SEACERA
TILES BERHAD (163751-H)

annual report 2006



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corporate information

BOARD OF DIRECTORS

YBhg. Dato' Azizi Bin Yom Ahmad
Chairman, Non-Independent Non-Executive

Encik Khalid Bin Sufat
Group Managing Director

Encik Hider Bin Othaman
Executive Director

YBhg. Datuk Yusof @ Mohd Yusoff Bin Abd Hamid
Executive Director

YBhg. Dato' Mohamed Salleh Bin Bajuri
Independent Non-Executive Director

YBhg. Dato' Samsudin Bin Abu Hassan
Non-Independent Non-Executive Director

Encik Ghazali Bin Salamat
Senior Independent Non-Executive Director

AUDIT COMMITTEE

YBhg. Dato' Mohamed Salleh Bin Bajuri (Chairman)
Independent Non-Executive Director

Encik Ghazali Bin Salamat (Member)
Senior Independent Non-Executive Director

Encik Khalid Bin Sufat (Member)
Group Managing Director

NOMINATION COMMITTEE

YBhg. Dato' Mohamed Salleh Bin Bajuri (Chairman)
Independent Non-Executive Director

Encik Ghazali Bin Salamat (Member)
Senior Independent Non-Executive Director

REMUNERATION COMMITTEE

Encik Ghazali Bin Salamat (Chairman)
Senior Independent Non-Executive Director

YBhg. Dato' Mohamed Salleh Bin Bajuri (Member)
Independent Non-Executive Director

COMPANY SECRETARIES

Seow Fei San (MAICSA 7009732)
Loh Lai Ling (MAICSA 7015412)

REGISTERED OFFICE

312, 3rd Floor, Block C Kelana Square
17, Jalan SS7/26,
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 603 - 7803 1126 Fax: 603 - 7806 1387

PRINCIPAL PLACE OF BUSINESS

Lot 16428 14KM Jalan Ipoh
Kawasan Perindustrian Selayang
68100 Batu Caves, Selangor Darul Ehsan
Tel : 03-6136 2494 Fax : 03-6136 2495
Website: www.seacera.com.my

SHARE REGISTRAR

Epsilon Registration Services Sdn. Bhd. (629261-T)
312, 3rd Floor, Block C
Kelana Square, 17 Jalan SS7/26
47301 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-7806 2116 Fax: 03-7806 1261

AUDITORS

KPMG (AF 0758)
Wisma KPMG,
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : 603 - 2095 3388 Fax: 603 - 2095 0971

INTERNAL AUDITORS

Al Jafree Salihin Kuzaimi & Associates
598,Tingkat 1, Jln Samudra Utara 2
Taman Samudra, 68100 Batu Caves
Selangor Darul Ehsan
Tel: 603 - 6187 4678 / 6678
Fax: 603 - 6184 2524

PRINCIPAL BANKERS

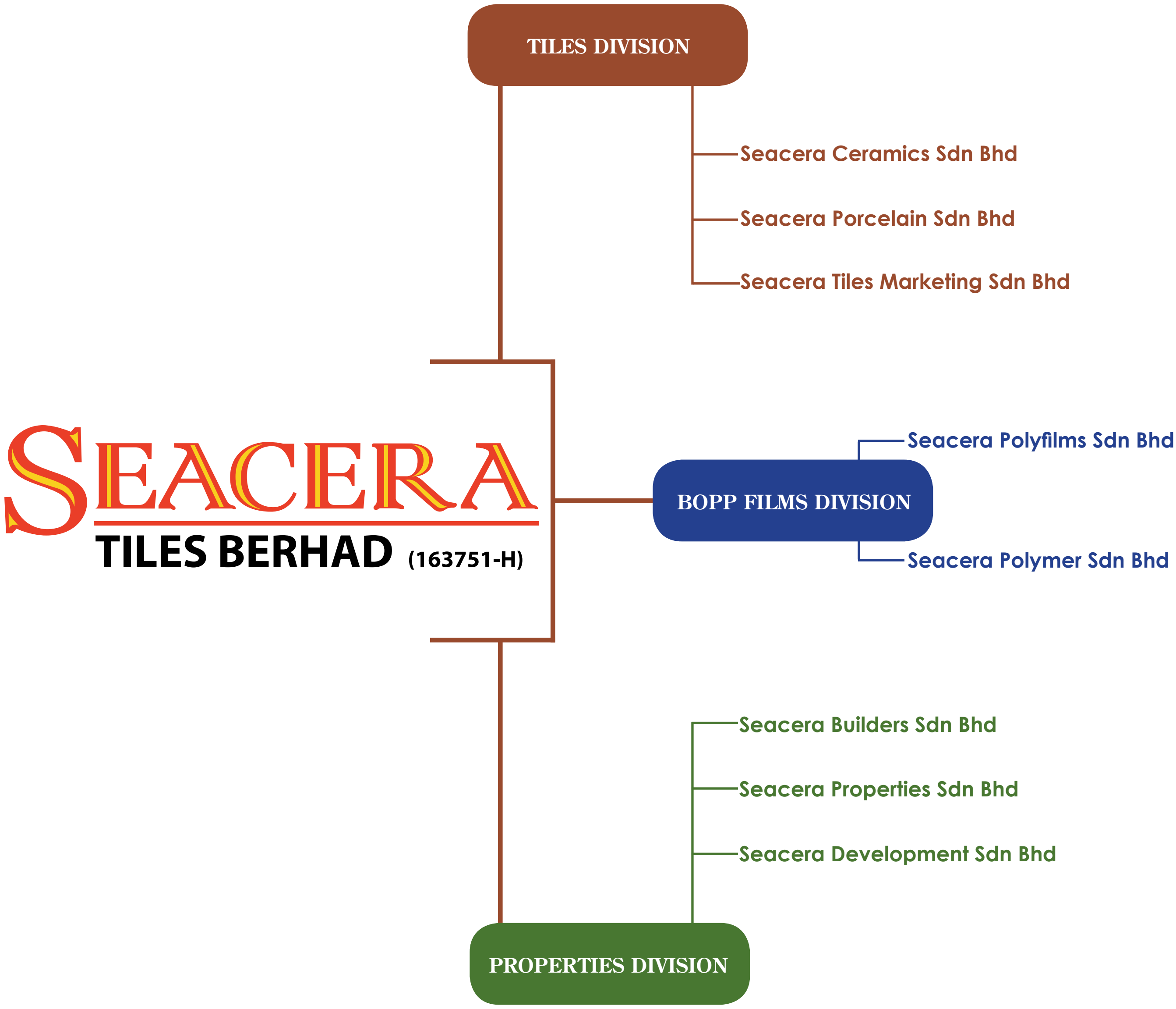
HSBC Bank Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Affin Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Second Board - Industrial Products
(Syariah Approved Shares)

STOCK NAME : SEACERA
STOCK CODE : 7073

corporate structure



chairman's statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Seacera Tiles Bhd, it is my pleasure to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 31 December 2006.

FINANCIAL REVIEW

The year 2006 presented a great challenge to the Group in terms of profitability and growth. For the financial year under review, the Group registered a revenue of RM86.27 million or 1.27% increase over RM85.18 million achieved in the previous year. Despite the improvement in Group revenue, the Group experienced a loss of RM13.126 million against a profit after tax of RM2.99 million achieved in the previous corresponding period.

Impairment of goodwill, writing down of inventories and fixed assets were the major factors that have affected the current year's result. However, the Group shareholders' funds remained at satisfactory level of RM70.65 million compared to RM88.47 million previously.

PERFORMANCE REVIEW

Tiles

The manufacturing and marketing of tiles remained as one of the core activity of the Group. Despite of the stiff competition both in domestic and export markets, tiles division managed to secure a revenue of RM42.57 million compared to RM43.44 million registered in the previous financial year. Nevertheless the division will continue with its strategy of developing and launching new product series of higher value during the financial year under review.

chairman's statement *(continue)*

BOPP Film

The Group's film business continued to register growth with revenue increased by 6.52% from RM41.04 million to RM43.71 million through higher domestic sales. However, operating margins were affected by higher raw material cost due to increasing oil prices. Despite the increases in costs of labour and plastic resins, the Group is confident with the necessary technical skills and structure of improving its profit margins. The Group will continue to maintain a competitive manufacturing system and sustain growth in sales through constant innovation.

LOOKING FORWARD

For the coming financial year, we plan to focus on quality improvement and product innovation and at the same time to adopt pragmatic measure to reduce production and overhead cost. Research and Development will continue to put more efforts to produce new products series and designs at competitive costs.

We are very positive that the tiles and ceramic products are still in big demand by the housing developers and other construction sectors. We intend to further widen our market shares both for domestic and oversea markets through better sales and delivery network, products improvement and aggressive marketing strategies

We further anticipate positive impact on our performance as a result of the implementation of projects from the 9th Malaysian Plan.

For BOPP Films Division, we will strive to improve our margins by concentrating on the sale of higher value added products for the domestic markets whilst maintaining production efficiency at the highest level and costs at optimal level.

The Property Division is only expected to commence its development activities in Year 2008 after the completion of several proposed land acquisitions.

DIVIDEND

The Board of Directors does not recommend any dividend payment for the year under review.

APPRECIATION

On behalf of the Board of Directors, I warmly welcome our new Group Managing Director, Encik Khalid Bin Sufat onto our Board. With his wealth of experience, we have no doubt that he could bring added experience and expertise to the Board.

To our shareholders, customers and business associates, I extend my utmost gratitude for your invaluable support and unwavering confidence in the Group.

To each and every management team and staff members, I would like to express my sincere appreciation for your dedication and undying commitment to grow with the Company, without which our success would not be possible.

Finally, I also take this opportunity to express my gratitude to the Board of Directors for their professionalism and dedicated contribution to steer the Group towards excellence.

Dato' Azizi Bin Yom Ahmad
Chairman

profile of board of directors

YBhg. Dato' Azizi Bin Yom Ahmad
Malaysian, age 58
Chairman,
Non-Independent Non-Executive Director

YBhg. Dato' Azizi Bin Yom Ahmad was appointed to the Board on 1 February 1996. He obtained his Bachelor of Economics degree from Monash University, Australia and is an Associate member of the Institute of Chartered Accountants in Australia. Prior to this, Dato' Azizi Bin Yom Ahmad was the Managing Director of RHB Sakura Merchant Bankers Berhad (now known as RHB Investment Bank Berhad). He had also assumed inter-alia the positions of Audit Manager, Group Finance & Administration Manager, and in particular the appointment as Head of Accounting Department of Malayan Banking Berhad. He subsequently served at Bank Negara Malaysia and thereon to the Ministry of Finance as Secretary of the then Capital Issues Committee (now known as Securities Commission). Thereafter, he became the Managing Director of DCB Sakura Merchant Bankers Berhad (then known as D&C Sakura Merchant Bankers Berhad).

As from 1993, he ventured into private business and invested in local companies which involved in palm oil plantations, tiles manufacturing, logistics as well as property development.

Dato' Azizi is a major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for any offences within the past ten (10) years.

Khalid Bin Sufat
Malaysian, age 51
Group Managing Director
Member of Audit Committee

Encik Khalid Bin Sufat is the Group Managing Director, and was appointed on the Board on 7 August 2006. He is an accountant by profession and is a member of Malaysian Institute of Accountants (MIA), a fellow of Chartered Association of Certified Accountants, UK (FCCA), and a member of Malaysian Institute of Certified Public Accountants (MICPA).

He is well equipped with more than 25 years of working experience. He possesses substantial knowledge in the banking industry and actively involves in the corporate world. In his past experience, he served as key senior positions in various companies including Furqan Business Organisation Berhad as Executive Deputy Chairman, Tronoh Mines Malaysia Berhad as Executive Director, Bank Kerjasama Rakyat Malaysia Berhad as Managing Director, United Merchant Finance Berhad as Executive Director, and Malayan Banking Berhad as General Manager.

Currently, he oversees the overall Group performance and provides strategic and innovative directions to all business activities undertaken.

He currently holds directorships in Binapuri Holdings Berhad, Amtek Holdings Berhad, VTI Vintage Berhad, Malaysia Building Society Berhad and Syarikat Kayu Wangi Berhad.

He does not have any family relationship with any director and/or substantial shareholder(s), nor has he any conflict of interest with the Company. He has no convictions for any offences within the past ten (10) years.

profile of board of directors *(continue)*

Hider Bin Othaman
Malaysian, age 50
Executive Director

Encik Hider Bin Othaman was appointed as an Executive Director of Seacera Tiles Berhad on 14 July 2005. He holds a Bachelor Degree in Mathematics/Computer Science from Lock Haven Stage College, United States of America and a Masters Degree in Computer and Information Science from University of Pennsylvania, United States. He also completed post graduate studies and research in Computer and Information Science at University of Virginia and State University of New York at Binghamton, United States.

He had served in various organizations. His career started at Standard Chartered Bank as a System Analyst in 1983. After more than 3 years with the Bank, he joined Perusahaan Otomobil Nasional Berhad (PROTON) in 1986 as an Assistant Manager of Information Technology Department. In 1992, he worked with a German based trading company, Behn Meyer (M) Sdn. Bhd. He had also served Telekom Malaysia Berhad in various senior positions. He has vast experience in managing and implementing quality related activities such as ISO 9001 Certifications, Quality Audit, Total Customer Satisfaction Programme and Quality System Review.

