

# contents

02	Corporate Information		
03	Corporate Structure		
04 - 06	Chairman's Statement		
07 - 09	Profile of Board of Directors		
10 - 14	Statement on Corporate Governance		
15	Statement on Internal Control		
16 - 19	Audit Committee Reports		
		21 - 68	<b>FINANCIAL STATEMENTS</b>
		69	List of Properties
		70 - 72	Analysis of Shareholdings
		73 - 74	Notice of Annual General Meeting
		75	Statement Accompanying Notice of Annual General Meeting
		76	Annexure A : Notice of Nomination for the Appointment of Auditors
		77	Annexure B : Notice of Removal of Director Proxy Form

# corporate information

## BOARD OF DIRECTORS

**YBhg. Datuk Yusof @ Mohd Yusoff Bin Abd Hamid**  
*Non-Executive Non-Independent Chairman*

**Encik Hider Bin Othaman**  
*Executive Director*

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

**YBhg. Dato' Hj Shamsul Najmi Bin Hj Shamsuddin**  
*Independent Non-Executive Director*

**Encik Basar Bin Juraimi**  
*Senior Independent Non-Executive Director*

**Cik Norhanum Binti Nordin**  
*Independent Non-Executive Director*

## AUDIT COMMITTEE

**Cik Norhanum Binti Nordin (Chairman)**  
*Independent Non-Executive Director*

**Encik Basar Bin Juraimi (Member)**  
*Senior Independent Non-Executive Director*

**YBhg. Dato' Hj Shamsul Najmi Bin Hj Shamsuddin (Member)**  
*Independent Non-Executive Director*

## NOMINATION COMMITTEE

**Encik Basar Bin Juraimi (Chairman)**  
*Senior Independent Non-Executive Director*

**Cik Norhanum Binti Nordin (Member)**  
*Independent Non-Executive Director*

## REMUNERATION COMMITTEE

**Cik Norhanum Binti Nordin (Chairman)**  
*Independent Non-Executive Director*

**Encik Basar Bin Juraimi (Member)**  
*Senior 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 : 603 - 6136 2494  
Fax : 603 - 6136 2495  
Website: [www.seacera.com.my](http://www.seacera.com.my)

## SHARE REGISTRAR

Epsilon Registration Services Sdn. Bhd. (629261-T)  
G-01, Ground Floor, Plaza Permata  
Jalan Kampar off Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 603 - 4047 3999  
Fax: 603 - 4042 6352

## AUDITORS

KPMG (AF 0758)  
Level 10, KPMG Tower  
8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603 - 7721 3388  
Fax: 603 - 7721 3399

## 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

## SEACERA TILES BERHAD (163751-H)

### TILES MANUFACTURING & MARKETING DIVISION

- Seacera Ceramics Sdn Bhd
- Seacera Porcelain Sdn Bhd
- Seacera Tiles Marketing Sdn Bhd

### BOPP FILMS DIVISION

- Seacera Polyfilms Sdn Bhd
- Seacera Polymer Sdn Bhd

### PROPERTY DEVELOPMENT DIVISION

- Seacera Development Sdn Bhd
- Seacera Properties Sdn Bhd
- Seacera Land Sdn Bhd  
*(formerly known as Gorgeous Cottage Sdn Bhd)*
- Seacera Builders Sdn Bhd



# chairman's statements



*Dear Valued Shareholders,*

On behalf of the Board of Directors of Seacera Tiles Berhad, I am pleased to present the Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2007.

#### **FINANCIAL REVIEW**

During the challenging year, the Group saw a decrease in revenue by 9.23%, to RM78.31 million compared to RM86.28 million recorded last year as a result of lower revenue generated from the Tiles Division. However, the Group's loss before tax has reduced significantly by 59.07% to RM4.71 million compared to RM11.51 million in 2006. Higher losses in the previous year were mainly due to impairment of goodwill, writing down of inventories and fixed assets. The shareholders' funds of the Group at the end of year stood at RM64.20 million.

#### **PERFORMANCE REVIEW**

The Group continues to remain focusing and improving its core business as manufacturer of homogeneous tiles and biaxial oriented polypropylene films whilst pursuing certain efforts and strategies to see contribution from its property development activities forthcoming.

#### **Tiles**

The sales for both domestic and export for year 2007 were RM28.73 million compared to RM42.56 million registered in the previous year, a drop of 32.50%.

The domestic market experienced intense competition from local manufacturers and low price of imported tiles mainly from China. The contraction in the construction industry due to a lack of mega projects, slow down in residential property development projects and cautious consumer spending in the retail market have further dampened the domestic demand of tiles.

We have continued with our overseas expansion strategy by building up our marketing and distribution network in the growth potential export market. Despite of challenging global business conditions throughout the year, we managed to export our products to Singapore, Brunei, Hong Kong, Japan, United Arab Emirates and Australia.

# chairman's statements (continue)



The Division continued to focus on quality, offering premium value homogenous tiles with new innovative designs. We have further intensified our product research resulting in the introduction of a new series of floor tiles. The market is responding well for the latest tiles launched and the growth in demand for these tiles is encouraging.

## **BOPP Film**

The Group's BOPP Division continued to capture a reasonable good market share and has shown a growth in its revenue by 13.43% from RM43.71 million to RM49.58 million. The business continued to experience stiff competition from other local players in the same industry due to the increasing of costs of resins and other materials which has eventually resulted squeezing profit margins. Nevertheless, due to our high quality of products, superior services and competitive pricing, this Division managed to record a commendable performance for the current year under review.

## **LOOKING FORWARD**

In the year ahead, we believe of our ability to improve our financial position further. For the first quarter of 2008, both Tiles and BOPP Divisions' revenue have shown an improvement.



We have managed to secure certain big projects for the Tiles Division especially for shopping malls, residential developments and government construction projects.

Our Tiles Research & Development team will continue to innovate and design new products and series for our customers. We will also continue to make efforts to reduce our manufacturing costs by improving productivity and product quality. Efforts such as promotions, contest and creation of showrooms are in the pipeline to improve market awareness of our products.

The Group acknowledges the above challenging factors and during the financial year, the Group had expanded due efforts to reduce its dependence on the existing core businesses. Towards this objective, the Group is pleased to inform that it has made progressive efforts to seek out opportunities for diversification and has identified an opportunity to participate in the property development industry, evident through its investment in Seacera Properties Sdn Bhd, Seacera Development Sdn Bhd and Seacera Land Sdn Bhd (formerly known as Gorgeous Cottage Sdn Bhd). Although income from this operation has not yet forthcoming, we believe this operation will provide a quantum leap to the future growth of the Company especially with the commencement of residential projects in Damansara, Petaling Jaya, Selangor.

Barring any unforeseen circumstances, we remain a positive outlook for the financial year 2008 in securing better financial results for the Group.

## **CORPORATE SOCIAL RESPONSIBILITY**

SEACERA Group has always emphasized on its corporate social responsibility role in the business operating environment. In the workplace, we place high importance on employees' safety and human development by setting up a Safety Committee to ensure a safe working environment. This committee will always assess the working environment and give input to the Management for further improvement. Employees are given adequate information gadget, tools and equipment as to address health and safety issues.

In addition, we also place high commitment in the welfare, healthcare, training and development for our employees. We are sponsoring sport activities among the staff and providing sufficient training and seminar for human development.

The Group has donated tiles to mosque, community halls and other public areas as well financial aid to the needy person or group.

# chairman's statements (continue)

We had also sponsored charity, community and cultural events organized by non-governmental organizations.

We will continue to review our corporate social responsibility efforts in the Group with the view of sharing the benefits with the stakeholders.

## CORPORATE GOVERNANCE

The Board acknowledges the Malaysian Code on Corporate Governance issued by the Finance Committee on Corporate Governance which sets out the principles, best practices and guidelines that may be applied in the operations of a company, so as to enhance the transparency and accountability of public listed companies in Malaysia. Steps have been taken to ensure the Group's commitment to the Corporate Governance procedures so as to enhance shareholders' value and to safeguard the assets of the Group.

## DIVIDEND

Due to the current results, the Board of Directors is recommending that no dividend be declared for the financial year ended 31 December 2007.

## APPRECIATION

On behalf of the Board, I would like to express our thanks and appreciation to YBhg. Dato' Azizi Bin Yom Ahmad, on his retirement from the Board on 29 June 2007, for his sterling services and leadership as Chairman of the Company. We also extend our thanks and appreciation to Encik Khalid Bin Sufat who resigned from Board on 26 November 2007 as Group Managing Director and to YBhg. Dato' Mohamed Salleh Bin Bajuri and Encik Ghazali Bin Salamat who both resigned from Board on 2 November 2007 as directors for their services rendered to the Group.

I would also like to take this opportunity to welcome on Board to YBhg. Dato' Hj Shamsul Najmi Bin Hj Shamsuddin, Encik Basar Bin Juraimi and Cik Norhanum Binti Nordin for their appointments.

I sincerely believe that the Group would not have been able to achieve its level of results today if not also for the continued support and confidence of all our shareholders, customers, business partners and associates, suppliers and financiers.

Further, due recognition must also be given to the Management and staff at all levels for their commitment, enthusiasm, dedication, support, hard work and invaluable contributions to the growth of the Group. For this, and for what the Group has become today, I wish to say my warmest appreciation to all, and I look forward to your continued support in the years ahead.

