Value | Year of revaluation |
|---|---|---|---|---|---|---|---|
| No. 3, Persiaran Waja Kawasan Perindustrian Bukit Raja 41050 Klang Selangor Darul Ehsan | Factory and office building | 99 years leasehold Expiring in year 2088 | 12.1 hectares | 35,964 | Range from 17 to 26 | RM24.7 million | 1985 |

**ALUMINIUM COMPANY OF MALAYSIA BERHAD**
(Company No. 3859-U)

# Form of Proxy

Forty-Seventh Annual General Meeting

I/We, ____________________________________________
(Full name in block capitals)

of ____________________________________________
(Address)

being a Member/Members of Aluminium Company of Malaysia Berhad, hereby appoint ____________________

____________________________________________
(Full name in block capitals)

of ____________________________________________
(Address)

or failing him ____________________________________________
(Full name in block capitals)

of ____________________________________________
(Address)

as my/our proxy to attend and vote for me/us on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be held on Thursday, 28 August 2008 at 11.45 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

| | | | FOR | AGAINST |
|---|---|---|---|---|
| 1. | Resolution 1 | Adoption of the Audited Financial Statements for the period ended 31 March 2008 and Directors' and Auditors' Reports | | |
| 2. | Resolution 2 | Re-election of Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar | | |
| 3. | Resolution 3 | Re-election of Mr. Tan See Ping | | |
| 4. | Resolution 4 | Approval of Directors' Fee | | |
| 5. | Resolution 5 | Re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company | | |
| 6. | Resolution 6 | As Special Business: Ordinary Resolution<br>Section 132D, Companies Act, 1965 - Issue of New Shares | | |
| 7. | Resolution 7 | As Special Business: Ordinary Resolution - Proposed Renewal of Share Buy Back Authority | | |
| 8. | Resolution 8 | As Special Business: Ordinary Resolution - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |
| 9. | Resolution 9 | As Special Business: Special Resolution - Proposed Amendments to the Articles of Association | | |

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote. If no voting instruction is given, this form will be taken to authorise the proxy/proxies to vote at his/her discretion).

Dated this ___________ day of _________ 2008

No. of Shares held : ____________________

____________________________________________
Signature of shareholder(s) or Common Seal

Notes:
1. A member entitled to attend and vote at the meeting of the Company is entitled to appoint another person or persons as his proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No.3, Persiaran Waja, Bukit Raja Industrial Estate, 41050 Klang, Selangor Darul Ehsan, not less than 48 hours before the time set for the meeting.
2. Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an Officer or Attorney duly authorized.

Fold the flap for sealing

Then fold here

**AFFIX**
**STAMP**

THE COMPANY SECRETARY
ALUMINIUM COMPANY OF MALAYSIA BERHAD (Company No. 3859-U)
NO. 3, PERSIARAN WAJA
KAWASAN PERINDUSTRIAN BUKIT RAJA
41050 KLANG
SELANGOR DARUL EHSAN

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**ALUMINIUM COMPANY OF MALAYSIA BERHAD** (3859-U)
No. 3, Persiaran Waja,
Kawasan Perindustrian Bukit Raja,
41050 Klang
P. O. Box 233, 41720 Klang
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Fax: 603-3341 2793