Encik Hider does not hold any directorships in other public companies. He does not have any family relationship with any director and/or substantial shareholder(s), nor has he any conflict of interest with the Company except for the transaction in relation to Joint Venture Development Agreement between Seacera Properties Sdn. Bhd. and Duta Skyline Sdn. Bhd. ("DSSB") which he was a former director of DSSB. In addition, he has family relationship with a major shareholder of DSSB. He has no convictions for any offences within the past ten (10) years.

YBhg. Datuk Yusof @ Mohd. Yusoff
Bin Abd. Hamid
Malaysian, age 59
Executive Director

YBhg. Datuk Yusof @ Mohd Yusoff Bin Abd Hamid was appointed as an Executive Director of Seacera Tiles Berhad on 14 July 2005. He is currently the Managing Director of Vismedia Sdn. Bhd. and YS Prima Sdn. Bhd. He is also a Director of Mahajaya Management Sdn. Bhd., Chamber Dev. Sdn. Bhd. and Board member of International Islamic College. He had served as an Officer in Dewan Bandaraya Kuala Lumpur for 30 years.

He sits on the Advisory Board Committee of K.L. City Town Hall and is the UMNO Chief of Batu Division, Vice Chairman for Batu Barisan Nasional and a member of the Federal Territory UMNO Liaison Committee.

Datuk Yusof does not hold any directorships in other public listed companies. He does not have any family relationship with any director and/or substantial shareholder(s), nor has he any conflict of interest with the Company. He has no convictions for any offences within the past ten (10) years.

profile of board of directors *(continue)*

YBhg. Dato' Mohamed Salleh Bin Bajuri
Malaysian, age 56
Independent Non-Executive Director
Chairman of Audit Committee and Nomination Committee
Member of Remuneration Committee

YBhg. Dato' Mohamed Salleh Bin Bajuri was appointed to the Board on 28 March 2000. He was admitted as a member of the Institute of Chartered Accountants, Ireland in 1978 and obtained his fellowship in 1988. He was also admitted as a member of the Malaysian Institute of Accountants in 1980. He started his career in Malaysia in 1978 when he joined Peat Marwick & Co. as Senior Auditor. In 1979, he left to join Mayban Finance Berhad as Manager and was promoted to General Manager in 1982. Subsequently, in 1987, he was seconded to Malayan Banking Berhad as Regional Head of Wilayah Persekutuan, Selangor and Pahang and later promoted to General Manager Retail Banking in 1988. He then served the bank until 1992.

Between 1982 & 1987, he was Alternate Chairman of the Association of Finance Companies in Malaysia (AFCM) and was Chairman of AFCM Committees for Education and Public Relations. From 1997 to 1999, he was a Director of Saham Sabah Berhad and as one of the trustees for Yayasan Kebajikan SDARA.

In 1992, he took over JB Securities Sdn. Bhd., a stock broking firm in Johor. He was Managing Director of JB Securities from 1992 to 1995. He is now involved in the Hotel and Property business and is Group Executive Director of CRSC Holdings Berhad. He also sits on the Boards of Harbour Link Group Berhad, Asian Pac Holdings Berhad, Eden Enterprises (M) Berhad, Seal Polymer Industries Berhad, LKT Industrial Berhad, Axis Reit Managers Berhad and Milux Corporations Berhad.

He does not have any family relationship with any director and/or substantial shareholder(s), nor has he any conflict of interest with the Company. He has no convictions for any offences within the past ten (10) years.

YBhg. Dato' Samsudin Bin Abu Hassan
Malaysian, age 51
Non-Independent Non-Executive Director

YBhg. Dato' Samsudin Bin Abu Hassan was appointed to the Board on 29 August 2002. He is a Fellow Member of the Chartered Institute of Management Accountants (U.K.). He started his career in Malaysia in 1980 when he joined Bapema Corporation Sdn. Bhd., the investment arm of Permodalan Nasional Berhad as Investment Officer. He left to join Peremba Berhad as Finance Manager in 1983 after which he became the Group General Manager of Syarikat Maluri Sdn. Bhd. in 1985. Following Syarikat Maluri Sdn. Bhd., he assumed the position of Chief Executive Officer at Cold Storage (M) Sdn. Bhd. in 1988 and from then on, between 1990 and 2001, has held executive positions or directorships at several public-listed companies. He was the President of Malaysian Furniture Industry Council (MFIC) for 2002 – 2005 and presently he is the adviser of MFIC and also the trustee for Malaysian Furniture Promotion Council (MSPC) since 2003.

He does not have any family relationship with any director and/or substantial shareholder(s), nor has he any conflict of interest with the Company. He has no convictions for any offences within the past ten (10) years.

Ghazali Bin Salamat
Malaysian, age 59
Senior Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit Committee and
Nomination Committee

Encik Ghazali Bin Salamat was appointed to the Board on 10 March 1999. He graduated from Kolej Pertanian, Serdang with a Diploma in Agriculture and additionally holds a Masters in Business Administration with distinction from the International Management Centre, Buckingham, U.K. He was a director of Malaysian Tobacco Company Berhad from 1993 to 2002.

Encik Ghazali does not hold any directorship in other public companies.

He does not have any family relationship with any director and/or substantial shareholder(s), nor has he any conflict of interest with the Company. He has no convictions for any offences within the past ten (10) years.

NOTE : Please refer to the Directors' shareholdings in the Company on page 60 of the Annual Report.

Group Senior Management

TILES DIVISION

Mr. Yong Keng Meng
Chief Operating Officer

BOPP FILMS DIVISION

Mr. Gary Chong Fatt Koh
General Manager

PROPERTIES DIVISION

Mr. Wang Hong Kok
General Manager

CORPORATE SERVICES DIVISION

Encik Zulkarnin Bin Ariffin
Group Financial Controller

statement on corporate governance

The Board of Directors ("Board") of the Company fully appreciates the importance of exercising high standards of corporate governance in the conduct of the Company's business and affairs through transparency, accountability and corporate performance.

The Board continues to apply the principles and best practices as governed by the Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") to undertake additional measures, principles and recommendation embodied in the Malaysian Code on Corporate Governance and strive to adopt the substance and not merely the form behind the corporate governance prescription.

(A) BOARD OF DIRECTORS

The Company is controlled and led by a Board who is responsible to the shareholders for the management of the Company. The Board is responsible for the Company's overall Group strategy and objectives, its acquisition and divestment policies, financial policy and major capital expenditure projects and the consideration of significant financial matters.

This Board's spectrum of skills and experience gives added strength to the leadership, thus ensuring the Group is under the guidance of an accountable and competent Board. The Directors operates within a robust set of governance as set out below:-

1. Composition of the Board

The Board currently has seven (7) members comprising three (3) executive members and four (4) non-executive members of which two (2) are independent. The Board complies with the Listing Requirements for the Board to have at least two (2) independent directors.

The profiles of the Board members are as set out on pages 6 to 9 of this Annual Report.

2. Board Meetings

Board meetings are scheduled four (4) times per annum to review the Group's operations and to approve the quarterly reports and annual financial statements. The Board met four (4) times during the financial year ended 31 December 2006. Details of each director's attendance of the Board meetings are disclosed in the statement accompanying notice of annual general meeting in this Annual Report.

3. Supply of and Access to Information and Advice

The Board has a formal schedule of matters reserved specifically for its decision. The Board is supplied with information in a timely manner and appropriate quality to enable them to discharge their duties and due notice is given to Directors with regard to issues to be discussed. All resolutions are recorded and thereafter circulated to the Directors for comments before minutes of proceedings are finalised and confirmed.

Directors are given access to any information within the Company and are free to seek independent professional advice at the Company's expense, if necessary, in furtherance of their duties. Towards this end, there is an agreed procedure in place for Directors to acquire independent professional advice to ensure the Board functions effectively. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are met and advises the Board on compliance issues.

4. Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme.

The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge so as to keep abreast with developments in the market place and to assist them in the discharge of their duties as Director. The Board will discuss and determine the training needs of the Directors and the Directors are encouraged to attend various training on their own and submit the certificate of attendance to the Company Secretary for record.

5. Appointment of Directors

The Board had formed a Nomination Committee comprised exclusively of non-executive directors, majority of whom are independent with the responsibility for identifying and proposing new candidates for the Board and for assessing directors on an on-going basis. Any new appointment to the Board must be upon recommendation by the Nomination Committee after assessment is done with the consideration of mix skills and experience and other qualities that the new candidate should bring to the Board.

statement on corporate governance *(continue)*

6. Re-election of Directors

In accordance with the Company's Articles of Association, every director must retire from office at least once every three (3) years and can offer himself for re-election at the Annual General Meeting. Directors who are appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting held following their appointment.

7. Board Committees

The Board has established the following Committees to assist the Board to discharge its fiduciary duties:

The following Board Committees have been established to assist the Board in the execution of its responsibilities:

a. Audit Committee

The Company has in place an Audit Committee which comprises two (2) non-executive directors and one (1) executive director.

The role of the Audit Committee is to oversee the processes for production of the financial data, review of financial reports, related party transactions, potential conflict of interests' situations and the internal controls of the Company.

Name Of Audit Committee	Designation
YBhg. Dato' Mohamed Salleh Bin Bajuri (Chairman)	Independent Non-Executive Director
YBhg. Dato' Azizi Bin Yom Ahmad (Member) - Resigned on 17.08.2006	Non-Independent Non-Executive Director
Encik Ghazali Bin Salamat (Member)	Senior Independent Non Executive Director
Encik Khalid Hj. Sufat (Member) - Appointed on 17.08.2006	Group Managing Director

The Audit Committee members and the Audit Committee Report for the financial year ended 31 December 2006 pursuant to Paragraph 15.16 of the Listing Requirements is contained on pages 15 - 17 of the Annual Report.

b. Remuneration Committee

The Remuneration Committee was established with the objective of providing a transparent and formal procedure for formulating and determining the remuneration policies for the Directors.

The members are:

Name	Designation
Encik Ghazali Bin Salamat - Chairman	Senior Independent Non-Executive Director
YBhg. Dato' Mohamed Saleh Bin Bajuri - Member	Independent Non-Executive Director

The Remuneration Committee is to provide assistance and guidance to the Board in determining and recommending the remuneration package of the Directors. The Board as a whole determines the remuneration package of the Directors with the Director concerned abstaining from participating in decisions in respect of his individual package.

With the annually approval from the shareholders, the Company pays its directors an annual fee.

The aggregate remuneration of the Directors for the financial year ended 31 December 2006 is as follows:-

Category	Fees	Salaries & Allowance
Executive Directors	RM54,000	RM837,481
Non-Executive Directors	RM81,000	-

The number of Directors who served during the financial year whose remuneration falls into the following bands:-

Remuneration Band	Executive Directors	Non-Executive Directors
RM50,000 and below	0	4
RM50,001 to RM100,000	0	0
RM100,001 to RM150,000	1	0
RM150,001 to RM200,000	0	0
RM200,001 to RM250,000	2	0
RM250,001 to RM300,000	0	0

statement on corporate governance *(continue)*

c. Nomination Committee

The committee comprises, two (2) directors, both of whom are independent. The members are:

Name	Designation
YBhg. Dato' Mohamed Saleh Bin Bajuri - Chairman	Independent Non-Executive Director
Encik Ghazali Bin Salamat - Member	Senior Independent Non-Executive Director

The committee is responsible for proposing or reviewing new nominees for the Board and Board Committees, assessing the effectiveness of the Board as a whole and reviewing the required skills and core competencies of non-executive director. The committee also ensures that an orientation and education programme is in place for new Board members.

d. ESOS Committee

The committee comprises of two (2) directors, both of whom are independent. The members are:-

Name	Designation
YBhg. Dato' Mohamed Saleh Bin Bajuri - Chairman	Independent Non-Executive Director
Encik Ghazali Bin Salamat - Member	Senior Independent Non-Executive Director

The committee was formed on 16 December 2003 to administer the Company's Employees Share Option Scheme. There were no options granted and/or exercised during the financial year under review.

(B) SHAREHOLDERS

1. Dialogue between the Company and Investors

The Company strives to maintain an open and transparent channel of communication with its shareholders, institutional investors and the investing public at large with the objectives of providing as clear and complete picture of the Group's performance and position as possible. Such information is communicated through the following channels: -

- The Annual Report;
- The various disclosures and announcements to Bursa Securities including quarterly and annual results; and
- The websites developed by the Group known as www.seacera.com.my.

2. General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. The Company values feedback from its shareholders and encourages them to actively participate in discussion and deliberations. AGM is held yearly to consider the ordinary business of the Company and any other special businesses. Each item of special businesses included in the notice is accompanied by a full explanation of the effects of the proposed resolution. During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

(C) ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board subscribes to the philosophy of transparent, fair, reliable and easily comprehensible reporting to shareholders. The Board acknowledges and accepts full responsibility for preparing a balanced and comprehensive assessment of the Group's operation and prospects each time it releases its quarterly reports and annual financial statement to shareholders. On this matter, the Board is assisted by the Audit Committee, whose terms of reference are defined in the Audit Committee Report published in this Annual Report.

statement on corporate governance *(continue)*

2. *Relationship with the Auditors*

The Board on its own and through the Audit Committee, has a formal and transparent management for maintaining an appropriate relationship with the Company's auditors. The Audit Committee seeks regular assurance on the effectiveness of the internal control systems through independent appraisal by the auditors. Liaison and unrestricted communication exists between the Audit Committee and the external auditors.

3. Internal Control

The Board is responsible to review the adequacy and integrity of the Company's internal control systems. The Board has appointed experts, both internal and external, to ensure that the Company maintains a sound system of internal controls to safeguard the shareholders' investment and the Company's assets. The Board reviews the effectiveness of the system of internal controls by the work of the internal auditors; the Audit Committee oversees the work of the internal audit and comments made by the internal auditors in their periodic reports.