*YBhg. Datuk Yusof @ Mohd Yusoff  
Bin Abd Hamid*  
Chairman

# directors' profile

YBhg. Datuk Yusof @ Mohd Yusoff Bin Abd Hamid was appointed as an Executive Director of Seacera Tiles Berhad on 14 July 2005 and had been re-designated as Non-Executive Non-Independent Chairman on 1 September 2007. 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.



**YBhg. Datuk Yusof @ Mohd Yusoff  
Bin Abd Hamid**  
Malaysian, age 60  
Non-Executive  
Non-Independent Chairman

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 State 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



**Encik Hider Bin Othaman**  
Malaysian, age 51  
Executive Director

## directors' profile (continue)



**YBhg. Dato' Samsudin Bin Abu Hassan**  
Malaysian, age 53  
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.) (CIMA).

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) Bhd and later between 1990 and 2001, has held executive positions of Directorships / Chairmanship and ownerships in several public-listed companies. He was instrumental in several prominent M & A's such as acquisitions and restructuring of Aokam Tin Bhd, Granite Industries Bhd, Landmarks Bhd and many others especially during the early nineties. He has vast all-round experience in corporate works in various industries both in Malaysia, South Africa, Africa, Middle-East, Central Asia and UK. He was the President of Malaysian Furniture Industry Council (MFIC) for 2002 – 2005 and presently he is the adviser of MFIC. He is currently an Executive Director of a Second Board company, Seloga Holdings 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' Hj Shamsul Najmi**  
Bin Hj Shamsuddin  
Malaysian, age 41  
Independent Non-Executive Director

YBhg. Dato' Hj Shamsul Najmi Bin Hj Shamsuddin was appointed as an Independent Non-Executive Director of Seacera Tiles Berhad on 16 April 2008. He holds B.A. Hons. (Shahadah 'Aliyah-Hadis) Usuluddin, Al-Azhar and Master of Science (HRD) from University Putra Malaysia.

He sits on the Panel Pemikir Jabatan Hal Ehwal Khas of Kementerian Penerangan Malaysia and Setiausaha Akhbar for Menteri in Jabatan Perdana Menteri. He also worked as Pengelola Agama Bahagian Hal Ehwal Khas at Kementerian Penerangan Malaysia and Pegawai Khas Agama at Bahagian Hal Ehwal Khas Pahang.

Dato' Hj Shamsul Najmi 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. He has no convictions for any offences within the past ten (10) years.

## directors' profile (continue)

Encik Basar Bin Juraimi was appointed as Independent Non-Executive Director of Seacera Tiles Berhad on 2 November 2007. He holds a Diploma in Building Economics from Institut Teknologi MARA, Bachelor of Science in Building Economics from University of Southbank and Master of Science in Building Maintenance Management from University of Reading, Berkshire, UK.

He had served in various organizations. He started his career in 1971 as Assistant Quantity Surveyor in Juruukur Bahan Bersekutu. He left to join Gordon Harris & Barton in London as Trainee Quantity Surveyor. In 1972, he worked as Lecturer in School of Architecture, Planning & Surveying, ITM Shah Alam and was appointed as Head of Quantity Surveying Department in 1980. He was a partner of Basar & Harun Sdn, Chartered Quantity Surveyors, Kuala Lumpur from 1982 to 1985 and presently the director of Basar & Harun Sdn, Chartered Quantity Surveyors, Petaling Jaya. He was the President of the Institution of Surveyors Malaysia from 1994 to 1995 and is a current member of the Board of Quantity Surveyors Malaysia. Currently, he is a director of Grand Hoover 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.



**Tuan Haji Basar Bin Juraimi**  
Malaysian, age 60  
Senior Independent Non-Executive Director

Cik Norhanum Binti Nordin was appointed as an Independent Non-Executive Director of Seacera Tiles Berhad on 02 November 2007. She holds Chartered Association of Certified Accountants, UK (ACCA) from Emile College of Accountancy, London, United Kingdom.

She started her career in London as an Auditor at JohnCummings & Partners, Certified Accountants, London and was a Senior Auditor before she returned to Malaysia in 1992. She was a Management Accountant and Administration Manager of Magna Resources Sdn Bhd from 1993 to 1997. In 1997, she assumed the position of Finance and Admin Manager of Magna Park Sdn Bhd (a subsidiary of Magna Prima Berhad) and from then on, she has held position as Executive Director - Finance and Administration, between 2001 to 2006.

Cik Norhanum does not hold any directorship in other public companies. She does not have any family relationship with any director and/or substantial shareholder(s), nor has she any conflict of interest with the Company. She has no convictions for any offences within the past ten (10) years.



**Cik Norhanum Binti Nordin**  
Malaysian, age 53  
Independent Non-Executive Director

# 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 operate within a robust set of governance as set out below:-

### 1. Composition of the Board

The Board currently has six (6) members comprising one (1) executive member and five (5) non-executive members of which three (3) 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 7 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 six (6) times during the financial year ended 31 December 2007. 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

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.

# statement on corporate governance *(continue)*

## 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.

## 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:

### a. Audit Committee

The Company has in place an Audit Committee which comprises all independent non-executive directors.

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
Cik Norhanum Binti Nordin (Chairman) - Appointed wef 02.11.2007	Independent Non-Executive Director
Encik Basar Bin Juraimi (Member) - Appointed wef 02.11.2007	Senior Independent Non-Executive Director
Dato' Hj Shamsul Najmi Bin Hj Shamsuddin (Member) - Appointed wef 16.04.2008	Independent Non-Executive Director
YBhg. Dato' Mohamed Salleh Bin Bajuri (Chairman) - Resigned wef 02.11.2007	Independent Non-Executive Director
Encik Ghazali Bin Salamat (Member) - Resigned wef 02.11.2007	Non Executive Director
Encik Khalid Hj. Sufat (Member) - Resigned wef 02.11.2007	Executive Director Group Managing Director

The Audit Committee members and the Audit Committee Report for the financial year ended 31 December 2007 pursuant to Paragraph 15.16 of the Listing Requirements is contained on 16 to 19 of the Annual Report.

# statement on corporate governance *(continue)*

## 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 of Remuneration Committee	Designation
Cik Norhanum Binti Nordin (Chairman) - Appointed wef 02.11.2007	Independent Non-Executive Director
Encik Basar Bin Juraimi (Member) - Appointed wef 02.11.2007	Senior 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 2007 is as follows: -

Category	Fees	Salaries & Allowance
Executive	RM80,600	RM471,600
Non-Executive	RM162,833	-

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

Range of Remuneration	Executive	Non-Executive
RM50,000 and below	-	7
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	1	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	2	-

## c. Nomination Committee

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

Name of Nomination Committee	Designation
Encik Basar Bin Juraimi (Chairman) - Appointed wef 02.11.2007	Senior Independent Non-Executive Director
Cik Norhanum Binti Nordin (Member) - Appointed wef 02.11.2007	Independent Non-Executive Director

# statement on corporate governance *(continue)*

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 of ESOS Committee	Designation
Cik Norhanum Binti Nordin (Chairman) - Appointed wef 02.11.2007	Independent Non-Executive Director
Encik Basar Bin Juraimi (Member) - Appointed wef 02.11.2007	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.

- 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](http://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.

### (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 a picture of the Group's performance and position as possible. Such information is communicated through the following channels: -

# 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 is as set out on page 15 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 following:-

- (a) 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 2008.

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

- (b) 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. The transaction was approved by the shareholders during an Extraordinary General Meeting ("EGM") on 29 June 2007.

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.

# 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 and the Group 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 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 Group's performance, the Board via its Audit Committee, receives feedback and reports from the internal auditor in line with the internal audit plan as well as on any significant issues pertaining to risk and control. External auditors, also presents their external audit plan to the Audit Committee. 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.*

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

## MEMBERSHIP AND ATTENDANCE

During the financial year 1 January 2007 to 31 December 2007, a total of five (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 - Resigned on 02.11.2007	4/4
Encik Ghazali Bin Salamat (Member) Independent Non Executive Director - Resigned on 02.11.2007	4/4
Encik Khalid Hj.Sufat (Member) Group Managing Director - Resigned on 02.11.2007	4/4
Cik Norhanum Binti Nordin (Chairman) Independent Non-Executive Director - Appointed on 02.11.2007	1/1
Encik Basar Bin Juraimi (Member) Senior Independent Non Executive Director - Appointed on 02.11.2007	1/1
YBhg. Dato' Hj Shamsul Najmi Bin Hj Shamsuddin (Member) Independent Non Executive Director - Appointed on 16.04.2008	-

## TERMS OF REFERENCE

### 1. Objectives

- 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.
- To reinforce the independence of the external auditors and thereby help assure autonomy in the audit process.
- To provide, by way of regular meetings, a line of communication between the Board and the external auditors.
- 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.
- To review the quality of the audits conducted by the internal and external auditors of the Company.
- 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

- 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.

# audit committee report (continue)

- 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, competency 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.
  - 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 by-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.

# audit committee report (continue)

## 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 twice 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, all members must be non-executive directors, with a majority of whom should be independent 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;
  - (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; or
  - (3) fulfils such other requirements as prescribed or approved by the Exchange.

- 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;

# audit committee report (continue)

- 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 Securities Berhad ("Bursa Securities") 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 Securities 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, excluding the attendance of the executive members of the committee.

## ESOS ALLOCATION

Seacera Tiles Berhad has implemented an Employee Share Option Scheme since 16 December 2003.