The information on the Group's Internal Control Statement is as set out on page 14 of this Annual Report.

(D) RESPONSIBILITY STATEMENT BY DIRECTORS

The Directors are to ensure that the annual financial statements of the Company are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Securities.

The Directors have the responsibility to ensure that the annual financial statements of the Company give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the results and cash flows for the year then ended.

The Directors have overall responsibility for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

(E) STATEMENT ON MATERIAL CONTRACTS INVOLVING DIRECTORS' INTEREST

There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interests for the financial year under review except for the transactions in relation to the Conditional Joint Venture Agreement ("JVDA") between Seacera Properties Sdn. Bhd. and Duta Skyline Sdn. Bhd. ("DSSB") of which a director, Encik Hider Bin Othaman was a former director of DSSB and has family relationship with a major shareholder of DSSB. However, the transaction under the JVDA has yet to be completed as certain conditions precedents are yet to be met.

statement on internal control

The board of directors of Seacera Tiles Berhad recognizes and accepts its responsibility in ensuring and maintaining a sound system of internal control to safeguard shareholders' investment and assets of the Company as stipulated in the Malaysian Code on Corporate Governance.

The Board takes cognizance that in a dynamic business environment, a system of internal control, in ensuring its relevancy, is a continuous process of risk identification and risk management and evaluation of integrity and adequacy of systems that are in place. As such, the Board's philosophy towards internal control systems per se is one of continuous improvement. However, the Board notes that internal control systems will not provide absolute assurance against all risks or any one risk but it serves to provide reasonable assurances and is designed to manage the likelihood and consequences of risk to acceptable levels.

The Board and its committees, monitors the performance of the Group at the regular periods during the financial year. The Board is duly informed and updated by the Executive Directors on issues of significance and on matters requiring Board consideration.

In addition to reviewing the performance to business objectives, the Board via its Audit Committee, receives feedback and reports from the internal control auditor in line with the internal audit plan as well as on any significant issues pertaining to risk and control. External auditors, in addition to providing annual statutory audit of financial statements, presents to the Audit Committee the external audit plan outlining the scope and scale of its audit. For the financial year under review, a meeting was held between the external auditors and independent directors of the Audit Committee on the external audit plan.

The Executive Directors and key management staff are responsible for the daily running of the Group. In monitoring Group performance, the Executive Directors and management team attend monthly scheduled meetings and reviews key performance indicators. These meetings allow for timely identification of risks and proactive management decisions in line with changes in the business environment. Countermeasures and action plans are correspondingly formulated to address such risks that may arise.

Key elements of internal control are as follows:

- Clear terms of references of Board Committees.
- Internal control procedures as set out in standard operating manuals.
- The approval of Group budget by the Board and the explanations are sought for significant variances against actual performance.
- Monthly performance reports provided by management to Executive Directors and Quarterly reports to Board members.
- Internal audit plan and findings prepared by the internal auditor and forwarded to the Audit Committee for review.
- Computer system access controls and back-up procedures.

The Board is strongly committed to an effective internal control system to further raise the level of transparency and accountability of Group operations.

audit committee report

In line and in compliance with Paragraph 15.16 of the Listing Requirements, the Board is pleased to present a report on the Audit Committee:-

MEMBERSHIP AND ATTENDANCE

During the financial year 1 January 2006 to 31 December 2006, a total of 5 Audit Committee meetings were held. The Committee comprises the following members and details of attendance of each member at the Committee meetings held during the financial year are as follows:-

COMPOSITION OF AUDIT COMMITTEE	Number of Committee meetings Attended
YBhg. Dato' Mohamed Salleh Bin Bajuri (Chairman) Independent Non-Executive Director	5/5
YBhg. Dato' Azizi Bin Yom Ahmad (Member) Non-Independent Non-Executive Director - Resigned on 17.08.2006	4/4
Encik Ghazali Bin Salamat (Member) Independent Non Executive Director	5/5
Encik Khalid Hj.Sufat (Member) Group Managing Director - Appointed on 17.08.2006	1/1

TERMS OF REFERENCE

1. *Objectives*

a. To assist the Board to discharge its responsibilities by reviewing the adequacy and integrity of the Company's and the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

b. To reinforce the independence of the external auditors and thereby help assure autonomy in the audit process.

c. To provide, by way of regular meetings, a line of communication between the Board and the external auditors.

d. To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is independent of the management.

e. To review the quality of the audits conducted by the internal and external auditors of the Company.

f. To enhance the perceptions held by stakeholders (including shareholders, regulator, creditors and employees) of the credibility and objectivity of financial reports.

2. Duties and Responsibilities

a. To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.

b. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course or conduct that raises questions of management integrity.

c. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.

d. To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.

e. To review the internal audit plan and processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors.

f. To appraise the performance of staff members of the internal audit function.

g. To approve any appointment or termination of the staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.

h. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.

audit committee report *(continue)*

i. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.

j. To discuss and review with the external auditors any proposal from them to resign as auditors.

k. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.

l. To perform any other functions as authorised by the Board.

m. To review allocation of share options to eligible employees as being in compliance with the bye-laws approved by the Board of Directors and shareholders of the Company.

3. Authority

a. The Committee is authorised by the Board to investigate any matter within its terms of reference, to obtain the resources, which it needs, and to have full and unrestricted access to information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.

b. The Committee shall have direct communication channels with the external and internal auditors.

c. The Committee is authorised by the Board to obtain independent professional or other advice at the Company's expense and to invite outsiders with relevant experience and expertise to attend meetings if it considers this necessary.

d. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Bursa Malaysia Securities Berhad ("the Exchange"), the Committee shall promptly report such matter to the Exchange.

4. Meetings

a. Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members and the majority of members present shall be independent non-executive directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.

b. The head of internal audit shall be in attendance at the meeting of the Committee. The Committee may invite the external auditors, the chief financial officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberation.

c. At least once (1) a year, the Committee shall meet with the external auditors without any executive Board member present and upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter, which the external auditors believe, should be brought to the attention of the Board or shareholders.

d. The Company Secretary shall be the Secretary of the Committee.

e. The minutes of each Committee meeting shall be circulated to all members of the Board.

5. Membership

a. The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, the majority of whom are independent non-executive directors.

b. The Chairman of the Committee shall be an independent non-executive Director appointed by the Board.

c. No alternate director shall be appointed as a member of the Committee.

d. At least one member of the Committee:

  i. Shall be a member of the Malaysian Institute of Accountants; or
  ii. If he is not a member of the Malaysian Institute of Accountants, he shall have at least three (3) years' working experience and:

    (1) He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

audit committee report *(continue)*

(2) He must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

e. The term of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.

f. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The summary of the main activities carried out by the Audit Committee during the financial year under review is as follows:

- Reviewed and recommended for the Board's approval the quarterly financial results;
- Reviewed the audited financial statements before recommending for the Board's approval;
- Reviewed the management follow-ups arising from Internal Audit of the Group;
- Reviewed and discussed with the external auditors on their audit plan, their scope of work, the results of their examination, the auditors' report and management letters in relation to the audit and accounting issues arising from the audit;
- Reviewed with the external auditors, the new developments on accounting standards and regulatory requirement as well as the Company's compliance with Financial Reporting Standards and other relevant legal and regulatory requirements;
- Reviewed the Company's status of compliance with the Listing Requirements of the Bursa Malaysia and with the Malaysian Code on Corporate Governance for the purpose of the issuing a Corporate Governance Statement pursuant to the requirement of paragraph 15.26 of the Bursa Malaysia Listing Requirements;
- Reviewed the related party transactions arising within the Group;
- Met on the quarterly basis with the senior management executives to listen to their briefings on business operations; and
- Met with the External Auditors to discuss various issues on the Company, without the presence of the Executive member of the Committee and the Management.

ESOS ALLOCATION

Seacera Tiles Berhad has implemented an Employee Share Option Scheme since year 2004.

The Audit Committee is satisfied with the implementation of the scheme and the allocation of share options to eligible employees complied with the bye-laws approved by the Board of Directors and Shareholders of the Company.

INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit functions to a professional services firm, which is tasked with the aim of assisting the Committee to discharge its duties and responsibilities.

The firm has conducted ongoing review of the adequacy and effectiveness of the system of internal control. Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statement.

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financial statements

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directors' report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacturing and trading of ceramic tiles. The principal activities of the subsidiary companies are set out in Note 4 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	The Group RM	The Company RM
Loss for the year	13,126,909	10,646,066

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid a final ordinary dividend of 1% tax exempt totaling RM533,332 in respect of the year ended 31 December 2005 on 21 July 2006.

The Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

The directors in office since the date of the last report are:

Dato' Azizi Bin Yom Ahmad

Dato' Samsudin Bin Abu Hassan

Dato' Mohamed Salleh Bin Bajuri

Datuk Yusof @ Mohd Yusoff Bin Abd Hamid

Ghazali Bin Salamat

Hider Bin Othaman

Khalid Bin Sufat *(appointed on 07/08/2006)*

directors' report

The holdings in the ordinary shares of the Company and related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Shareholdings in which Directors have direct interests				
Dato' Azizi Bin Yom Ahmad	16,047,839	-	(2,000,000)	14,047,839
Dato' Samsudin Bin Abu Hassan	11,080,000	-	-	11,080,000
Ghazali Bin Salamat	10,666	-	-	10,666
Shareholdings in which Directors have indirect interests				
Dato' Azizi Bin Yom Ahmad	8,000	-	-	8,000

	Number of options over ordinary shares of RM1 each			
	At 1.1.2006	Granted	Exercised	At 31.12.2006
Company				
Dato' Azizi Bin Yom Ahmad	798,000	-	-	798,000

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object 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.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and
ii) all current assets have been stated at the lower of cost and net realisable value.

directors' report

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) 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, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year 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 as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs. KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Khalid Bin Sufat

....
Hider Bin Othaman

Kuala Lumpur, Malaysia

Date: 25 April 2007

statement by directors

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

In the opinion of the Directors, the financial statements set out on pages 25 to 58 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

....
Khalid Bin Sufat

....
Hider Bin Othaman

Kuala Lumpur, Malaysia

Date: 25 April 2007

statutory declaration

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

I, Khalid Bin Sufat, the Director primarily responsible for the financial management of Seacera Tiles Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 58 are, to the best of my knowledge and belief, 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.

....
Khalid Bin Sufat,

Subscribed and solemnly declared by the above named in Kuala Lumpur, Wilayah Persekutuan on 25 April 2007.

Before me:

Abas Bin Hassan
W392

Commissioner for Oaths

report of the auditors to the members of Seacera Tiles Berhad

We have audited the financial statements set out on pages 20 to 58. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the 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 purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing 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 statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

  i) the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date; and

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

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries 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 audit report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

The financial statements of the Company as at 31 December 2005 were audited by another firm of chartered accountants whose report dated 27 April 2006 expressed an unqualified opinion on those statements.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Partner
Approval Number: 2679/11/07(J)

Kuala Lumpur, Malaysia

Date: 25 April 2007

balance sheets
as at 31 December 2006

	Note	Group 2006 RM	Group 2005 RM restated	Company 2006 RM	Company 2005 RM
Assets					
Property, plant and equipment	3	**73,956,668**	67,587,759	**63,728,888**	57,072,682
Investment in subsidiary companies	4	**-**	-	**26,335,272**	24,090,272
Associated company	5	**-**	3,961,400	**-**	-
Goodwill	6	**3,495,896**	7,495,896	**-**	-
Other investments		**177,000**	177,000	**-**	-
Total non-current assets		**77,629,564**	79,222,055	**90,064,160**	81,162,954
Property development costs	7	**228,960**	228,960	**-**	-
Inventories	8	**21,754,193**	29,325,128	**16,275,231**	25,173,355
Receivables, deposits and prepayments	9	**30,908,001**	27,827,870	**17,586,134**	14,336,963
Tax recoverable		**1,591,671**	1,160,014	**755,722**	861,653
Cash and bank balances	10	**3,243,818**	2,474,256	**510,800**	548,388
Total current assets		**57,726,643**	61,016,228	**35,127,887**	40,920,359
Total assets		**135,356,207**	140,238,283	**125,192,047**	122,083,313
Equity					
Share capital	11	**53,332,000**	53,332,000	**53,332,000**	53,332,000
Reserves		**17,323,590**	31,038,122	**5,243,214**	16,422,612
Total equity attributable to shareholders of the Company		**70,655,590**	84,370,122	**58,575,214**	69,754,612
Minority interest		**-**	4,107,451	**-**	-
Total equity		**70,655,590**	88,477,573	**58,575,214**	69,754,612
Liabilities					
Loans and borrowings	*12*	***4,332,077***	*1,229,815*	***4,207,567***	*1,229,815*
Deferred taxation	*13*	***3,166,428***	*1,702,674*	***2,223,000***	*1,195,396*
Provision for retirement benefits	*14*	***743,349***	*689,232*	***202,881***	*183,337*
Total non-current liabilities		***8,241,854***	*3,621,721*	***6,633,448***	*2,608,548*
Payables and accruals	*15*	***11,630,844***	*11,047,650*	***32,725,652***	*27,258,814*
Loans and borrowings	*12*	***44,827,919***	*37,091,339*	***27,257,733***	*22,461,339*
Total current liabilities		***56,458,763***	*48,138,989*	***59,983,385***	*49,720,153*
Total liabilities		***64,700,617***	*51,760,710*	***66,616,833***	*52,328,701*
Total equity and liabilities		***135,356,207***	*140,238,283*	***125,192,047***	*122,083,313*

The notes on pages 30 to 58 are an integral part of these financial statements

income statements
for year ended 31 December 2006

		Group		Company	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Revenue		**86,275,172**	85,182,036	**33,763,487**	25,072,638
Cost of sales		**(71,570,071)**	(71,363,504)	**(29,239,713)**	(21,398,155)
Gross profit		**14,705,101**	13,818,532	**4,523,774**	3,674,483
Other operating income		**546,134**	107,045	**1,946,159**	2,434,708
Distribution costs		**(2,968,533)**	(3,118,501)	**(473,335)**	(550,984)
Administration expenses		**(4,534,118)**	(3,684,897)	**(838,581)**	(502,258)
Other operating expenses		**(16,708,235)**	(3,577,713)	**(12,623,717)**	(78,766)
Operating (loss)/profit		**(8,959,651)**	3,544,466	**(7,465,700)**	4,977,183
Interest expense	16	**(2,550,252)**	(2,125,663)	**(1,695,065)**	(1,533,142)
Share of losses of associated companies		**-**	(55,701)	**-**	-
(Loss)/profit before taxation	17	**(11,509,903)**	1,363,102	**(9,160,765)**	3,444,041
Tax expense	18	**(1,617,036)**	1,627,021	**(1,485,301)**	(851,132)
(Loss)/profit for the year		**(13,126,939)**	2,990,123	**(10,646,066)**	2,592,909
Attributable to:					
Shareholders of the Company		**(13,220,959)**	2,866,105	**(10,646,066)**	2,592,909
Minority interests		**94,020**	124,018	**-**	-
(Loss)/profit for the year		**(13,126,939)**	2,990,123	**(10,646,066)**	2,592,909
Basic (loss)/earnings per ordinary share (sen):	19	**(24.79)**	5.37		
Diluted (loss)/earnings per ordinary share (sen):	19	**(24.79)**	5.37		

The notes on pages 30 to 58 are an integral part of these financial statements.

statements of changes in equity

for year ended 31 December 2006

Group	Share capital RM	<--Non-distributable--> Share premium RM	Translation reserves RM	Negative goodwill RM	Distributable Retained profits RM	Total RM	Minority interest RM	Total RM
At 1 January 2005	53,332,000	2,513,734	26,054	331,005	26,700,341	82,903,134	3,983,433	86,886,567
Profit for the year	-	-	-	-	2,866,105	2,866,105	124,018	2,990,123
Share of reserve of associated company	-	-	(65,813)	-	-	(65,813)	-	(65,813)
Dividend - Final	-	-	-	-	(1,333,304)	(1,333,304)	-	(1,333,304)
At 31 December 2005	53,332,000	2,513,734	(39,759)	331,005	28,233,142	84,370,122	4,107,451	88,477,573
Effect of adopting FRS 3	-	-	-	(331,005)	331,005	-	-	-
At 1 January 2006, restated	53,332,000	2,513,734	(39,759)	-	28,564,147	84,370,122	4,107,451	88,477,573
Disposal of associate company	-	-	39,759	-	-	39,759	-	39,759
Loss for the year	-	-	-	-	(13,220,959)	(13,220,959)	94,020	(13,126,939)
Acquisition of minority interest	-	-	-	-	-	-	(4,201,471)	(4,201,471)
Dividend – Final	-	-	-	-	(533,332)	(533,332)	-	(533,332)
At 31 December 2006	53,332,000	2,513,734	-	-	14,809,856	70,655,590	-	70,655,590

Company	Share capital RM	Share premium RM	Retained profits RM	Total RM
At 1 January 2005	53,332,000	2,513,734	12,649,273	68,495,007
Profit for the year	-	-	2,592,909	2,592,909
Dividend - final	-	-	(1,333,304)	(1,333,304)
At 31 December 2005	53,332,000	2,513,734	13,908,878	69,754,612
Loss for the year	-	-	(10,646,066)	(10,646,066)
Dividend – final	-	-	(533,332)	(533,332)
At 31 December 2006	53,332,000	2,513,734	2,729,480	58,575,214

The notes on pages 30 to 58 are an integral part of these financial statements.

cashflow statements

for year ended 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/Profit before taxation	(11,509,903)	1,363,102	(9,160,765)	3,444,041
Adjustments for:				
Gross dividend from unquoted subsidiary companies	-	-	(1,573,800)	(2,351,200)
Gross dividend income from quoted investment	(6,000)	(3,000)	-	-
Provision for retirement benefits	54,117	244,595	19,544	80,337
Amortisation of goodwill	-	443,107	-	-
Negative goodwill arising from acquisition of minority interest	(1,956,471)	-	-	-
Depreciation	3,798,235	3,491,644	3,222,256	2,305,479
Write down of inventories	9,616,831	331,013	8,953,220	310,000
Losses retained in associated companies	-	55,701	-	-
Property, plant and equipment written off	1,648,619	-	1,648,619	-
Interest expense	2,550,252	2,125,663	1,695,065	1,533,142
(Gains) / Loss from disposal of property, plant and equipment	(30,405)	4,345	21,262	92
Allowance for doubtful debts	-	52,897	-	37,800
Allowance for doubtful debts no longer required	-	(5,156)	-	-
Unrealised gain from foreign exchange	-	(82,658)	-	(76,994)
Gains on disposal of subsidiary	(27,941)	-	-	-
Impairment of goodwill	4,000,000	-	-	-
Operating profit before changes in working capital	8,137,334	8,021,253	4,825,401	5,282,697
Property development costs	-	(228,960)	-	-
Inventories	(2,045,896)	3,848,040	(55,096)	(10,723,478)
Trade and other receivables	1,008,969	(1,884,818)	(3,249,171)	11,234,518
Trade and other payables	520,647	(7,065)	5,450,083	18,233,071
Cash generated from operations	7,621,054	9,748,450	6,971,217	24,026,808
Income taxes paid	(765,500)	(1,183,155)	(91,663)	(246,667)
Income taxes refund	197,316	-	197,316	-
Interest paid	(2,550,252)	(2,125,663)	(1,695,065)	(1,533,142)
Net cash generated from operating activities	4,502,618	6,439,632	5,381,805	22,246,999

cashflow statements

for year ended 31 December 2006

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash flows from investing activities				
Dividend received	**6,000**	3,000	**1,133,136**	2,056,864
Purchase of other investment	**-**	(177,000)	**-**	-
Proceeds from disposal of property, plant and equipment	**584,317**	45,567	**528,071**	27,118
Purchase of property, plant and equipment	**(2,496,776)**	(4,011,749)	**(2,602,670)**	(21,249,994)
Investment in subsidiary	**-**	-	**(2,245,000)**	-
Acquisition of minority interest	**(2,245,000)**	-	**-**	-
Net cash used in investing activities	**(4,151,459)**	(4,140,182)	**(3,186,463)**	(19,166,012)
Cash flows from financing activities				
Repayment of revolving loan	**-**	(1,500,000)	**-**	(1,500,000)
Drawndown of revolving credit	**2,000,000**	200,000	**2,000,000**	200,000
Repayment of hire purchase	**(4,309,457)**	(276,693)	**(4,108,790)**	(92,182)
Dividends paid	**(533,332)**	(1,360,520)	**(533,332)**	(1,333,304)
Proceeds from / (Repayment of) banker acceptances	**3,587,000**	(17,000)	**735,000**	536,000
Repayment of term loans	**(962,511)**	(895,986)	**(962,511)**	(895,986)
Net cash used in financing activities	**(218,300)**	(3,850,199)	**(2,869,633)**	(3,085,472)
Net increase / (decrease) in cash and cash equivalents	**132,859**	(1,550,749)	**(674,291)**	(4,485)
Cash and cash equivalents at 1 January	**297,556**	1,848,305	**(1,628,312)**	(1,623,827)
Cash and cash equivalents at 31 December (i)	**430,415**	297,556	**(2,302,603)**	(1,628,312)

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash and bank balances	**1,738,130**	1,974,256	**10,800**	48,388
Deposits with licensed banks	**1,005,688**	-	**-**	-
Bank overdrafts	**(2,313,403)**	(1,676,700)	**(2,313,403)**	(1,676,700)
	430,415	297,556	**(2,302,603)**	(1,628,312)

iii) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM12,429,677 (2005 – RM4,265,749) and RM12,076,414 (2005 – RM21,503,994), respectively, of which RM9,932,901 (2005 - RM254,000) and RM9,473,744 (2005 - RM254,000) respectively, were acquired by means of finance lease/hire purchases.

The notes on pages 30 to 58 are an integral part of these financial statements.

notes to the financial statements
for year ended 31 December 2006

Seacera Tiles Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the second board of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

Principal place of business
Lot 16428, 14Km Jalan Ipoh, Kawasan Perindustrian Selayang, 68100 Batu Caves, Selangor Darul Ehsan.

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The principal activities of the Company are the manufacturing and trading of ceramic tiles. The principal activities of the subsidiary companies are set out in Note 4 to the financial statements.

1. Basis of preparation

(a) *Statement of compliance*

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard/Interpretation	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 119_{2004}, Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach Under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The Company plan to apply FRS 117, FRS 124 and the Amendment to FRS 119_{2004} initially for the annual period beginning 1 January 2007 and to apply the rest of the above mentioned FRSs (except for FRS 6 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 is not applicable to the Group and the Company. Hence, no further disclosure is warranted.

notes to the financial statements
for year ended 31 December 2006

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and Company.

The effects of adopting the new/revised FRSs in 2006 are set out in note 27.

The financial statements were approved by the Board of Directors on 25 April 2007.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis.

(c) *Functional and presentation currency*

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

notes to the financial statements

for year ended 31 December 2006

(iii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iv) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

notes to the financial statements
for year ended 31 December 2006

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	40 - 50 years
• plant and equipment	5 - 10 years
• fixtures and fittings	5 - 10 years
• motor vehicles	5 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Goodwill

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

notes to the financial statements

for year ended 31 December 2006

Amortised goodwill and negative goodwill

Before adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Goodwill was amortised from the date of initial recognition over its estimated useful life of not more than 20 years. Impairment tests on goodwill were performed when there were indications of impairment. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable / amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised immediately in the income statement. To the extent that negative goodwill related to expectation of future losses and expenses that were identified in the plan of acquisition and could be measured reliably, but which were not identifiable liabilities at the date of acquisition, that portion of negative goodwill was recognised in the income statement when the future losses and expenses were recognised.

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(e) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense are recognised as an assets, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billing within trade payables.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

notes to the financial statements

for year ended 31 December 2006

(i) Impairment of assets

The carrying amounts of assets except for inventories are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(k) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

notes to the financial statements
for year ended 31 December 2006

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

(iii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(l) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(m) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(n) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

notes to the financial statements
for year ended 31 December 2006

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(p) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

notes to the financial statements
for year ended 31 December 2006

3. Property, plant and equipment

GROUP	Freehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Fixtures, fittings and equipment RM	Plant in Progress RM	Total RM
Cost/Valuation							
At 1 January 2005	20,491,857	27,909,164	2,629,719	64,409,254	2,953,755	9,920	118,403,669
Additions	-	90,357	355,849	1,640,784	295,722	1,883,037	4,265,749
Disposals	-	-	(148,265)	(7,500)	(17,150)	-	(172,915)
At 31 December 2005/ At 1 January 2006	20,491,857	27,999,521	2,837,303	66,042,538	3,232,327	1,892,957	122,496,503
Additions	-	60,471	756,399	4,182,107	777,665	6,653,035	12,429,677
Disposals	-	-	(443,621)	(1,087,594)	-	-	(1,531,215)
Written-off	-	-	-	(5,387,189)	-	-	(5,387,189)
At 31 December 2006	20,491,857	28,059,992	3,150,081	63,749,862	4,009,992	8,545,992	128,007,776
Depreciation and impairment loss							
At 1 January 2005							
Accumulated depreciation	-	4,163,067	1,332,876	44,543,954	1,500,206	-	51,540,103
Depreciation for the year	-	574,270	340,653	2,411,176	165,545	-	3,491,644
Disposals	-	-	(109,945)	(4,886)	(8,172)	-	(123,003)
At 31 December 2005/ At 1 January 2006							
Accumulated depreciation	-	4,737,337	1,563,584	46,950,244	1,657,579	-	54,908,744
Depreciation for the year	-	565,265	430,583	2,586,746	215,641	-	3,798,235
Disposals	-	-	(323,170)	(594,131)	-	-	(917,301)
Written-off	-	-	-	(3,738,570)	-	-	(3,738,570)
At 31 December 2006							
Accumulated depreciation	-	5,302,602	1,670,997	45,204,289	1,873,220	-	54,051,108
Carrying amounts							
At 1 January 2005	20,491,857	23,746,097	1,296,843	19,865,300	1,453,549	9,920	66,863,566
At 31 December 2005/ 1 January 2006	20,491,857	23,262,184	1,273,719	19,092,294	1,574,748	1,892,957	67,587,759
At 31 December 2006	20,491,857	22,757,390	1,479,084	18,545,573	2,136,772	8,545,992	73,956,668