The Audit Committee is satisfied with the implementation of the scheme and the allocation of share options to eligible employees complied with the by-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.

this page has been intentionally left blank.

# financial statements

22 - 24 Directors' Report  
25 Statement by Directors  
26 Statutory Declaration  
27 Report of the Auditor

28 Balance Sheets  
29 Income Statements  
30 Statement of Changes in Equity  
31- 33 Cash Flow Statements  
34 - 68 Notes to the Financial Statements

# directors' report

for the year ended 31 December 2007

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

## 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	(6,453,165)	(1,440,423)

## 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 did not pay any dividend in respect of the year ended 31 December 2007.

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

## DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Datuk Yusof @ Mohd Yusoff Bin Abd Hamid
Dato' Samsudin Bin Abu Hassan
Hider Bin Othaman
Norhanum Binti Nordin (appointed on 2 November 2007)
Basar Bin Juraimi (appointed on 2 November 2007)
Dato' Hj Shamsul Najmi Bin Hj Shamsuddin (appointed on 16 April 2008)
Dato' Azizi Bin Yom Ahmad (resigned on 29 June 2007)
Dato' Mohamed Salleh Bin Bajuri (resigned on 2 November 2007)
Ghazali Bin Salamat (resigned on 2 November 2007)
Khalid Bin Sufat (resigned on 26 November 2007)

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 1.1.2007	Bought	Sold	At 31.12.2007
<b>Shareholdings in which Directors have direct interests</b>				
Dato' Samsudin Bin Abu Hassan	11,080,000	-	-	11,080,000
<b>Shareholdings in which Directors have indirect interests</b>				
Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	-	13,500,000	(500,000)	13,000,000

None of the other Directors holding office at 31 December 2007 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.

## **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 financial 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.

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 2007 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.

# directors' report (continue)

**Seacera Tiles Berhad**  
*(Company No. 163751-H)*  
*Incorporated in Malaysia*  
**and its subsidiaries**

## **Auditors**

The auditors, Messrs KPMG, have indicated that they will not be seeking re-appointment as auditors in the forthcoming Annual General Meeting of the Company.

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

.....  
**Datuk Yusof @ Mohd Yusoff Bin Abd. Hamid**

.....  
**Hider Bin Othaman**

Kuala Lumpur, Malaysia

Date: 30 April 2008

# statement by directors

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

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

In the opinion of the Directors, the financial statements set out on pages 28 to 68 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards 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 2007 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:

.....  
**Datuk Yusof @ Mohd Yusoff Bin Abd. Hamid**

.....  
**Hider Bin Othaman**

Kuala Lumpur, Malaysia

Date: 30 April 2008

# statutory declaration

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

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

I, **Zulkarnin Bin Ariffin**, the Officer primarily responsible for the financial management of Seacera Tiles Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 68 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.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 30 April 2008.

.....  
**Zulkarnin Bin Ariffin,**

Before me:

**Raman Kunyapu**  
**W476**

Commissioner for Oaths

# report of the auditors

to the member of **Seacera Tiles Berhad** (163751-H)

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

We have audited the financial statements set out on pages 28 to 68. 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 Financial Reporting Standards 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 2007 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.

## **KPMG**

Firm Number: AF 0758  
Chartered Accountants

## **Adrian Lee Lye Wang**

Partner  
Approval Number: 2679/11/09(J)

Kuala Lumpur, Malaysia

Date: 30 April 2008

# balance sheets

as at 31 December 2007

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Assets</b>					
Property, plant and equipment	3	72,274,925	73,956,668	62,657,880	63,728,888
Prepaid Lease Payment	4	2,523,886	-	-	-
Investment in subsidiary companies	5	-	-	28,861,178	26,335,272
Goodwill	6	3,495,896	3,495,896	-	-
Other investments		134,000	177,000	-	-
<b>Total non-current assets</b>		<b>78,428,707</b>	<b>77,629,564</b>	<b>91,519,058</b>	<b>90,064,160</b>
Property development costs	7	228,960	228,960	-	-
Inventories	8	18,630,413	21,754,193	13,500,008	16,275,231
Receivables, deposits and prepayments	9	35,783,822	30,908,001	19,945,724	17,586,134
Tax recoverable		983,318	1,591,671	270,195	755,722
Cash and cash equivalents	10	4,195,465	3,243,818	518,439	510,800
<b>Total current assets</b>		<b>59,821,978</b>	<b>57,726,643</b>	<b>34,234,366</b>	<b>35,127,887</b>
<b>Total assets</b>		<b>138,250,685</b>	<b>135,356,207</b>	<b>125,753,424</b>	<b>125,192,047</b>
<b>Equity</b>					
Share capital	11	53,332,000	53,332,000	53,332,000	53,332,000
Reserves		10,870,425	17,323,590	3,802,791	5,243,214
<b>Total equity attributable to shareholders of the Company</b>		<b>64,202,425</b>	<b>70,655,590</b>	<b>57,134,791</b>	<b>58,575,214</b>
<b>Total equity</b>		<b>64,202,425</b>	<b>70,655,590</b>	<b>57,134,791</b>	<b>58,575,214</b>
<b>Liabilities</b>					
Loans and borrowings	12	3,484,857	4,332,077	3,401,961	4,207,567
Deferred taxation	13	4,326,310	3,166,428	3,918,000	2,223,000
Provision for retirement benefits	14	806,863	743,349	222,425	202,881
<b>Total non-current liabilities</b>		<b>8,618,030</b>	<b>8,241,854</b>	<b>7,542,386</b>	<b>6,633,448</b>
Payables and accruals	15	12,727,683	11,630,844	31,556,881	32,725,652
Loans and borrowings	12	52,702,547	44,827,919	29,519,366	27,257,733
<b>Total current liabilities</b>		<b>65,430,230</b>	<b>56,458,763</b>	<b>61,076,247</b>	<b>59,983,385</b>
<b>Total liabilities</b>		<b>74,048,260</b>	<b>64,700,617</b>	<b>68,618,633</b>	<b>66,616,833</b>
<b>Total equity and liabilities</b>		<b>138,250,685</b>	<b>135,356,207</b>	<b>125,753,424</b>	<b>125,192,047</b>

The notes on pages 34 to 68 are an integral part of these financial statements

# income statements

for year ended 31 December 2007

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Revenue</b>		<b>78,310,594</b>	86,275,172	<b>23,613,783</b>	33,763,487
Cost of sales		<b>(66,764,206)</b>	(71,570,071)	<b>(24,031,863)</b>	(29,239,713)
<b>Gross profit/ (loss)</b>		<b>11,546,388</b>	14,705,101	<b>(418,080)</b>	4,523,774
Other operating income		<b>63,585</b>	546,134	<b>9,231,190</b>	1,946,159
Distribution costs		<b>(3,102,498)</b>	(2,968,533)	<b>(194,289)</b>	(473,335)
Administration expenses		<b>(5,490,624)</b>	(4,534,118)	<b>(1,506,303)</b>	(838,581)
Other operating expenses		<b>(4,365,272)</b>	(16,708,235)	<b>(2,267,715)</b>	(12,623,717)
<b>Operating (loss)/profit</b>		<b>(1,348,421)</b>	(8,959,651)	<b>4,844,803</b>	(7,465,700)
Interest income		<b>50,019</b>	-	-	-
Interest expense	17	<b>(3,408,927)</b>	(2,550,252)	<b>(2,296,226)</b>	(1,695,065)
<b>(Loss)/profit before taxation</b>	16	<b>(4,707,329)</b>	(11,509,903)	<b>2,548,577</b>	(9,160,765)
Tax expense	19	<b>(1,745,836)</b>	(1,617,036)	<b>(3,989,000)</b>	(1,485,301)
<b>Loss for the year</b>		<b>(6,453,165)</b>	(13,126,939)	<b>(1,440,423)</b>	(10,646,066)
<b>Attributable to:</b>					
Shareholders of the Company		<b>(6,453,165)</b>	(13,220,959)	<b>(1,440,423)</b>	(10,646,066)
Minority interests		-	94,020	-	-
<b>Loss for the year</b>		<b>(6,453,165)</b>	(13,126,939)	<b>(1,440,423)</b>	(10,646,066)
<b>Basic loss per ordinary share (sen):</b>	20	<b>(12.10)</b>	(24.61)		
<b>Diluted loss per ordinary share (sen):</b>	20	<b>(12.10)</b>	(24.61)		

The notes on pages 34 to 68 are an integral part of these financial statements.

# consolidated statement of changes in equity

for the year ended 31 December 2007

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

Group	Share capital RM	<--Non-distributable-->		Distributable		Minority interest RM	Total RM
		Share premium RM	Translation reserves RM	Retained profits RM	Total RM		
<b>At 1 January 2006</b>	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)
<b>At 31 December 2006 / 1 January 2007</b>	53,332,000	2,513,734	-	14,809,856	70,655,590	-	70,655,590
Loss for the year	-	-	-	(6,453,165)	(6,453,165)	-	(6,453,165)
<b>At 31 December 2007</b>	53,332,000	2,513,734	-	8,356,691	64,202,425	-	64,202,425

# statement of changes in equity

for the year ended 31 December 2007

Company	Share capital RM	Share premium RM	Distributable	
			Retained profits RM	Total RM
<b>At 1 January 2006</b>	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)
<b>At 31 December 2006 / 1 January 2007</b>	53,332,000	2,513,734	2,729,480	58,575,214
Loss for the year	-	-	(1,440,423)	(1,440,423)
<b>At 31 December 2007</b>	53,332,000	2,513,734	1,289,057	57,134,791

The notes on pages 34 to 68 are an integral part of these financial statements.

# cashflow statements

for the year ended 31 December 2007

**Seacera Tiles Berhad**  
(Company No. 163751-H)  
Incorporated in Malaysia  
and its subsidiaries

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Cash flows from operating activities</b>				
(Loss)/Profit before taxation	<b>(4,707,329)</b>	(11,509,903)	<b>2,548,577</b>	(9,160,765)
Adjustments for:				
Gross dividend from unquoted subsidiary companies	-	-	<b>(9,050,000)</b>	(1,573,800)
Gross dividend income from quoted investment	<b>(7,500)</b>	(6,000)	-	-
Provision for retirement benefits	<b>63,514</b>	54,117	<b>19,544</b>	19,544
Negative goodwill arising from acquisition of minority interest	-	(1,956,471)	-	-
Depreciation	<b>4,426,020</b>	3,798,235	<b>3,597,004</b>	3,222,256
Write down of inventories	<b>1,675,227</b>	9,616,831	<b>883,207</b>	8,953,220
Property, plant and equipment written off	-	1,648,619	-	1,648,619
Interest expense	<b>3,408,927</b>	2,550,252	<b>2,296,226</b>	1,695,065
Interest income	<b>(50,019)</b>	-	-	-
Loss/ (Gains) from disposal of property, plant and equipment	<b>11,086</b>	(30,405)	<b>(4,921)</b>	21,262
Gains on disposal of subsidiary	-	(27,941)	-	-
Impairment of goodwill	-	4,000,000	-	-
Allowance for diminution in value of investment	<b>43,000</b>	-	-	-
<b>Operating profit before changes in working capital</b>	<b>4,862,926</b>	8,137,334	<b>289,637</b>	4,825,401
Inventories	<b>1,448,553</b>	(2,045,896)	<b>1,892,016</b>	(55,096)
Trade and other receivables	<b>(4,875,821)</b>	1,008,969	<b>(2,171,549)</b>	(3,249,171)
Trade and other payables	<b>1,190,552</b>	520,647	<b>1,086,688</b>	5,450,083
<b>Cash generated from operations</b>	<b>2,626,210</b>	7,621,054	<b>1,096,792</b>	6,971,217
Income taxes paid	<b>(921,317)</b>	(765,500)	<b>(2,455,776)</b>	(91,663)
Income taxes refund	<b>850,003</b>	197,316	<b>647,303</b>	197,316
Interest paid	<b>(3,408,927)</b>	(2,550,252)	<b>(2,296,226)</b>	(1,695,065)
Interest received	<b>50,019</b>	-	-	-
<b>Net cash (used in)/ generated from operating activities</b>	<b>(804,012)</b>	4,502,618	<b>(3,007,907)</b>	5,381,805

# cashflow statements (continue)

for the year ended 31 December 2007

**Seacera Tiles Berhad**  
 (Company No. 163751-H)  
 Incorporated in Malaysia  
 and its subsidiaries

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Cash flows from investing activities</b>				
Dividend received	7,500	6,000	6,606,500	1,133,136
Proceeds from disposal of property, plant and equipment	62,924	584,317	51,084	528,071
Purchase of property, plant and equipment	(1,174,187)	(2,496,776)	(928,060)	(2,602,670)
Investment in subsidiary	-	-	(2,525,906)	(2,245,000)
Acquisition of subsidiary, net of cash acquired	(2,523,886)	-	-	-
Acquisition of minority interest	-	(2,245,000)	-	-
<b>Net cash (used in)/ generated from investing activities</b>	<b>(3,627,649)</b>	<b>(4,151,459)</b>	<b>3,202,618</b>	<b>(3,186,463)</b>
<b>Cash flows from financing activities</b>				
Drawdown of revolving credit	6,140,226	2,000,000	3,189,471	2,000,000
Repayment of hire purchase	(2,102,023)	(4,309,457)	(2,049,648)	(4,108,790)
Dividends paid	-	(533,332)	-	(533,332)
Proceeds from / (Repayment of) banker acceptances	1,618,000	3,587,000	(1,055,000)	735,000
Repayment of term loans	(1,029,327)	(962,511)	(1,029,327)	(962,511)
<b>Net cash generated from/ (used in) financing activities</b>	<b>4,626,876</b>	<b>(218,300)</b>	<b>(944,504)</b>	<b>(2,869,633)</b>
Net increase / (decrease) in cash and cash equivalents	195,215	132,859	(748,793)	(674,291)
Cash and cash equivalents at 1 January	930,415	797,556	(1,802,603)	(1,128,312)
<b>Cash and cash equivalents at 31 December (i)</b>	<b>1,125,630</b>	<b>930,415</b>	<b>(2,551,396)</b>	<b>(1,802,603)</b>

# cashflow statements (continue)

for the year ended 31 December 2007

**Seacera Tiles Berhad**  
 (Company No. 163751-H)  
 Incorporated in Malaysia  
 and its subsidiaries

**i) Cash and cash equivalents**

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	<b>2,320,948</b>	1,738,130	<b>18,439</b>	10,800
Deposits with licensed banks	<b>1,874,517</b>	1,505,688	<b>500,000</b>	500,000
Bank overdrafts	<b>(3,069,835)</b>	(2,313,403)	<b>(3,069,835)</b>	(2,313,403)
	<b>1,125,630</b>	930,415	<b>(2,551,396)</b>	(1,802,603)

**ii) Purchase of property, plant and equipment**

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM2,818,289 (2006 - RM12,429,677) and RM2,572,160 (2006 - RM12,076,414), respectively, of which RM1,644,100 (2006 - RM9,932,901) and RM1,644,100 (2006 - RM9,473,744) respectively, were acquired by means of finance lease/hire purchases.

The notes on pages 34 to 68 are an integral part of these financial statements.

# notes to the financial statements

## for the year ended 31 December 2007

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, 3<sup>rd</sup> 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 of the Company as at and for the year ended 31 December 2007 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 2007 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 financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board, accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

At the beginning of the current financial year, the Group and the Company had adopted new and revised mandatory FRSs which are effective for annual periods beginning on or after 1 October 2006 as follows:

(i)	FRS 117, Leases
(ii)	FRS 124, Related Party Disclosures

The adoption of FRS 117, Leases does not have any impact to the financial statement of the Group and the Company.

The adoption of FRS 124, Related Party Disclosures in the current financial year has resulted in expanded disclosures as set out in Note 17 and Note 23.

The MASB has issued the following Financial Reporting Standards and Interpretations that are effective for annual periods beginning after 1 January 2007, and that have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007

## notes to the financial statements *(continue)* for the year ended 31 December 2007

FRSs / Interpretations	Effective date
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1 July 2007

The Group and the Company plan to apply the rest of the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 139, Financial Instruments: Recognition and measurement which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

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

The financial statements were approved by the Board of Directors on 30 April 2008.

### **(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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:-

- Note 5 – Measurement of the recoverable amounts of cash generating units containing goodwill
- Note 13 – Provision for retirement benefits

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the 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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, 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) 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.

##### (iii) Transactions eliminated on consolidation

Intra-group balances, and transactions, 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.

#### (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.

## notes to the financial statements *(continue)* for the year ended 31 December 2007

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements.

### **(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

### **(iii) 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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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

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

### **(d) Leased assets**

#### **(i) Finance lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### (ii) Operating lease

Other leases are operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in the income statements 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.

### (e) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

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.

### (f) 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.

### (g) 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 the estimated costs necessary to make the sale.

### (h) 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.

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### **(i) 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.

### **(j) Impairment of assets**

The carrying amounts of assets except for inventories and financial assets (other than investment in subsidiary companies) 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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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.

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.

### **(k) 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.

### **(l) 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 statutory pension funds 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 *(continue)*

## for the year ended 31 December 2007

### (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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. 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.

Actuarial valuation of the Funds are conducted by independent actuaries at regular intervals. The last valuation performed by the Group was on 31 December 2005.

### (iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. 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.

### (m) 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.

### (n) Revenue recognition

#### (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.

### (o) 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 *(continue)* for the year ended 31 December 2007

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.