notes to the financial statements
for year ended 31 December 2006

COMPANY	Freehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Fixtures, fittings and equipment RM	Plant in Progress RM	Total RM
Cost/Valuation							
At 1 January 2005	15,097,553	18,181,207	1,273,506	13,818,106	1,526,181	9,920	49,906,473
Additions	-	3,836,764	307,770	15,006,711	469,712	1,883,037	21,503,994
Disposals	-	-	(87,000)	(7,500)	(14,200)	-	(108,700)
At 31 December 2005/ At 1 January 2006	15,097,553	22,017,971	1,494,276	28,817,317	1,981,693	1,892,957	71,301,767
Additions	-	60,471	466,811	4,173,807	722,290	6,653,035	12,076,414
Disposals	-	-	(159,788)	(1,087,594)	-	-	(1,247,382)
Written-off	-	-	-	(5,387,189)	-	-	(5,387,189)
At 31 December 2006	15,097,553	22,078,442	1,801,299	26,516,341	2,703,983	8,545,992	76,743,610
Depreciation and impairment loss							
At 1 January 2005							
Accumulated depreciation	-	3,495,554	463,203	7,399,013	647,328	-	12,005,098
Depreciation for the year	-	438,334	173,108	1,584,724	109,313	-	2,305,479
Disposals	-	-	(68,755)	(4,885)	(7,852)	-	(81,492)
At 31 December 2005/ At 1 January 2006							
Accumulated depreciation	-	3,933,888	567,556	8,978,852	748,789	-	14,229,085
Depreciation for the year	-	453,265	244,390	2,355,461	169,140	-	3,222,256
Disposals	-	-	(103,916)	(594,133)	-	-	(698,049)
Written-off	-	-	-	(3,738,570)	-	-	(3,738,570)
At 31 December 2006							
Accumulated depreciation	-	4,387,153	708,030	7,001,610	917,929	-	13,014,722
Carrying amounts							
At 1 January 2005	15,097,553	14,685,653	810,303	6,419,093	878,853	9,920	37,901,375
At 31 December 2005/ 1 January 2006	15,097,553	18,084,083	926,720	19,838,465	1,232,904	1,892,957	57,072,682
At 31 December 2006	15,097,553	17,691,289	1,093,269	19,514,731	1,786,054	8,545,992	63,728,888

notes to the financial statements
for year ended 31 December 2006

Included under property, plant and equipment is:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment acquired under hire purchase contracts	**9,740,921**	254,000	**9,740,921**	254,000
Net book value of freehold land and buildings pledged with the licensed banks for facilities granted as disclosed in Note 12	**43,330,717**	43,798,705	**32,826,648**	33,181,636

The title for the freehold land and building with net book value of RM3,727,742 is registered in the name of a subsidiary company in trust for the Company.

4. Investment in subsidiary companies

	Company	
	2006	**2005**
	RM	**RM**
Shares in unquoted corporations at cost	**26,335,272**	24,090,272

The principal activities of the subsidiaries which were incorporated in Malaysia are as follows:

Name of Company	Principal activities	Effective equity interest 2006	Effective equity interest 2005
Seacera Ceramics Sdn. Bhd. (Formerly known as Sea Ceramics Sdn. Bhd.)	Marketing of all kinds of ceramic tiles.	**100%**	100%
Seacera Polyfilms Sdn. Bhd. (Formerly known as Sam Long Chemicals Industries (Malaysia) Sdn. Bhd.)	Manufacturing of biaxial oriented polypropylene films for packing purposes.	**100%**	80%
Seacera Properties Sdn. Bhd.	Property development activities.	**100%**	100%
Seacera Polymer Sdn. Bhd.* (Formerly known as Quantum Integration Sdn. Bhd.)	Investment Holding	**100%**	80%
Seacera Porcelain Sdn. Bhd. (Formerly known as Sea Porcelains Sdn. Bhd.)	Dormant Company	**100%**	100%
Seacera Tiles Marketing Sdn. Bhd. (Formerly known as Median Maju Sdn. Bhd.)	Marketing of all kinds of ceramic tiles.	**100%**	-
Seacera Multimedia Sdn. Bhd. (Formerly known as Ameriweb Sdn. Bhd.)	Dormant Company	**100%**	-

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Name of Company	Principal activities	Effective equity interest 2006	2005
Seacera Developments Sdn. Bhd. (Formerly known as Megapark Developers Sdn. Bhd.)	Dormant Company	**100%**	-
Seacera Builders Sdn. Bhd. (Formerly known as Gembumi Builders Sdn. Bhd.)	Dormant Company	**100%**	-
E-Seacera Sdn. Bhd.**	Development of software system	-	100%

* During the year, the Company acquired the remaining 20% interest in Seacera Polymer Sdn. Bhd. from the minority interest at a consideration of RM2,245,000. The acquisition resulted to a negative goodwill of RM1,956,471 which has been recognised in the income statement.

** On 27 April 2006, the Company entered into a Shares Sale Agreement to dispose its entire interest in E-Seacera Sdn. Bhd. ("ESSB") at a consideration of RM50,000. ESSB holds a 36.8% interest in Cogito Systems Sdn Bhd. The disposal of ESSB resulted in a gain to the Group of RM27,741.

A separate Settlement Agreement was also entered on the same date with ESSB's new owner to settle the amount owed by ESSB amounting to RM7,422,584 to the Company. The amount owed is to be repaid by ESSB within a period of 3 years payable by quarterly installments. As at 31 December 2006, the amount owed by ESSB is RM6,878,247.

5. Associated company

	Group 2006 RM	2005 RM
At cost	-	4,029,100
Share of post acquisition reserve	-	(67,700)
	-	3,961,400
Represented by:		
Share of net assets other than goodwill	-	1,637,928
Premium of acquisition	-	2,323,472
	-	3,961,400

The principal activities of the associated company is as follows:

Name of Company	Principal activities	Country of Incorporation	Effective equity interest 2006	2005
Cogito Systems Sdn. Bhd.	Research, development and commercialisation of interactive Multimedia Systems.	Malaysia	-	36.8%

Cogito Systems Sdn. Bhd. ceased to be an associated company following the disposal of E-Seacera Sdn. Bhd. (Note 4).

notes to the financial statements
for year ended 31 December 2006

6. Goodwill

	Group 2006 RM	Group 2005 RM restated
At 1 January	**8,862,143**	8,862,143
Effect of adopting FRS 3	**(1,366,247)**	-
At 1 January, restated / At 31 December	**7,495,896**	8,862,143
Amortisation and impairment loss		
At 1 January		
Accumulated amortisation	**1,366,247**	923,140
Accumulated impairment loss	**-**	-
	1,366,247	923,140
Effect of adopting FRS 3	**(1,366,247)**	-
At 1 January	**-**	923,140
Amortisation for the year	**-**	443,107
Impairment loss for the year	**4,000,000**	-
At 31 December 2006		
Accumulated amortisation	**-**	1,366,247
Accumulated impairment loss	**4,000,000**	-
	4,000,000	1,366,247
Carrying amounts		
At 1 January, restated	**7,495,896**	7,939,003
At 31 December	**3,495,896**	7,495,896

Impairment testing for cash-generating units containing goodwill

The goodwill relates to the Group's film packing unit. The recoverable amount of the film packing unit was based on its value in use. The carrying amount was determined to be higher than its recoverable amount and an impairment loss of RM4,000,000 was recognised. The impairment loss was allocated fully to goodwill and is included in other operating expenses.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on expected future cash flows for a period up to 15 years and the assumption that cash flows remains constant from the 5th year.
- A discount rate of 8% was used to calculate the present value of the cash flows.
- Terminal value is assumed to be RM20 million at year 2021.

notes to the financial statements
for year ended 31 December 2006

7. Property development costs

	Group 2006 RM	Group 2005 RM
Development costs	**228,960**	228,960

8. Inventories

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
At cost				
Consumables	**-**	7,128,584	**-**	7,128,584
Raw materials	**4,217,246**	4,715,128	**3,034,542**	3,178,729
Work-in-progress	**926,558**	981,007	**325**	73,231
Finished goods	**5,143,615**	15,474,274	**3,727,035**	13,829,663
	10,287,419	28,298,993	**6,761,902**	24,210,207
At net realisable value:				
Consumables	**2,536,685**	-	**2,536,685**	-
Finished goods	**8,930,089**	1,026,135	**6,976,644**	963,148
	21,754,193	29,325,128	**16,275,231**	25,173,355

In 2006, Group's and Company's inventories recognised as cost of sales amounted to RM61,046,203 and RM30,199,377 (2005 – RM62,517,923 and RM33,116,330) respectively. In 2006, the write-down of inventories to net realisable value amounted to RM9,616,831 (2005 - RM331,013).

notes to the financial statements
for year ended 31 December 2006

9. Receivables, deposits and prepayments

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Trade					
Trade receivables		**19,129,779**	23,483,675	**2,230,949**	1,844,862
Less: Allowance for doubtful debts		**(47,800)**	(68,575)	**(37,800)**	(37,800)
		19,081,979	23,415,100	**2,193,149**	1,807,062
Amount due from subsidiary companies		**-**	-	**-**	4,452,399
Non-trade					
Other receivables	a	**9,116,195**	107,038	**7,083,547**	66,784
Deposits	b	**2,458,106**	477,262	**-**	88,989
Prepayments		**251,721**	384,176	**171,325**	104,943
Amount due from associated companies	c	**-**	3,444,294	**-**	-
Amount due from subsidiary companies	d	**-**	-	**8,138,113**	7,816,786
		30,908,001	27,827,870	**17,586,134**	14,336,963

Note a
Included in the other receivables are:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
(i) Amount due from a former subsidiary, E-Seacera Sdn. Bhd. (Refer to Note 4)	**6,878,247**	-	**6,878,247**	-
(ii) Advances given to Duta Skyline Sdn. Bhd. in respect of Puncak Damai Project (Refer to Note 23)	**2,083,123**	250,000	**-**	-

Note b
Included in deposits is:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
(i) Deposits paid for acquisition of Kayu Ara Lands (Refer to Note 23)	**2,236,166**	-	**-**	-

Note c
The amounts due from associated companies are interest free with no fixed repayment terms.

Note d
The amounts due from subsidiary companies are interest free with no fixed repayment terms.

notes to the financial statements
for year ended 31 December 2006

10. Cash and bank balances

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Deposits are placed with:				
Licensed banks	**1,505,688**	500,000	**500,000**	500,000
Cash and bank balances	**1,738,130**	1,974,256	**10,800**	48,388
	3,243,818	2,474,256	**510,800**	548,388

Deposits placed with licensed banks pledged for a bank facility

Included in the deposits placed with licensed banks is RM500,000 (2005 - RM500,000) pledged for a bank facility granted to the Company.

11. Share capital

	Group and Company 2006 RM	Group and Company 2005 RM
Ordinary shares of RM1.00 each:		
Authorised	**100,000,000**	100,000,000
Issued and fully paid	**53,332,000**	53,332,000

12. Loans and borrowings

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see note 26.

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Non-current				
Term loans	**66,817**	1,026,993	**66,817**	1,026,993
Hire purchase liabilities	**4,265,260**	202,822	**4,140,750**	202,822
	4,332,077	1,229,815	**4,207,567**	1,229,815
Current				
Term loans	**962,510**	964,845	**962,510**	964,845
Revolving credits	**5,000,000**	3,000,000	**5,000,000**	3,000,000
Revolving loan	**14,500,000**	14,500,000	**14,500,000**	14,500,000
Hire purchase liabilities	**1,561,006**	45,794	**1,472,820**	45,794
Banker acceptance	**20,491,000**	16,904,000	**3,009,000**	2,274,000
Bank overdrafts	**2,313,403**	1,676,700	**2,313,403**	1,676,700
	44,827,919	37,091,339	**27,257,733**	22,461,339

notes to the financial statements
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Security

The term loans are secured as follows:

(i) first charge over the Company's freehold land and buildings;
(ii) general security agreement relating to goods held; and
(iii) general letter of pledge and a blanket counter indemnity.

The revolving loan is secured as follows:

(i) first charge over 80% equity interest in a subsidiary company;
(ii) second charge over the Company's freehold land and buildings; and
(iii) first charge on the fixed deposit of RM500,000.

The bank overdrafts, bankers' acceptances and revolving credit facilities are secured as follows:

i) first charge over subsidiary companies and the Company's freehold land and buildings;
ii) general security agreement relating to goods held;
iii) general letter of pledge and a blanket counter indemnity; and
iv) corporate guarantee to subsidiary companies .