### **(p) 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.

### **(q) 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.

### **(r) 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.

### **(s) 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 *(continue)*

## for the year ended 31 December 2007

### 3. Property, plant and equipment

	Freehold land	Buildings	Motor vehicles	Plant and machinery	Fixtures, fittings and equipment	Plant in Progress	Total
GROUP	RM	RM	RM	RM	RM	RM	RM
<b>Cost/Valuation</b>							
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/ At 1 January 2007	20,491,857	28,059,992	3,150,081	63,749,862	4,009,992	8,545,992	128,007,776
Additions	-	-	2,944	887,245	400,606	1,527,494	2,818,289
Disposals	-	-	(128,914)	-	(1,700)	-	(130,614)
At 31 December 2007	20,491,857	28,059,992	3,024,111	64,637,107	4,410,898	10,073,486	130,695,451
<b>Depreciation</b>							
At 1 January 2006	-	4,737,337	1,563,584	46,950,244	1,657,581	-	54,908,744
Accumulated depreciation	-	565,265	430,583	2,586,746	215,641	-	3,798,235
Depreciation for the year	-	-	(323,170)	(594,131)	-	-	(917,301)
Disposals	-	-	-	(3,738,570)	-	-	(3,738,570)
Written-off	-	-	-	-	-	-	-
At 31 December 2006/ At 1 January 2007	-	5,302,602	1,670,997	45,204,289	1,873,220	-	54,051,108
Accumulated depreciation	-	553,572	417,423	3,002,839	452,186	-	4,426,020
Depreciation for the year	-	-	(54,904)	-	(1,700)	-	(56,604)
Disposals	-	-	-	-	-	-	-
At 31 December 2007	-	5,856,174	2,033,516	48,207,128	2,323,706	-	58,420,524
Accumulated depreciation	-	-	-	-	-	-	-
<b>Carrying amounts</b>							
At 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/ 1 January 2007	20,491,857	22,757,390	1,479,084	18,545,573	2,136,772	8,545,992	73,956,668
At 31 December 2007	20,491,857	22,203,818	990,595	16,429,977	2,086,892	10,073,486	72,274,925

notes to the financial statements (continue)  
for the year ended 31 December 2007

COMPANY	Freehold land	Buildings	Motor vehicles	Plant and machinery	Fixtures and fittings	Plant in Progress	Total
	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>							
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/ At 1 January 2007	15,097,553	22,078,442	1,801,299	26,516,341	2,703,983	8,545,992	76,743,610
Additions	-	-	2,944	662,042	379,680	1,527,494	2,572,160
Disposals	-	-	(69,246)	-	-	-	(69,246)
At 31 December 2007	15,097,553	22,078,442	1,734,997	27,178,383	3,083,663	10,073,486	79,246,524
<b>Depreciation</b>							
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/ At 1 January 2007							
Accumulated depreciation	-	4,387,153	708,030	7,001,610	917,929	-	13,014,722
Depreciation for the year	-	441,572	195,766	2,782,557	177,109	-	3,597,004
Disposals	-	-	(23,082)	-	-	-	(23,082)
At 31 December 2007							
Accumulated depreciation	-	4,828,725	880,714	9,784,167	1,095,038	-	16,588,644
<b>Carrying amounts</b>							
At 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/ 1 January 2007	15,097,553	17,691,289	1,093,269	19,514,731	1,786,054	8,545,992	63,728,888
At 31 December 2007	15,097,553	17,249,717	854,283	17,394,216	1,988,625	10,073,486	62,657,880

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

Included under property, plant and equipment is:

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Property, plant and equipment acquired under hire purchase contracts	<b>1,493,758</b>	9,740,921	<b>1,493,758</b>	9,740,921
Net book value of freehold land and buildings pledged with the licensed banks for facilities granted as disclosed in Note 12	<b>42,740,339</b>	43,330,717	<b>32,347,270</b>	32,826,648

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. Prepaid lease payments

	Group Leasehold land unexpired period more than 50 years	
	2007	2006
	RM	RM
At 1 January	-	-
Effect of acquisition of subsidiary	<b>2,523,886</b>	-
At 31 December	<b>2,523,886</b>	-

## notes to the financial statements *(continue)* for the year ended 31 December 2007

### 5. Investment in subsidiary companies

	Company	
	2007 RM	2006 RM
Shares in unquoted corporations at cost	<u>28,861,178</u>	<u>26,335,272</u>

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

Name of Company	Principal activities	Effective equity interest	
		2007	2006
Seacera Ceramics Sdn. Bhd.	Marketing of all kinds of ceramic tiles.	100%	100%
Seacera Polyfilms Sdn. Bhd.	Manufacturing of biaxial oriented polypropylene films for packing purposes.	100%	100%
Seacera Properties Sdn. Bhd.	Property Development Activities	100%	100%
Seacera Polymer Sdn. Bhd.	Investment Holding	100%	100%
Seacera Porcelain Sdn. Bhd.	Dormant Company	100%	100%
Seacera Tiles Marketing Sdn. Bhd.	Marketing of all kinds of ceramic tiles.	100%	100%
Seacera Multimedia Sdn. Bhd.	Dormant Company	100%	100%
Seacera Developments Sdn. Bhd.	Property Development Activities	100%	100%
Seacera Builder Sdn. Bhd.	Dormant Company	100%	100%
Seacera Land Sdn. Bhd. (formerly known as Gorgeous Cottage Sdn Bhd)	Property Development Activities	100%	-

\* On 9 April 2007, the Group acquired all shares of Seacera Land Sdn. Bhd. (formerly known as Gorgeous Cottage Sdn. Bhd.) for RM2,525,906 satisfied in cash. The intended principal activity of the Company is property development. The Company has not commenced operation. The acquisition has resulted in an increase in prepaid lease payments by RM2,523,886 and cash at bank of RM2,014.

# notes to the financial statements *(continue)* for the year ended 31 December 2007

## 6. Goodwill

Cost	Group	
	2007 RM	2006 RM
At 1 January/ 31 December	7,495,896	7,495,896
<b>Accumulated impairment loss</b>		
At 1 January	(4,000,000)	-
Impairment loss for the year	-	(4,000,000)
At 31 December 2006	<u>3,495,896</u>	<u>3,495,896</u>
<b>Carrying amounts</b>		
At 1 January, restated	<u>3,495,896</u>	<u>7,495,896</u>
At 31 December	<u>3,495,896</u>	<u>3,495,896</u>

### 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.

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 5<sup>th</sup> 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.

The values assigned to the key assumptions represent management's assessment of future trends in the polyfilms industry and are based on both external and internal sources (historical data). Management has calculated value in use based on the assumptions above. As at 31 December 2007, the recoverable amount is higher than carrying value. Therefore, no impairment required. In the previous year, 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 was included in other operating expenses.

## notes to the financial statements *(continue)* for the year ended 31 December 2007

### 7. Property development costs

	Group	
	2007 RM	2006 RM
Development costs	<u>228,960</u>	<u>228,960</u>

### 8. Inventories

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>At cost</b>				
Raw materials	4,211,344	4,217,246	1,996,497	3,034,542
Work-in-progress	737,286	926,558	-	325
Finished goods	5,041,806	5,143,615	3,657,396	3,727,035
	<u>9,990,436</u>	<u>10,287,419</u>	<u>5,653,893</u>	<u>6,761,902</u>
<b>At net realisable value:</b>				
Consumables	3,025,475	2,536,685	3,025,475	2,536,685
Finished goods	5,614,502	8,930,089	4,820,640	6,976,644
	<u>18,630,413</u>	<u>21,754,193</u>	<u>13,500,008</u>	<u>16,275,231</u>

In 2007, the write-down of inventories to net realisable value amounted to RM1,675,227 (2006 - RM9,616,831).

# notes to the financial statements *(continue)* for the year ended 31 December 2007

## 9. Receivables, deposits and prepayments

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Trade</b>					
Trade receivables		21,362,279	19,129,779	2,862,971	2,230,949
Less: Allowance for doubtful debts		(47,800)	(47,800)	(37,800)	(37,800)
		<b>21,314,479</b>	19,081,979	<b>2,825,171</b>	2,193,149
<b>Non-trade</b>					
Other receivables	a	8,906,019	9,116,195	6,017,285	7,083,547
Deposits	b	5,260,970	2,458,106	-	-
Prepayments		302,354	251,721	155,846	171,325
Amount due from subsidiary companies	c	-	-	10,947,422	8,138,113
		<b>35,783,822</b>	30,908,001	<b>19,945,724</b>	17,586,134

### Note a

Included in the other receivables are:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
(i) Amount due from a former subsidiary, E-Seacera Sdn. Bhd.	5,664,035	6,878,247	5,664,035	6,878,247

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.

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.

## notes to the financial statements *(continue)* for the year ended 31 December 2007

The repayment is scheduled as below:

	Carrying amount RM	Under 1 year RM	1 - 2 years RM
Amount due from a former subsidiary, E-Seacera Sdn. Bhd.	5,664,035	4,648,389	1,015,646

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
(ii) Advances given to Duta Skyline Sdn Bhd. in respect of Puncak Damai Project (Refer to Note 23)	<u>2,513,987</u>	<u>2,083,123</u>	<u>-</u>	<u>-</u>

### Note b

Included in deposits is:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
(i) Payment for acquisition of Kayu Ara Lands (Refer to Note 23)	<u>5,097,146</u>	<u>2,236,166</u>	<u>-</u>	<u>-</u>

### Note c

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

# notes to the financial statements *(continue)* for the year ended 31 December 2007

## 10. Cash and cash equivalent

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Deposits are placed with:				
Licensed banks	1,500,000	1,505,688	500,000	500,000
Cash and bank balances	2,695,465	1,738,130	18,439	10,800
	<u>4,195,465</u>	<u>3,243,818</u>	<u>518,439</u>	<u>510,800</u>

### *Deposits placed with licensed banks pledged for a bank facility*

Included in the deposits placed with licensed banks is RM1,500,000 (2006 – RM500,000) and RM500,000 (2006 – RM500,000) pledged for a bank facility granted to the Group and the Company, respectively.

## 11. Share capital

	Group and Company			
	Amount	Number of	Amount	Number of
	2007	Shares	2006	shares
	RM	RM	RM	RM
Authorised				
Ordinary shares of RM1 each:	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
Ordinary shares of RM1 each:	<u>53,332,000</u>	<u>53,332,000</u>	<u>53,332,000</u>	<u>53,332,000</u>

### Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## notes to the financial statements *(continue)* for the year ended 31 December 2007

### 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 27.

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Non-current</b>				
Term loans	-	66,817	-	66,817
Hire purchase liabilities	<b>3,484,857</b>	4,265,260	<b>3,401,961</b>	4,140,750
	<b>3,484,857</b>	4,332,077	<b>3,401,961</b>	4,207,567
<b>Current</b>				
Term loans	-	962,510	-	962,510
Revolving credits	<b>11,140,330</b>	5,000,000	<b>8,189,470</b>	5,000,000
Revolving loan	<b>14,500,000</b>	14,500,000	<b>14,500,000</b>	14,500,000
Hire purchase liabilities	<b>1,883,382</b>	1,561,006	<b>1,806,061</b>	1,472,820
Banker acceptance	<b>22,109,000</b>	20,491,000	<b>1,954,000</b>	3,009,000
Bank overdrafts	<b>3,069,835</b>	2,313,403	<b>3,069,835</b>	2,313,403
	<b>52,702,547</b>	44,827,919	<b>29,519,366</b>	27,257,733

#### 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.

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

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

Group	Year of maturity	Carrying amount RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>2007</b>						
Revolving credits	2008	11,140,330	11,140,330	-	-	-
Revolving loan	2008	14,500,000	14,500,000	-	-	-
Banker acceptance	2008	22,109,000	22,109,000	-	-	-
Bank overdrafts	2008	3,069,835	3,069,835	-	-	-
<b>2006</b>						
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	-	-	-

## notes to the financial statements *(continue)* for the year ended 31 December 2007

Company	Year of maturity	Carrying amount RM	Under 1 years RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>2007</b>						
Revolving credits	2008	8,189,470	8,189,470	-	-	-
Revolving loan	2008	14,500,000	14,500,000	-	-	-
Banker acceptance	2008	1,945,000	1,945,000	-	-	-
Bank overdrafts	2008	3,069,835	3,069,835	-	-	-
<b>2006</b>						
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	-	-	-

### Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Payments 2007 RM	Interest 2007 RM	Principal 2007 RM	Payments 2006 RM	Interest 2006 RM	Principal 2006 RM
Less than one year	2,081,940	198,558	1,883,382	1,819,372	258,366	1,561,006
Between one and five years	4,406,974	922,117	3,484,857	5,007,530	742,270	4,265,260
	<b>6,488,914</b>	<b>1,120,675</b>	<b>5,368,239</b>	<b>6,826,902</b>	<b>1,000,636</b>	<b>5,826,266</b>
<b>Company</b>						
Less than one year	2,081,940	275,879	1,806,061	1,730,256	257,436	1,472,820
Between one and five years	4,349,409	947,448	3,401,961	4,872,790	732,040	4,140,750
	<b>6,431,349</b>	<b>1,223,327</b>	<b>5,208,022</b>	<b>6,603,046</b>	<b>989,476</b>	<b>5,613,570</b>

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings:

#### Deferred tax liabilities

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Property, plant and equipment - capital allowance	<b>7,280,635</b>	6,090,028	<b>6,744,000</b>	5,572,000
Provisions	<b>(179,325)</b>	(2,617,926)	<b>(51,000)</b>	(2,472,000)
Revaluation	-	571,326	-	-
Unutilised capital allowance	<b>(2,068,000)</b>	(877,000)	<b>(2,068,000)</b>	(877,000)
Unutilised tax losses	<b>(707,000)</b>	-	<b>(707,000)</b>	-
	<b>4,326,310</b>	3,166,428	<b>3,918,000</b>	2,223,000

### 14. Provision for retirement benefits

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Present value of unfunded obligation and net liability in balance sheet	<b>787,319</b>	743,349	<b>202,881</b>	202,881

## notes to the financial statements *(continue)* for the year ended 31 December 2007

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Net liability at 1 January	743,349	689,232	202,881	183,337
Expense recognised in the income statement	63,514	54,117	19,544	19,544
	<b>806,863</b>	743,349	<b>222,425</b>	202,881

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	
	2007	2006	2007	2006
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	
	2007 RM	2006 RM	2007 RM	2006 RM
Cost of sales	24,132	-	-	-
Other operating expenses	39,382	54,117	19,544	19,544
	<b>63,514</b>	54,117	<b>19,544</b>	19,544

# notes to the financial statements *(continue)* for the year ended 31 December 2007

## 15. Payables and accruals

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
<b>Trade</b>				
Trade payables	8,151,180	9,872,097	5,424,156	5,927,161
<b>Non-trade</b>				
Other payables	3,285,349	416,967	1,313,963	374,721
Accrued expense	1,291,154	1,341,780	659,686	871,305
Amounts due to subsidiary companies	-	-	24,159,076	25,552,465
	<b>12,727,683</b>	<b>11,630,844</b>	<b>31,556,881</b>	<b>32,725,652</b>

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

## 16. (Loss)/Profit before taxation

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
(Loss) / Profit before taxation is arrived at after charging and (crediting):				
Auditors' remuneration				
- current year	85,000	85,000	32,000	32,000
- underprovision in prior year	24,810	-	-	-
Depreciation	4,426,020	3,798,235	3,597,004	3,222,256
Write down of inventories	1,675,227	9,616,831	883,207	8,953,220
Directors' remuneration				
- fees	273,433	165,500	243,433	135,000
- other emoluments	471,600	837,481	291,600	616,981

notes to the financial statements *(continue)*  
for the year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Allowance for diminution in value of investment	43,000	-	-	-
Rental of - plant and machinery	183,333	152,044	183,333	152,044
Gross dividend income from unquoted subsidiary companies	-	-	(9,050,000)	(1,573,800)
Loss/(Gain) from disposal of property, plant and equipment	11,086	30,905	(4,921)	21,262
Gross dividend income from quoted investment	(7,500)	(6,000)	-	-
Realised gain from foreign exchange	(274,698)	(158,973)	(274,698)	(254,554)
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	1,049,081	1,026,308	573,452	632,480
- Wages, salaries and others	10,280,132	9,663,770	6,010,265	7,165,664
- Retirement benefit expenses	43,970	54,117	-	19,544

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 17. Interest expense

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Term loans	32,092	117,873	32,092	117,873
Banker's acceptances	1,215,060	987,502	111,147	140,867
Revolving loan	1,083,359	1,047,059	1,083,359	1,047,059
Revolving credits	601,209	173,293	601,210	173,293
Hire purchase	321,751	179,135	312,962	173,687
Others	155,456	45,390	155,456	42,286
	<b>3,408,927</b>	<b>2,550,252</b>	<b>2,296,226</b>	<b>1,695,065</b>

### 18. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors				
- Fees	273,433	165,500	243,433	135,000
- Remuneration	471,600	837,481	291,600	616,981
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	61,650	61,650	55,150	55,150
Total short-term employee benefits	<b>806,683</b>	<b>1,064,631</b>	<b>590,183</b>	<b>807,131</b>

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 19. Tax expense

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current tax expense				
- current	<b>1,076,416</b>	493,696	<b>2,294,000</b>	440,664
- (over)/under provision in prior years	<b>(250,660)</b>	(320,783)	-	17,033
	<b>825,756</b>	172,913	<b>2,294,000</b>	457,697
Deferred tax expense				
- Origination and reversal of temporary difference	<b>(1,629,436)</b>	(2,508,019)	<b>(1,261,544)</b>	(2,577,000)
- Under provision in prior year	<b>2,549,516</b>	3,952,142	<b>2,956,544</b>	3,604,604
	<b>1,745,836</b>	1,617,036	<b>3,989,000</b>	1,485,301
<b>Reconciliation of effective tax expense</b>				
(Loss)/Profit before taxation	<b>(4,707,329)</b>	(11,509,903)	<b>2,548,577</b>	(9,160,765)
Tax at the applicable tax rate	<b>(1,270,979)</b>	(3,222,773)	<b>688,116</b>	(2,565,014)
Effect of changes in tax rate*	<b>(489,467)</b>	(14,728)	<b>(470,250)</b>	-
Non-deductible expense	<b>1,280,746</b>	1,817,086	<b>665,280</b>	514,000
Non-taxable income	-	(548,752)	-	-
Effect of deferred tax benefits not recognised	-	136,846	-	-
Others	<b>(73,320)</b>	(182,002)	<b>149,310</b>	(85,322)
	<b>(553,020)</b>	(2,014,323)	<b>1,032,456</b>	(2,136,336)
Under provision in prior year	<b>2,298,856</b>	3,631,359	<b>2,956,544</b>	3,621,637
	<b>1,745,836</b>	1,617,036	<b>3,989,000</b>	1,485,301

\* The corporate tax rate are at 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent year of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

# notes to the financial statements *(continue)* for the year ended 31 December 2007

## 20. Loss per share

### a) Basic loss per share

The loss per share for the year has been calculated based on the consolidated loss after taxation and minority interests of RM6,453,165 (2006 - loss of RM13,220,959) and the weighted number of ordinary shares issued and paid up during the year of 53,332,000 (2006 - 53,332,000).

### b) Diluted loss per share

The fully diluted loss per share is calculated based on the consolidated loss after taxation and minority interests of RM6,453,165 (2006 - loss of RM13,220,959) and the weighted number of ordinary shares issued and paid up during the year of 53,332,000 (2006 - 53,332,000). The number of shares that would have been issued arising from the exercise of the share options is anti-dilutive.