Terms and debt repayment schedule

	Year of maturity	Carrying amount	Under 1 years	1 - 2 years	2 - 5 years	Over 5 years
Group		RM	RM	RM	RM	RM
2006						
Term loans	**2008**	**1,029,317**	**962,510**	**66,817**	**-**	**-**
Revolving credits	**2007**	**5,000,000**	**5,000,000**	**-**	**-**	**-**
Revolving loan	**2007**	**14,500,000**	**14,500,000**	**-**	**-**	**-**
Banker acceptance	**2007**	**20,491,000**	**20,491,000**	**-**	**-**	**-**
Bank overdrafts	**2007**	**2,313,403**	**2,313,403**	**-**	**-**	**-**
2005						
Term loans	2008	1,991,838	964,845	1,026,993	-	-
Revolving credits	2006	3,000,000	3,000,000	-	-	-
Revolving loan	2006	14,500,000	14,500,000	-	-	-
Banker acceptance	2006	16,904,000	16,904,000	-	-	-
Bank overdrafts	2006	1,676,000	1,676,000	-	-	-
Company						
2006						
Term loans	**2008**	**1,029,317**	**962,510**	**66,817**	**-**	**-**
Revolving credits	**2007**	**5,000,000**	**5,000,000**	**-**	**-**	**-**
Revolving loan	**2007**	**14,500,000**	**14,500,000**	**-**	**-**	**-**
Banker acceptance	**2007**	**3,009,000**	**3,009,000**	**-**	**-**	**-**
Bank overdrafts	**2007**	**2,313,403**	**2,313,403**	**-**	**-**	**-**

notes to the financial statements
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Company	Year of maturity	Carrying amount RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
2005						
Term loans	2008	1,991,838	964,845	1,026,993	-	-
Revolving credits	2006	3,000,000	3,000,000	-	-	-
Revolving loan	2006	14,500,000	14,500,000	-	-	-
Banker acceptance	2006	2,274,000	2,274,000	-	-	-
Bank overdrafts	2006	1,676,000	1,676,000	-	-	-

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Payments 2006 RM	Interest 2006 RM	Principal 2006 RM	Payments 2005 RM	Interest 2005 RM	Principal 2005 RM
Less than one year	**1,819,372**	**258,366**	**1,561,006**	57,564	11,770	45,794
Between one and five years	**5,007,530**	**742,270**	**4,265,260**	248,483	45,661	202,822
	6,826,902	**1,000,636**	**5,826,266**	306,047	57,431	248,616
Company						
Less than one year	**1,730,256**	**257,436**	**1,472,820**	57,564	11,770	45,794
Between one and five years	**4,872,790**	**732,040**	**4,140,750**	248,483	45,661	202,822
	6,603,046	**989,476**	**5,613,570**	306,047	57,431	248,616

13. Deferred taxation

Deferred tax assets and liabilities are attributable to the followings:

Deferred tax liabilities

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Property, plant and equipment - capital allowance	**6,090,028**	1,457,503	**5,572,000**	1,225,172
Provisions	**(2,617,926)**	(234,829)	**(2,472,000)**	(29,776)
Revaluation	**571,326**	480,000	**-**	-
Unutilised capital allowance	**(877,000)**	-	**(877,000)**	-
	3,166,428	1,702,674	**2,223,000**	1,195,396

Deferred tax liability and assets are off set above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

notes to the financial statements
for year ended 31 December 2006

14. Provision for retirement benefits

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Present value of unfunded obligation and net liability in balance sheet	**743,349**	689,232	**202,881**	183,337

Movement in net liability recognized in the balance sheet are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Net liability at 1 January	**689,232**	444,637	**183,337**	103,000
Expense recognised in the income statement	**54,117**	244,595	**19,544**	80,337
	743,349	689,232	**202,881**	183,337

The Group and Company has a defined benefit plan that provides retirement benefits to eligible employees.

Under the plan, except for Seacera Polyfilms Sdn. Bhd., eligible employees who have completed 5 years continuous service with the respective companies at the date of retirement are entitled to benefits calculated at 3.38% on each year's total basic salary. The retirement age for male is 55 while for female is 50. In addition for those who retire on the ground of ill health and have completed 3 years of continuous service with the companies at the date of retirement are also entitled to the retirement benefits mention above.

For Seacera Polyfilms Sdn. Bhd., eligible employees who have completed 5 years continuous service with the company at the date of retirement are entitled to benefits calculated at 8.33% on each year's total basic salary. The retirement age for male is 55 while female is 50. In addition there is also an early retirement option at the age of 50 for male.

Principal actuarial assumptions used at the balance sheet date are:

	Group		Company	
	2006	2005	2006	2005
Discount rate	**7.00%**	7.00%	**7.00%**	7.00%
Future salary increases	**5.00%**	5.00%	**5.00%**	5.00%

The expense is recognised in the following line items in the income statement:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cost of sales	**-**	250,697	**-**	61,705
Other operating expenses	**54,117**	(6,102)	**19,544**	18,632
	54,117	244,595	**19,544**	80,337

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15. Payables and accruals

	Group		Company	
	2006	2005	2006	2005
Trade	RM	RM	RM	RM
Trade payables	**9,872,097**	8,170,092	**5,927,161**	3,907,978
Non-trade				
Other payables	**416,967**	1,148,871	**374,721**	663,926
Accrued expense	**1,341,780**	1,728,687	**871,305**	1,035,500
Amounts due to subsidiary companies	**-**	-	**25,552,465**	21,651,410
	11,630,844	11,047,650	**32,725,652**	27,258,814

The amounts due to subsidiary companies are interest free, unsecured with no fixed repayment terms.

16. Interest expense

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Term loans	**117,873**	173,840	**117,873**	173,840
Banker's acceptances	**987,502**	633,967	**140,867**	70,011
Revolving loan	**1,047,059**	1,073,768	**1,047,059**	1,073,767
Revolving credits	**173,293**	148,680	**173,293**	148,680
Hire purchase	**179,135**	26,280	**173,687**	4,218
Others	**45,390**	69,128	**42,286**	62,626
	2,550,252	2,125,663	**1,695,065**	1,533,142

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17. (Loss)/Profit before taxation

	Group		Company	
	2006	2005	**2006**	2005
(Loss) / Profit before taxation is arrived at after charging and (crediting):	**RM**	RM	**RM**	RM
Auditors' remuneration				
- current year	**85,000**	84,200	**32,000**	25,000
Depreciation	**3,798,235**	3,491,644	**3,222,256**	2,305,479
Write down of inventories	**9,616,831**	331,013	**8,953,220**	310,000
Directors' remuneration				
- fees	**165,500**	136,750	**135,000**	135,000
- other emoluments	**837,481**	1,862,704	**616,981**	859,404
Allowance for doubtful debts	**-**	52,897	**-**	37,800
Rental of				
- premises	**-**	4,264	**-**	-
- plant and machinery	**152,044**	3,813	**152,044**	3,813
Cost of contract wages	**17,747**	808,611	**17,747**	380,924
Gross dividend income from unquoted subsidiary companies	**-**	-	**(1,573,800)**	(2,351,200)
Amortisation of goodwill	**-**	443,107	**-**	-
Unrealised gain from foreign exchange	**-**	(82,658)	**-**	(76,994)
Loss from disposal of property, plant and equipment	**30,905**	4,345	**21,262**	92
Gross dividend income from quoted investment	**(6,000)**	(3,000)	**-**	-
Allowance for doubtful debts no longer required	**-**	(5,156)	**-**	-
Realised gain from foreign exchange	**(158,973)**	(7,710)	**(254,554)**	(6,514)
Property, plant and equipment written off	**1,648,619**	-	**1,648,619**	-
Impairment of goodwill	**4,000,000**	-	**-**	-
Negative goodwill arising from acquisition of minority interest	**(1,956,471)**	-	**-**	-
Gains on disposal of subsidiary	**(27,941)**	-	**(49,998)**	-
Personnel expenses				
- Contribution to Employee Provident Fund	**1,026,308**	809,037	**632,480**	424,608
- Wages, salaries and others	**9,663,770**	9,056,288	**7,165,664**	4,219,165
- Retirement benefit expenses	**54,117**	244,595	**19,544**	80,337

The estimated monetary value of benefits-in-kind not included in the above received by Directors of the Group and the Company were RM 62,770 and RM 62,770 (2005 - RM97,321 and RM37,921).

notes to the financial statements
for year ended 31 December 2006

18. Tax expense

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Current tax				
- current expense	**493,696**	221,894	**440,664**	-
- (over)/under provision in prior years	**(320,783)**	301,144	**17,033**	(4,414)
	172,913	523,038	**457,697**	(4,414)
Deferred tax expense				
- Origination and reversal of temporary difference	**(2,508,019)**	(1,391,486)	**(2,577,000)**	954,616
- Under/ (Over) provision in prior year	**3,952,142**	(758,573)	**3,604,604**	(99,070)
	1,617,036	(1,627,021)	**1,485,301**	851,132
Reconciliation of effective tax expense				
Profit before taxation	**(11,509,903)**	1,363,102	**(9,160,765)**	3,444,041
Tax at the applicable tax rate	**(3,222,773)**	545,632	**(2,565,014)**	964,331
Effect of changes in tax rate	**(14,728)**	-	**-**	-
Non-deductible expense	**1,817,086**	674,807	**514,000**	354,285
Non-taxable income	**(548,752)**	(1,994,912)	**-**	(364,000)
Adjustment to opening deferred tax resulting from reduction in income tax rate	**-**	(395,119)	**-**	-
Effect of deferred tax benefits not recognised	**136,846**	-	**-**	-
Others	**(182,002)**	-	**(85,322)**	-
	(2,014,323)	(1,169,592)	**(2,136,336)**	954,616
Under/(Over)provision in prior year	**3,631,359**	(457,429)	**3,621,637**	(103,484)
	1,617,036	(1,627,021)	**1,485,301**	851,132

19. (Loss) / Earnings per share

a) Basic (loss) / earnings per share

The (loss) / earnings per share for the year has been calculated based on the consolidated loss after taxation and minority interests of RM13,220,959 (2005 – profit of RM2,866,105) and the weighted number of ordinary shares issued and paid up during the year of 53,332,000 (2005 - 53,332,000).

b) Diluted (loss) / earnings per share

The fully diluted (loss) / earnings per share is calculated based on the consolidated loss after taxation and minority interests of RM13,220,959 (2005 - profit of RM2,866,105) and the weighted number of ordinary shares issued and paid up during the year of 53,332,000 (2005 - 53,332,000). The number of shares that would have been issued arising from the exercise of the share options is anti-dilutive.

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20. Dividends

	Group and Company	
	2006	**2005**
	RM	**RM**
Paid:		
Final 2005 dividend of 1% tax exempt	**533,332**	-
Final 2004 dividend of 2.5% tax exempt	**-**	1,333,304

The Directors do not recommend any final dividend for the financial year ended 31 December 2006.

21. Employees' share option scheme (ESOS)

The main features of the Scheme are as follows:

(a) Eligible employee are those full time and confirmed employees or executive directors, who have at least 3 continuous years of service in the Group.

Eligible non-executive director are those who have served on the Board of the Group for at least 3 continuous years of service;

(b) A director is only eligible to participate in the scheme if the specific allotment made to him/her has been approved by the shareholders of the Company in a general meeting;

(c) The aggregate number of shares to be issued under the scheme shall not exceed:

(i) 10% of the shares available under the scheme allocated to any individual director or employee of the Group who either singly or collectively through his/her associates holds 20% or more in the issued and paid up ordinary share of the Company; and

(ii) 50% of the shares available under the scheme allocated in aggregate to the Directors and senior management of the Group.

(d) the options made be exercised in full or in lesser number of shares provided that the number shall be in multiples of 1,000 shares;

(e) the price at which the options are to be exercised shall be subject to a discount of not more than 10% to the weighted average market price of the shares based on the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five Market days preceding date of offer and subject to the provision that the option price per share shall not in any event less that the par value of the shares;

(f) Option shall be valid only from the date of acceptance of the offer or the earliest of any of the following event:

(i) any of the termination events stipulated in Bye-Law 19;
(ii) upon liquidation of the company; or
(iii) upon expiration of the scheme.

(g) The person whom the options have been granted have no right to vote at any general meeting of the Company and

(h) Unexercised options granted under ESOS carry no dividend, rights or entitlement. Upon exercise of the option, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

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The movement during the year in the number of options over the shares of the company are as follows:

	2006	2005
	RM	RM
As at 1 January	**3,094,000**	5,324,000
Granted	**-**	84,000
Lapsed	**(765,000)**	(2,314,000)
As at 31 December	**2,329,000**	3,094,000

Terms of the options outstanding at 31 December 2006:

Expiry date	Exercise price	Number
31.8.2009	RM1	2,329,000

22. Segmental information

Segment information is presented in respect of the Group's business segments. The business segments are based on the Group's management and internal reporting structure. Segment information by geographical segments is not provided as the activities of the Group are located principally in Malaysia. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Business segments

The Group is organised into the following segments:

(i) Tiles - manufacturing, trading and marketing of all kinds of ceramic tiles and related products.

(ii) Film Packaging - manufacturing of Biaxial Oriented Polypropylene films for packing purposes.

(iii) Others - investment holding and property development.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are no materially different from those obtainable in transactions with unrelated parties.

notes to the financial statements
for year ended 31 December 2006

Business segments

	Tiles	Film Packaging	Others	Eliminations	Consolidation
	RM	RM	RM	RM	RM
2006					
Revenue - external	42,564,816	43,709,672	684	-	86,275,172
Segment result	(10,349,696)	1,898,298	(508,253)	-	(8,959,651)
Interest expense					(2,550,252)
Loss before taxation					(11,509,903)
Tax expense					(1,617,036)
Net loss for the year					(13,126,939)
Segment assets	90,403,988	25,540,933	14,323,719	-	130,268,640
Goodwill	-	3,495,896	-	-	3,495,896
Unallocated assets					1,591,671
Total assets					135,356,207
Segment liabilities	49,719,889	7,537,494	4,276,806	-	61,534,189
Unallocated liabilities					3,166,428
Total liabilities					64,700,617
Capital expenditure	12,149,159	280,518	-	-	12,429,677
Depreciation and amortisation	3,280,198	518,037	-	-	3,798,235
Impairment of goodwill	-	4,000,000	-	-	4,000,000
Non-cash expenses other than depreciation and amortisation	9,616,831	-	-	-	9,616,831
2005					
Revenue - external	43,442,948	41,035,199	-	-	85,182,036
Segment result	2,914,376	633,637	(3,547)	-	3,544,466
Interest expense					(2,125,663)
Share of results associated companies					(55,701)
Profit before taxation					1,363,102
Tax expense					1,627,021
Net Profit for the year					2,990,123
Segment assets	106,273,943	17,902,736	3,444,294	-	127,620,973
Investment in associates	-	-	3,961,400	-	3,961,400
Goodwill	-	7,495,896	-	-	7,495,896
Unallocated assets					1,160,014
Total assets					140,238,283

notes to the financial statements
for year ended 31 December 2006

	Tiles	Film Packaging	Others	Eliminations	Consolidation
	RM	RM	RM	RM	RM
2005					
Segment liabilities	39,997,922	5,850,869	2,250	-	45,851,041
Unallocated liabilities					5,909,669
Total liabilities					51,760,710
Capital expenditure	4,194,135	71,614	-	-	4,265,749
Depreciation and amortisation	3,086,767	504,877	-	-	3,591,644

Geographical segments

The Group's production facilities are located in Malaysia only.