## 21. Dividends

Dividend recognised in the previous year by the Company was:

2006	Sen per share (net of tax)	Total amount RM	Date of payment
Final - 2006 ordinary	1	533,332	21.7.2006

The Directors do not recommend any final dividend for the financial year ended 31 December 2007.

## 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:

## notes to the financial statements *(continue)* for the year ended 31 December 2007

- (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.

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

	2007	2006
	RM	RM
<b>As at 1 January</b>	<b>2,329,000</b>	3,094,000
Granted	-	-
Lapsed	<b>(798,000)</b>	(765,000)
<b>As at 31 December</b>	<b>1,531,000</b>	2,329,000

Terms of the options outstanding at 31 December 2007:

Expiry date	Exercise price	Number
31.8.2009	RM1	1,531,000

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 23. 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.

#### Business segments

	Tiles	Film Packaging	Others	Eliminations	Consolidation
	RM	RM	RM	RM	RM
<b>2007</b>					
Revenue - external	28,732,254	49,578,340	-	-	78,310,594
Segment result	(2,630,962)	4,373,289	(393,906)	-	(1,348,421)
Interest expense					(3,408,927)
Interest income					50,019

## notes to the financial statements *(continue)* for the year ended 31 December 2007

<b>Business segments</b>	<b>Tiles</b>	<b>Film Packaging</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidation</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2007</b>					
Loss before taxation					(4,707,329)
Tax expense					(1,745,836)
Net loss for the year					(6,453,165)
Segment assets	72,534,031	35,043,006	27,177,752	-	134,754,789
Goodwill	-	3,495,896	-	-	3,495,896
Total assets					138,250,685
Segment liabilities	43,027,098	17,720,067	13,301,095	-	74,048,260
Capital expenditure	2,572,824	245,463	-	-	2,818,287
Depreciation and amortisation	3,965,956	460,064	-	-	4,426,020
Non-cash expenses other than depreciation and amortisation	1,675,227	86,970	-	-	1,762,197

### **Business segments**

	<b>Tiles</b>	<b>Film Packaging</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidation</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2006</b>					
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)

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### Business segments

	Tiles	Film Packaging	Others	Eliminations	Consolidation
	RM	RM	RM	RM	RM
<b>2006</b>					
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

### 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	
	2007	2006
	RM	RM
Malaysia	61,963,159	67,421,924
Asean countries	8,604,658	16,718,999
Others	7,742,777	2,134,249
	<b>78,310,594</b>	86,275,172

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 24. 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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group. The significant related party transactions of the Group and the Company, other than key management personnel compensation as disclosed in Note 18, are as follows:

#### Related party transactions

	Transaction value for year ended 31 December		Net Balance Outstanding	
	2007	2006	2007	2006
	RM	RM	RM	RM
<b>Subsidiaries</b>				
<b>Sale of goods and services</b>	<u>19,975,855</u>	<u>30,944,941</u>	<u>(13,211,654)</u>	<u>(17,414,352)</u>

#### 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 2008.

As at 31 December 2007, the Group made advances amounting to RM2,513,987 (2006: RM2,083,123) to Duta Skyline Sdn. Bhd. The advances is classified under other receivables in the balance sheet as at 31 December 2007 (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.

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 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 31 December 2007, the Group has made deposits amounting RM5,097,146 (2006 - RM2,236,166) 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.

### 25. Contingent liabilities

	Company	
	2007	2006
	RM	RM
Corporate guarantees given to licensed banks for credit facilities granted to subsidiary companies	<u>18,450,000</u>	<u>18,450,000</u>

### 26. Capital commitments

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Contracted but not provided for in the financial statements	<u>867,383</u>	<u>8,876,577</u>	<u>867,383</u>	<u>2,876,577</u>

# notes to the financial statements *(continue)*

## for the year ended 31 December 2007

### 27. 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:

Group	2007		2006	
	Average effective interest rate %	Total RM	Average effective interest rate %	Total RM
<b>Financial asset</b>				
Deposits	3.00	1,500,000	3.00	1,505,688

## notes to the financial statements *(continue)* for the year ended 31 December 2007

Group	2007		2006	
	Average effective interest rate %	Total RM	Average effective interest rate %	Total RM
<b>Financial liabilities</b>				
Term loans	-	-	7.50	1,029,317
Revolving loan	7.35 - 7.75	14,500,000	7.35	14,500,000
Revolving credits	5.70 - 7.75	11,140,330	5.70 - 7.50	5,000,000
Banker's acceptances	3.98 - 5.55	22,109,000	3.98 - 5.55	20,491,000
Bank overdraft	7.50	3,069,835	7.50	2,313,403
<b>Company</b>				
<b>Financial asset</b>				
Deposits	3.00	500,000	3.00	500,000
<b>Financial liabilities</b>				
Term loans	-	-	7.50	1,029,317
Revolving loan	7.35	14,500,000	7.35	14,500,000
Revolving credits	5.70 - 7.50	8,189,470	5.70 - 7.50	5,000,000
Banker's acceptances	5.20 - 5.25	1,954,000	5.20 - 5.55	3,009,000
Bank overdraft	7.50	3,069,835	7.50	2,313,403

### 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 RM134,000 (2006 – RM177,000) at the balance sheet date.

# 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	14 - 33	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	14	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	15	239,580	10,505,069
PT944, HS(M) 3776, Mukim Sungai Buloh, District of Petaling Selangor Darul Ehsan	Leasehold	Development land	07 September 2007	Not Applicable	49,596	2,523,886
<b>Total</b>						<b>45,773,133</b>

# Analysis of Shareholdings

as at 5 MAY 2008

Authorised Share Capital	:	RM100,000,000.00
Issued and Paid-up Capital	:	RM 53,332,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	One vote per Ordinary share

## 1. DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	Total Holdings	% of Holdings
Less than 100 shares	212	8,945	0.02
100 to 1,000 shares	142	112,075	0.21
1,001 – 10,000 shares	1,210	3,842,737	7.21
10,001 – 100,000 shares	226	6,561,404	12.30
100,001 to less than 5% of issued shares	36	18,858,839	35.36
5% and above of issued shares	2	23,948,000	44.90
	<b>1,828</b>	<b>53,332,000</b>	<b>100.00</b>

## 2. THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares	Percentage (%)
2.1 Synergy Platform Sdn Bhd	13,000,000	24.38
2.2 CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Dato' Samsudin Bin Abu Hassan	10,948,000	20.53
2.3 TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khatijah Abdullah	2,666,200	5.00
2.4 Grand Monarch Corporation Sdn Bhd	2,277,821	4.27
2.5 CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Azizi Bin Yom Ahmad	1,989,239	3.73
2.6 Lau Kim Seng	1,000,000	1.88
2.7 BIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Asiah Binti Ismail	998,600	1.87

# Analysis of Shareholdings

as at 5 MAY 2008

## 2. LIST OF TOP 30 SHAREHOLDERS (continue)

	Name	No. of Shares	Percentage (%)
2.8	Tan Kim San & Sons Sdn Bhd	922,666	1.73
2.9	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Asiah Binti Ismail	817,000	1.53
2.10	Tan Kim San & Sons Sdn Bhd	736,077	1.38
2.11	Tan Chah Boh @ Tan Yoke Kee	675,396	1.27
2.12	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: Azizi Bin Yom Ahmad for Abdul Haris Bin Muhammad Ali	524,933	0.98
2.13	Mary Ho	458,699	0.86
2.14	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lim Seng Hee	446,613	0.84
2.15	Tan Kim Choo & Tan Kim Choon	435,000	0.82
2.16	Tan Kok Heng	411,500	0.77
2.17	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lee Chen Ye	400,000	0.75
2.18	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lee Bu Yin	301,000	0.56
2.19	Chong Long Kim	285,332	0.54
2.20	Ismail Bin Yusof	283,000	0.53
2.21	Seong Hoe Motors Sendirian Berhad	272,000	0.51
2.22	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Khairuddin Bin Ahmad	245,000	0.46
2.23	Lim Seng Hee	205,666	0.39
2.24	Lee Ha Moi	200,000	0.38
2.25	Khor Ang Ling	200,000	0.38
2.26	Asiah Binti Ismail	184,179	0.35
2.27	Chan Moi	179,998	0.34
2.28	Yap Liong Pea	171,888	0.32
2.29	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Chuah Swee Huat	171,500	0.32
2.30	TA Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Lim Geok Sem	159,866	0.30
	<b>Total</b>	<b>41,567,173</b>	<b>77.94</b>

# Analysis of Shareholdings

as at 05 MAY 2008

### 3. INFORMATION OF SUBSTANTIAL SHAREHOLDERS (as per register of substantial shareholders as at 5 May 2008)

	Name	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	Synergy Platform Sdn. Bhd.	13,000,000	24.38	-	-
2.	Dato' Samsudin Bin Abu Hassan	11,080,000	20.78	-	-
3.	Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	-	-	13,000,000 <sup>(a)</sup>	24.38

**Note:**

<sup>(a)</sup> Deemed interest by virtue of Section 6A of the Companies Act, 1965 pursuant to his substantial interest in Synergy Platform Sdn. Bhd.