In determining the geographical segment of the Group, revenue is based on the geographical location of customers.

Revenue	**2006**	**2005**
	RM	**RM**
Malaysia	**67,421,924**	63,605,831
Asean countries	**16,718,999**	19,824,406
Others	**2,134,249**	1,751,799
As at 31 December	**86,275,172**	85,182,036

23. Related party transactions

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions	**Transaction value for year ended 31 December**	
Company	**2006**	**2005**
	RM	**RM**
Sale of goods and services		
Seacera Ceramics Sdn Bhd	**30,944,941**	34,327,061

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances is secured.

notes to the financial statements
for year ended 31 December 2006

Other related party transactions:

Puncak Damai Projects

On 5 April 2005, the Group entered into a joint venture development agreement with Duta Skyline Sdn. Bhd. to undertake the construction and development of a piece of land owned by Duta Skyline Sdn. Bhd. The agreement is conditional upon certain terms and conditions. Currently the fulfillment of the terms and conditions have been extended to 30 June 2007.

During the year, the Group made advances amounting to RM1,833,123 to Duta Skyline Sdn. Bhd. The advances is classified under other receivables in the balance sheet as at 31 December 2006 (Note 9).

Ismail Bin Othman who is substantial shareholder of Duta Skyline Sdn. Bhd. is the brother of Hider Bin Othaman, a Director of the Company.

Acquisition of Kayu Ara Lands

In April 2007, the Group entered into a sale and purchase agreement with Antara Vista Sdn. Bhd. to acquire 2 pieces of land located in Pekan Kayu Ara, Negeri Selangor amounting to RM6,000,000. As at the balance sheet date, the Group has made deposits amounting RM2,236,666 to Antara Vista Sdn. Bhd.

Ismail Bin Othman who is a substantial shareholder of Antara Vista Sdn. Bhd. is the brother of Hider Bin Othaman, a Director of the Company.

24. Contingent liabilities

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Corporate guarantees given to licensed banks for credit facilities granted to subsidiary companies	**-**	-	**18,450,000**	19,950,000

25. Capital commitments

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Contracted but not provided for in the financial statements	**8,876,577**	228,454	**2,876,577**	228,454

notes to the financial statements
for year ended 31 December 2006

26. Financial instruments

Financial risk management objectives and policies

The Group's activities are exposed to a variety of financial risks, including liquidity risk, foreign currency risk, interest rate risk and credit risk.

The Group's overall financial risk management objective is to ascertain, address and control the risks to which the Group is exposed so as to minimise the financial downside risk at reasonable costs.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Group is exposed to foreign currency risk as a result of transactions denominated in foreign currency entered into by the Group. The Group does not hedge against this foreign currency exposure as it does not form a significant portion of the Group's gross assets.

Credit risk

Management monitors the exposure to credit risk on an ongoing basis. Informal credit evaluations are performed on credit sales with a view of setting appropriate credit terms and limits.

Interest rate risk

The Group and the Company fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rate.

Effective interest rate analysis:

In respect of interest-earning financial asset and interest bearing financial liabilities (all repriced in less than 1 year), the following table indicates their effective interest rates at the balance sheet date:

	2006		2005	
Group	**Average effective interest rate %**	**Total RM**	**Average effective interest rate %**	**Total RM**
Financial asset				
Deposits	**3.00**	**1,505,688**	3.00	500,000
Financial liabilities				
Term loans	**7.50**	**1,029,317**	6.75	1,991,838
Revolving loan	**7.35**	**14,500,000**	6.95	14,500,000
Revolving credits	**5.70-7.50**	**5,000,000**	4.80	3,000,000
Banker's acceptances	**3.98-5.55**	**20,491,000**	3.85-4.75	16,904,000
Bank overdraft	**7.50**	**2,313,403**	6.75	1,676,000

notes to the financial statements

for year ended 31 December 2006

Company	2006 Average effective interest rate %	2006 Total RM	2005 Average effective interest rate %	2005 Total RM
Financial asset				
Deposits	**3.00**	**500,000**	3.00	500,000
Financial liabilities				
Term loans	**7.50**	**1,029,317**	6.75	1,991,838
Revolving loan	**7.35**	**14,500,000**	6.95	14,500,000
Revolving credits	**5.70-7.50**	**5,000,000**	4.80	3,000,000
Banker's acceptances	**5.20-5.25**	**3,009,000**	4.45-4.50	2,274,000
Bank overdraft	**7.50**	**2,313,403**	6.75	1,676,000

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals, and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments. The fair value of other investments which comprises of quoted securities is approximately RM140,000 (2005 – RM143,000) at the balance sheet date.

27. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006. The changes in accounting policies arising from the adoption of FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets are summarised below:

FRS 3, Business Combination, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

The adoption of FRS 3, FRS 136 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement. This has resulted in the derecognition of negative goodwill and an increase of retained earnings for the Group as at 1 January 2006 by RM331,005.

FRS 2, Share-based Payment

In accordance with the transitional provisions, FRS 2 has been applied to all grants after 1 January 2005. The adoption of FRS 2 has resulted in a change in the Group's accounting policy for share-based payments, whereby the Group charges the cost of share options to the income statement. The change in accounting policy is made in accordance with their transitional provisions.

The effect of adopting FRS 2 does not have any material effect to the financial statements.

28. Subsequent event

The Company had on 9 April 2007 entered into a Shares Sale Agreement to fully acquire the shares of Gorgeous Cottage Sdn Bhd for a total cash consideration of RM2,350,000.

list of properties

Location	Tenure	Description Of Existing Use	Acquisition/ Revaluation Date	Approximate Age Of Building (Years)	Total Land Area (Sq. Ft.)	Net Book Value
HS (D) 17361 PT No. 16428 (Lot 49615) Mukim Batu Daerah Gombak Selangor Darul Ehsan	Freehold	Industrial land cum office and factory	23 May 1998	13 - 32	549,699	29,567,553
HS (D) 29518 PT No. 16429 (Lot 46916) Mukim Batu Daerah Gombak Selangor Darul Ehsan	Freehold	Transmission land reserve	23 May 1998	Not Applicable	48,621	474,682
HS (D) 29506 PT No.16430 (Lot 46917) Mukim Batu Daerah Gombak Selangor Darul Ehsan	Freehold	Tenaga Nasional Bhd substation reserve	23 May 1998	Not Applicable	5,209	50,855
HS (D) 29507 PT No. 16431 (Lot 46918) Mukim Batu Daerah Gombak Selangor Darul Ehsan	Freehold	Warehouse	19 July 1999	13	31,582	2,651,088
Lot No. 943 Mukim of Rawang Daerah Gombak Selangor Darul Ehsan	Freehold	Industrial land cum office and factory	20 August 2002	14	239,580	10,505,069
Total						**43,249,247**

analysis of shareholdings

as at 30 APRIL 2007

Authorised Share Capital	:	RM100,000,000.00
Issued and Paid-up Capital	:	RM 53,332,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	One vote per Ordinary share
No. of shareholders	:	1,932

1. DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	Total Holdings	% of Holdings
Less than 100 shares	182	7,817	0.02
100 to 1,000 shares	155	123,881	0.23
1,001 – 10,000 shares	1,304	4,198,132	7.87
10,001 – 100,000 shares	253	7,359,603	13.80
100,001 to less than 5% of issued shares	35	16,906,661	31.70
5% and above of issued shares	3	24,735,906	46.38
	1,932	**53,332,000**	**100.00**

2. INFORMATION OF SUBSTANTIAL SHAREHOLDERS
(as per register of substantial shareholders as at 30 April 2007)

		Direct Interest		Indirect Interest	
	Name	No. of Shares	%	No. of Shares	%
1.	Dato' Samsudin Bin Abu Hassan	11,080,000	20.78	-	-
2.	Dato' Azizi Bin Yom Ahmad	8,047,839	15.09	8,000[a]	0.015
3.	Synergy Platform Sdn. Bhd.	6,000,000	11.25	-	-
4.	Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	-	-	6,000,000[b]	11.25

Note:
[a] Deemed interest by virtue of his father, Tan Sri Dato' Seri Prof. Dr. Yom Ahmad Bin Ngah Ahmad's direct interest.
[b] Deemed interest by virtue of Section 6A of the Companies Act, 1965 pursuant to his substantial interest in Synergy Platform Sdn. Bhd.

3. DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2007
(as per register of directors' shareholdings)

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Azizi Bin Yom Ahmad	8,047,839	15.09	8,000[a]	0.015
Dato' Samsudin Bin Abu Hassan	11,080,000	20.78		-
Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	-	-	6,000,000[b]	11.25
Encik Ghazali Bin Salamat	10,666	0.02	-	-
Dato'Mohamed Salleh Bin Bajuri	-	-	-	-
Encik Khalid Bin Sufat	-	-	-	-
Encik Hider Bin Othaman	-	-	-	-

Note:
[a] Deemed interest by virtue of his father, Tan Sri Dato' Seri Prof. Dr. Yom Ahmad Bin Ngah Ahmad's direct interest.
[b] Deemed interest by virtue of Section 6A of the Companies Act, 1965 pursuant to his substantial interest in Synergy Platform Sdn. Bhd.

analysis of shareholdings

as at 30 APRIL 2007

4. LIST OF TOP 30 SHAREHOLDERS

	Name	No. of Shares	Percentage (%)
4.1	RC Nominees (Tempatan) Sdn Bhd Qualifier: Dato' Samsudin Bin Abu Hassan	10,948,000	20.53
4.2	Southern Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Dato' Azizi Bin Yom Ahmad	7,787,906	14.60
4.3	Synergy Platform Sdn Bhd	6,000,000	11.25
4.4	Grand Monarch Corporation Sdn Bhd	2,277,821	4.27
4.5	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khatijah Abdullah	1,542,000	2.89
4.6	Southern Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Abdul Haris Bin Muhammad Ali	1,124,933	2.11
4.7	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Asiah Binti Ismail	1,000,000	1.88
4.8	Tan Kim San & Sons Sdn Bhd	922,666	1.73
4.9	Tan Kim Choo & Tan Kim Choon	910,038	1.71
4.10	Southern Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Soong Teck Onn	836,202	1.57
4.11	Tan Kim San & Sons Sdn Bhd	736,077	1.38
4.12	Tan Chah Boh @ Tan Yoke Kee	675,396	1.27
4.13	Lau Kim Seng	500,000	0.94
4.14	Mary Ho	458,699	0.86
4.15	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lim Seng Hee	446,613	0.84
4.16	Tan Kok Heng	411,500	0.77
4.17	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lee Chen Ye	400,000	0.75
4.18	Lau Kim Seng	350,000	0.66
4.19	Yap Keng Yong	344,000	0.65
4.20	Chong Long Kim	285,332	0.54
4.21	Ismail Bin Yusof	283,000	0.53
4.22	Seong Hoe Motors Sendirian Berhad	272,000	0.51
4.23	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khairuddin Bin Ahmad	262,000	0.49
4.24	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lee Bu Yin	257,000	0.48
4.25	Lim Seng Hee	205,666	0.39
4.26	Southern Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lim Seng Hee	201,333	0.38
4.27	Ibrahim Bin Hamzah	200,000	0.38
4.28	Pang Cheow Mooi	194,400	0.36
4.29	Yap Liong Pea	171,888	0.32
4.30	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chuah Swee Huat	169,600	0.32
		40,174,070	**75.33**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **Twenty-Second Annual General Meeting** of Seacera Tiles Berhad will be held at **Angsana Room, 1st Floor, Templer Park Golf & Resort, No. 1, Templer Park Resort, 48000 Rawang, Selangor Darul Ehsan** on **Friday, 29 June 2007 at 10.00 a.m.** to transact the following businesses:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve the payment of Directors' fees. **Ordinary Resolution 2**

3. To re-elect the following Directors who retire pursuant to Article 67(a) of the Company's Articles of Association:-

   3.1 Y.Bhg. Dato' Azizi Bin Yom Ahmad **Ordinary Resolution 3**

   3.2 Encik Ghazali Bin Salamat **Ordinary Resolution 4**

4. To re-elect the following Director retiring in accordance with Article 68(b) of the Company's Articles of Association: -

   4.1 Encik Khalid bin Sufat **Ordinary Resolution 5**

5. To re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to determine their remuneration. **Ordinary Resolution 6**

6. Authority to Issue Shares **Ordinary Resolution 7**

   As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: -

   "THAT subject always to the Companies Act, 1965 ("the Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Act to issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes that the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being."

7. Proposed Amendments to Articles of Association **Special Resolution 1**

   As Special Business to consider and if thought fit, to pass the following Special Resolution, with or without modifications: -

   "THAT the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as contained in Appendix 1 attached to the Annual Report 2006 be and are hereby approved."

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

BY ORDER OF THE BOARD

SEOW FEI SAN (MAICSA 7009732)
LOH LAI LING (MAICSA 7015412)
Secretary

Petaling Jaya
Date: 07 June 2007

Notice of Annual General Meeting

NOTES:

1. An instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company.

2. An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.

3. If a member appoints two or more proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time for holding the Annual General Meeting or any adjournment thereof.