### 4. DIRECTORS' SHAREHOLDINGS (as per register of directors' shareholding as at 5 May 2008)

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	-	-	13,000,000 <sup>(a)</sup>	24.38
Dato' Samsudin Bin Abu Hassan	11,080,000	20.78	-	-
Encik Basar Bin Juraimi	-	-	-	-
Cik Norhanum Binti Nordin	-	-	-	-
Dato' Hj. Shamsul Najmi Bin Hj. Shamsuddin	-	-	-	-
Encik Hider Bin Othaman	-	-	-	-

**Note:**

<sup>(a)</sup> Deemed interest by virtue of Section 6A of the Companies Act, 1965 pursuant to his substantial interest in Synergy Platform Sdn. Bhd.

# Notice of Annual General Meeting

**NOTICE** IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of the Company will be held at Angsana Room, 1st Floor, Perangsang Templer Golf & Resort, No. 1, Templer Park Resort, 48000 Rawang, Selangor Darul Ehsan on Monday, 30 June 2008 at 3.00 p.m. to transact the following businesses: -

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 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 68(b) of the Company's Articles of Association:-
  - 3.1 Cik Norhanum Binti Nordin **Ordinary Resolution 3**
  - 3.2 Encik Basar Bin Juraimi **Ordinary Resolution 4**
  - 3.3 YBhg. Dato' Hj. Shamsul Najmi Bin Hj. Shamsuddin **Ordinary Resolution 5**
4. To re-elect the following Director who retires pursuant to Article 67(a) of the Company's Articles of Association: -
  - 4.1 YBhg. Datuk Yusof @ Mohd Yusoff Bin Abd Hamid **Ordinary Resolution 6**
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 7**  
Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed and marked "Annexure A" as in the Annual Report 2007) has been received by the Company for the nomination of Messrs Afrizan Tarmili Khairul Azhar, who have given their consent to act, for appointment as Auditors of the Company.
6. Authority to Issue Shares **Ordinary Resolution 8**  
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. Removal of Director **Ordinary Resolution 9**  
As Special Business to consider and if thought fit, to pass the following Ordinary Resolution: -  
"THAT Dato' Samsudin Bin Abu Hassan be and is hereby removed as Director of the Company with immediate effect."  
The Requisition pursuant to Section 151 of the Companies Act, 1965 ("the Act") to give notice to members of the Company of the intention to move the resolution as Ordinary Resolution at the Annual General Meeting and the Special Notice of Resolution pursuant to Section 128(2) and 151 of the Act has been received by the Company. A copy of the Requisition and Special Notice is annexed and marked "Annexure B" as in the Annual Report 2007.

# Notice of Annual General Meeting

BY ORDER OF THE BOARD

**SEOW FEI SAN**  
**LOH LAI LING**  
Secretary

Petaling Jaya  
Date: 06 June 2008

**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. A member can appoint up to two (2) proxies and if a member appoints two (2) 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 8 : Authority to Issue Shares**

*The proposed Ordinary Resolution 8, 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.*

**Ordinary Resolution 9 : Removal of Director**

The proposed Ordinary Resolution 9, if passed, will remove Dato' Samsudin Bin Abu Hassan as Director of the Company

# Statement Accompanying Notice of Twenty-Third Annual General Meeting

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

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

<b>Place</b>	:	<b>Angsana Room, 1st Floor, Perangsang Templer Golf &amp; Resort, No. 1, Templer Park Resort, 48000 Rawang, Selangor Darul Ehsan</b>
<b>Date</b>	:	<b>Monday, 30 June 2008</b>
<b>Time</b>	:	<b>3.00 p.m.</b>

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

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

- Cik Norhanum Binti Nordin
- Encik Basar Bin Juraimi
- YBhg. Dato' Hj. Shamsul Najmi Bin Hj. Shamsuddin

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

- YBhg. Datuk Yusof @ Mohd Yusoff Bin Abd Hamid

The profile of the Directors standing for re-election is set out on pages 07 - 09 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 2007 and the details of the Directors' attendance at the Board Meeting are as follows:

<b>Director</b>	<b>Total Attendance</b>
Datuk Yusof @ Mohd Yusoff Bin Abd Hamid	6/6
Dato' Samsudin Bin Abu Hassan	4/6
Encik Hider Bin Othaman	6/6
Cik Norhanum Binti Nordin ( <i>Appointed on 02.11.2007</i> )	1/1
Encik Basar Bin Juraimi ( <i>Appointed on 02.11.2007</i> )	1/1
Dato' Hj. Shamsul Najmi Bin Hj. Shamsuddin ( <i>Appointed on 16.04.2008</i> )	-
Dato' Azizi Bin Yom Ahmad ( <i>Retired on 29.06.2007</i> )	2/2
Dato' Mohamed Salleh Bin Bajuri ( <i>Resigned on 02.11.2007</i> )	5/5
Encik Khalid bin Sufat ( <i>Resigned on 26.11.2007</i> )	3/5
Encik Ghazali Bin Salammat ( <i>Resigned on 02.11.2007</i> )	4/5

# Annexure A : Notice of Nomination for the Appointment of Auditors

pursuant to Section 172(11) of the Companies Act, 1965

## LETTER OF NOMINATION

**Mazli bin Ishak**  
**No. 33, Jalan 7/7**  
**Bandar Tasik Puteri**  
**48020 Rawang**  
**Selangor Darul Ehsan**

Dated: 29 May 2008

The Board of Directors  
**Seacera Tiles Berhad**  
312, 3<sup>rd</sup> Floor, Block C,  
Kelana Square,  
17 Jalan SS7 /26,  
47301 Petaling Jaya,  
Selangor Darul Ehsan

Dear Sirs

**RE: NOTICE OF NOMINATION OF MESSRS AFRIZAN TARMILI KHAIRUL AZHAR**

I, **Mazli bin Ishak (790306-04-5375)**, a member of the company, hereby give notice, pursuant to section 172(11) of the Companies Act, 1965 of my nomination of Messrs Afrizan Tarmili Khairul Azhar as auditors of the company in place of the retiring auditors, Messrs KPMG.

Yours faithfully



---

**Mazli bin Ishak**  
**(790306-04-5375)**

# Annexure B : Notice of Removal of Director

pursuant to 1) Section 151 of the Companies Act, 1965; and 2) Section 153 and Section 128(2) of the Companies Act, 1965.

BY HAND  
ADVANCED BY FAX

The Directors  
Seacera Tiles Berhad  
312, 3<sup>rd</sup> Floor, Block C  
Kelana Square, 17 Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs,

## SEACERA TILES BHD. ('THE COMPANY')

1. REQUISITION TO GIVE NOTICE OF RESOLUTION PURSUANT TO SECTION 151 OF THE COMPANIES ACT 1965
2. SPECIAL NOTICE OF INTENTION TO MOVE A RESOLUTION TO REMOVE A DIRECTOR OF THE COMPANY PURSUANT TO SECTIONS 153 & 128(2) OF THE COMPANIES ACT 1965

We, Synergy Platform Sdn. Bhd. (Company No. 598341-K), being a member of Seacera Tiles Bhd. holding not less than one-twentieth of the paid-up and issued shares capital of the Company, hereby pursuant to Section 151 of the Companies Act, 1965 requisition to give notice to members of the Company entitled to receive notice of the next Annual General Meeting ("AGM") notice of the following resolution to be moved as Ordinary Resolution at the forthcoming AGM to be held in June 2008 and we also hereby give notice of our intention to propose the said resolution which requires special notice pursuant to Section 153 and Section 128(2) of the Companies Act, 1965.

### ORDINARY RESOLUTION – REMOVAL OF DIRECTOR

"THAT Dato' Samsudin Bin Abu Hassan be and is hereby removed as Director of the Company with immediate effect."

Dated this 30<sup>th</sup> day of May 2008

The Common Seal of Synergy Platform Sdn. Bhd. (Company No. 598341-K) hereunto affixed in the presence of:-



Datuk Yusof @ Mohd Yusoff Bin Abd Hamid  
Director



Syaraizma Binti Mohd Yusoff  
Director

this page has been intentionally left blank.

# SEACERA TILES BERHAD (163751-H)

## PROXY FORM

I/We, \_\_\_\_\_ NRIC/Company No. \_\_\_\_\_  
 (Please Use Block Capitals)

of \_\_\_\_\_  
 (full address)

being a member(s) of SEACERA TILES BERHAD, hereby appoint \_\_\_\_\_  
 (full name)

of \_\_\_\_\_  
 (full address)

or failing him/her \_\_\_\_\_  
 (full name)

of \_\_\_\_\_  
 (full address)

as my/our proxy, to vote for me/us and on my/our behalf at the **Twenty-Third Annual General Meeting** of the Company to be held at Angsana Room, 1st Floor, Perangsang Templer Golf & Resort, No. 1, Templer Park Resort, 48000 Rawang, Selangor Darul Ehsan on **Monday, 30 June 2008 at 3:00 p.m.** and at any adjournment thereof.

	FOR	AGAINST
<b>Ordinary Resolution 1</b>		
<b>Ordinary Resolution 2</b>		
<b>Ordinary Resolution 3</b>		
<b>Ordinary Resolution 4</b>		
<b>Ordinary Resolution 5</b>		
<b>Ordinary Resolution 6</b>		
<b>Ordinary Resolution 7</b>		
<b>Ordinary Resolution 8</b>		
<b>Ordinary Resolution 9</b>		

Dated :

No. of Shares held

.....  
 Signature(s)/Common Seal of Shareholder

- 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. A member can appoint up to two (2) proxies and if a member appoints two 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.



*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*