5 Explanatory Notes on Special Business:

Ordinary Resolution 7 : Authority to Issue Shares

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company.

This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

Special Resolution 1 : Amendments to the Articles of Association

The proposed Special Resolution 1, if passed, will amend the Articles of Association of the Company as in Appendix 1 of the Annual Report 2006.

Statement Accompanying Notice of Twenty-Second Annual General Meeting

1. Place, Date and Time of the Twenty-Second Annual General Meeting

The Twenty-Second Annual General Meeting of Seacera Tiles Berhad will be held as follows:-

Place	:	**Angsana Room, 1st Floor, Templer Park Golf & Resort, No. 1, Templer Park Resort, 48000 Rawang, Selangor Darul Ehsan**
Date	:	**Friday, 29 June 2007**
Time	:	**10.00 a.m.**

2. Directors Standing for Re-election at the Twenty-Second Annual General Meeting

The Directors standing for re-election pursuant to Article 67(a) of the Company's Articles of Association:

- Dato' Azizi Bin Yom Ahmad
- Encik Ghazali Bin Salamat

The Director standing for re-election pursuant to Article 68(b) of the Company's Articles of Association:

- Encik Khalid Bin Sufat

The profile of the Directors standing for re-election is set out on pages 6 - 9 of the Annual Report.

3. Details of Attendance of Directors at Board Meetings

A total of six (6) Board Meetings were held in the financial year ended 31 December 2006 and the details of the Directors' attendance at the Board Meeting are as follows:

Director	Total Attendance
Dato' Azizi Bin Yom Ahmad	6/6
Dato' Samsudin Bin Abu Hassan	4/6
Dato' Mohamed Salleh Bin Bajuri	6/6
Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	6/6
Khalid Bin Sufat (Appointed on 07.08.2006)	2/2
Hider Bin Othaman	6/6
Ghazali Bin Salamat	6/6

Appendix 1

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF THE COMPANY

It is proposed that the Articles of Association of the Company be amended in the following manner:

1. **Article 1(a) - Definitions**

i. THAT the existing definition of "Central Depository" in Article 1(a) which reads as follows:

"Central Depository	...	means Malaysian Central Depository Sdn. Bhd."

be amended by substituting for the definition of "Central Depository" the following:

"Depository	...	**means Bursa Malaysia Depository Sdn. Bhd."**

AND THAT the term "Central Depository" wherever it appears in these Articles be replaced with the term "Depository".

ii. THAT the existing definition of "Approved Market Place" which reads as follows be deleted from Article 1(a):

"Approved Market Place	...	means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order (No. 2), 1998 as may be amended, modified or altered from time to time;"

iii. THAT the existing definition of "Foreign Register" which reads as follows be deleted from Article 1(a):

"Foreign Register	...	means the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place;"

iv. THAT the existing definition of "Deposited Security" in Article 1(a) which reads as follows:

"Deposited Security	...	means a security standing to the credit of a Securities Account of a Depositor subject to provisions of the Central Depositories Act and the Rules;"

be amended by substituting for the definition of "Deposited Security" the following:

"Deposited Security	...	**shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act 1991;"**

2. **Article 9(b)(2) – Preference Shares**

THAT the existing Article 9(b)(2) which reads as follows be deleted in its entirety:

"9(b)(2) The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up."

Article 9(c) – Preference Shares

THAT the existing Article 9(c) which reads as follows be deleted in its entirety:

"9(c) The total nominal value of issued preference shares must not exceed the total nominal value of the issued ordinary shares at any time."

Appendix 1 *(continue)*

3. **Article 27 – Transmission of Securities to/from Branch Register**

THAT the existing Article 27 which reads as follows:

"Where:

(a) the securities of the Company are listed on an Approved Market Place; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities;

the Company shall upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained in the Foreign Register to the Register provided that there shall be no change in the ownership of such securities; and the transmission shall be executed by causing such securities to be credited directly into the Securities Account of such securities holder.

For the avoidance of doubt, even though the Company fulfils the requirements of paragraph (a) and (b) of regulation 27, the Company shall not allow any transmission of securities from the Register into the Foreign Register."

be amended by substituting for the said Article 27 the following:

"27 Where:

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities;

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of Companies in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of Companies in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities."

4. **Article 28 – Suspension of Registration**

THAT the existing Article 28 which reads as follows be deleted in its entirety:

"28 (a) Subject to paragraph (b), the Company may suspend registration of transfers at such time and for such period as the directors may from time to time determine.

(b) Any such suspension must not exceed 30 days (or such other period permitted under the Act and by the Exchange) in any year.

(c) The Company must give at least 18 market days' notice (or, subject to the Act, such other period prescribed by the Exchange) of any such suspension to the Exchange stating the period and purpose of such suspension.

(d) If the Company intends to request the Central Depository to issue a Record of Depositors, the Company must give in accordance with the Rules notice to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors."

5. **Article 31(b) – Rights of Personal Representative or Trustee**

THAT the existing Article 31(b) which reads as follows be deleted in its entirety:

"31(b) Where two or more persons are jointly entitled to any share in consequence of the death of the registered holder, they will, for the purpose of these regulations, be deemed to be joint holders of the share."

Appendix 1 *(continue)*

6. **Article 49(c) – Notice of Meetings**

THAT the existing Article 49(c) which reads as follows:

"The Company shall also by a written request made in duplicate in the prescribed form, request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at **a date** not less than three (3) market days before the general meeting ("the General Meeting Record of Depositors")."

be amended by substituting for the words **"a date"** with the words **"the latest date which is reasonably practicable which shall in any event be"** and the amended Article 49(c) shall read as follows:

"**49(c)** The Company shall also by a written request made in duplicate in the prescribed form, request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at **the latest date which is reasonably practicable which shall in any event be** not less than three (3) market days before the general meeting ("the General Meeting Record of Depositors")."

7. **Article 58(c) – Right to Vote**

THAT the existing Article 58(c) which reads as follows:

"on a show of hands every person **who is a member** or a representative of a member has one vote, and on a poll every member present in person or by proxy or attorney has one vote for each share he holds and every person present who is a representative of a member has one vote for each shares the member holds."

be amended by inserting the words **"personally present"** immediately after the words **"who is a member"** and the amended Article 58(c) shall read as follows:

"**58(c)** on a show of hands every person who is a member **personally present** or a representative of a member has one vote, and on a poll every member present in person or by proxy or attorney has one vote for each share he holds and every person present who is a representative of a member has one vote for each share the member holds."

8. **Article 63(a) – Proxies**

THAT the existing Article 63(a) which reads as follows:

"An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member."

be amended by inserting the words **"and the provisions of Section 149(1)(b) of the Act shall not apply to the Company"** immediately after the end of the sentence and the amended Article 63(a) shall read as follows:

"**63(a)** An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member **and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.**"

Article 63(c) – Proxies

THAT the existing Article 63(c) which reads as follows:

"If a member appoints two or more proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy."

be amended by inserting the words **"A member can appoint up to two (2) proxies and"** at the beginning of the sentence and the amended Article 63(c) shall read as follows:

"**63(c)** **A member can appoint up to two (2) proxies and** if a member appoints two or more proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy."

Appendix 1 *(continue)*

9. **Article 67(b) – Retirement of Directors by Rotation and Re-election**

THAT the existing Article 67(b) which reads as follows:

"Every director must retire from office at least once every 3 years."

be amended by inserting the words **"but shall be eligible for re-election"** at the end of the sentence and the amended Article 67(b) shall read as follows:

"67(b) Every director must retire from office at least once every 3 years, **but shall be eligible for re-election.**"

10. **Article 70(a) – Remuneration of Directors**

THAT the existing Article 70(a) which reads as follows:

"Subject to these regulations, the directors will be paid such fee as is from time to time determined by the Company in general meeting and that fee will be divided among the directors in such proportions and manner as the directors may determine and, in default of such determination, equally."

be amended by inserting a new sentence **"The fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting"** immediately after the end of the existing sentence and the amended Article 70(a) shall read as follows:

"**70(a)** Subject to these regulations, the directors will be paid such fee as is from time to time determined by the Company in general meeting and that fee will be divided among the directors in such proportions and manner as the directors may determine and, in default of such determination, equally. **The fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.**"

11. **Article 72(f) – Office of Director to Become Vacant**

THAT the existing Article 72(f) which reads as follows:

"the director is absent from more than 50% of the total board of directors' meetings held during a financial year."

be amended by inserting the words **"unless an exemption or waiver is obtained from the Exchange"** at the end of the sentence and the amended Article 72(f) shall read as follows:

"72(f) the director is absent from more than 50% of the total board of directors' meetings held during a financial year, **unless an exemption or waiver is obtained from the Exchange.**"

Appendix 1 *(continue)*

12. **Article 88 – Managing Director**

THAT the existing Article 88 which reads as follows:

"88 (a) The directors may from time to time appoint one or more of their number to the office of **managing director**, for such period and on such terms as they think fit, and, subject to the terms of any agreement entered into in a particular case, may revoke any such appointment.

(b) If a **managing director** is appointed for a fixed term, the term must not exceed three (3) years.

(c) A managing director's appointment automatically terminates if he ceases for any cause to be a director."

be amended by inserting the words **"and/or executive director"** immediately after the words **"managing director"** of Articles 88(a) and (b) and the amended Article 88 shall read as follows:

"Managing Director and/or Executive Director

"88 (a) The directors may from time to time appoint one or more of their number to the office of managing director **and/or executive director**, for such period and on such terms as they think fit, and, subject to the terms of any agreement entered into in a particular case, may revoke any such appointment.

(b) If a managing director **and/or executive director** is appointed for a fixed term, the term must not exceed three (3) years.

(c) A managing director's appointment automatically terminates if he ceases for any cause to be a director."

13. **Article 89 – Remuneration of Managing Director**

THAT the existing Article 89 which reads as follows:

"A **managing director** will subject to the terms of any agreement entered into in a particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors determine. Salaries payable to the **managing director** shall not include a commission on or percentage of turnover."

be amended by inserting the words **"and/or executive director"** immediately after the words **"managing director"** on the first and last lines and the amended Article 89 shall read as follows:

"Remuneration of Managing Director and/or Executive Director

"89 A managing director **and/or executive director** will subject to the terms of any agreement entered into in a particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors determine. Salaries payable to the managing director **and/or executive director** shall not include a commission on or percentage of turnover."

Appendix 1 *(continue)*

14. **Article 90 – Managing Director Subject to Control of Directors**

THAT the existing Article 90 which reads as follows:

"90 (a) A **managing director** is subject to the control of the directors.

(b) Without limiting paragraph (a), the directors may, upon terms and conditions and with such restrictions as they think fit, confer upon a **managing director** any of the powers exercisable by them.

(c) Any powers so conferred may be concurred with, or be to the exclusion of, the powers of the directors.

(d) The directors may at any time withdraw or vary any of the powers so conferred on a **managing director**."

be amended by inserting the words **"and/or executive director"** immediately after the words **"managing director"** of Articles 90(a), (b) and (d) and the amended Article 90 shall read as follows:

"Managing Director and/or Executive Director Subject to Control of Directors

"90 (a) A managing director **and/or executive director** is subject to the control of the directors.

(b) Without limiting paragraph (a), the directors may, upon terms and conditions and with such restrictions as they think fit, confer upon a managing director **and/or executive director** any of the powers exercisable by them.

(c) Any powers so conferred may be concurred with, or be to the exclusion of, the powers of the directors.

(d) The directors may at any time withdraw or vary any of the powers so conferred on a managing director **and/or executive director.**"

SEACERA TILES BERHAD (163751-H)

PROXY FORM

No. of Shares

I/We, ____

of ____

being a member(s) of SEACERA TILES BERHAD, hereby appoint ______________________________

of ____

or failing him/her ____

of ____

as my/our proxy, to vote for me/us and on my/our behalf at the **Twenty-Second Annual General Meeting** of the Company to be held at **Angsana Room, 1st Floor, Templer Park Golf & Resort, No. 1, Templer Park Resort, 48000 Rawang, Selangor Darul Ehsan** on **Friday, 29 June 2007** at **10:00 a.m.** or at any adjournment thereof.

		FOR	AGAINST
Ordinary Resolution 1	**To receive and adopt the Audited Financial Statements for the year ended 31 December 2006**		
Ordinary Resolution 2	**To approve the payment of Directors' fees**		
Ordinary Resolution 3	**To re-elect Y.Bhg. Dato' Azizi Bin Yom Ahmad**		
Ordinary Resolution 4	**To re-elect Encik Ghazali Bin Salamat**		
Ordinary Resolution 5	**To re-elect Encik Khalid Bin Sufat**		
Ordinary Resolution 6	**To appoints Messrs KPMG as Auditors and to authorise the directors to fix their remuneration.**		
Ordinary Resolution 7	**Authority to issue shares pursuant to Section 132D**		
Special Resolution 1	**Proposed Amendments to Articles of Association**		

Subject to any voting instructions so given, the proxy will vote, or may abstain from voting on any resolution as he/she may think fit.

____

Signature(s)/Common Seal of Shareholder

Dated this ________________ day of ________________ 2007

NOTES:

1. An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company.

2. An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.

3. If a member appoints two or more proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.

4. The instrument appointing a proxy must be deposited at the Company's Registered Office at 312, 3rd Floor, Block C Kelana Square 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Please fold along this line

affix stamp

SEACERA TILES BERHAD (163751-H)
312, 3rd Floor, Block C Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan.

Fold this flap for sealing along this line