



**LINEAR CORPORATION BERHAD** (288687-W)

Head Office & Factory  
20A, Jalan Perusahaan, Prai Industrial Estate 4  
13600 Prai, Penang, Malaysia.  
[www.linear.com.my](http://www.linear.com.my)

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Linear Corporation Berhad will be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Tuesday, 27 June 2006 at 11.00 a.m. for the following purposes:-**

### **AGENDA**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees for the financial year ended 31 December 2005. **(Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Article 95 of the Company's Articles of Association:  
  
(i) Mr. Soh Yew Aun **(Resolution 3)**  
(ii) Datuk Abdul Malek Bin Abdul Aziz **(Resolution 4)**
4. To re-appoint Tan Sri Dato' Hanafiah Bin Hussain as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company in accordance with Section 129(6) of the Companies Act, 1965. **(Resolution 5)**
5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

### **As Special Business**

To consider and if thought fit, pass the following Ordinary Resolutions:-

6. **Authority to allot shares** **(Resolution 7)**  
  
"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and they are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **(Resolution 8)**  
  
"THAT subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company's subsidiary to enter into the recurrent related party transactions of a revenue or trading nature with related party as set out in Section 2.2 of the Circular to Shareholders dated 5 June 2006 provided that:-  
  
(a) the transactions are in the ordinary course of business and are transacted on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- (b) the disclosure of a breakdown of the aggregate value of the transactions conducted during a financial year will be made in the annual report for the said financial year based on the type of recurrent transactions made and the names of the related parties involved in each transaction and their relationship with the Group.

AND THAT the authority conferred by the shareholders' mandate shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company to be held in 2007, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

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

### 8. **Proposed Renewal of Authorisation for the Company to Purchase its Own Shares**

**(Resolution 9)**

"THAT, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other relevant applicable laws, regulations and guidelines and the approvals of all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors from time to time through Bursa Securities and to enter into any agreements, arrangements and guarantees with any party/parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be imposed by the relevant authorities from time to time and to do all such things and acts as the Directors may deem fit and expedient in the best interest of the Company subject further to the following:-

- (i) the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum (10%) of the existing issued and paid-up share capital of the Company inclusive of the 2,947,600 ordinary shares already purchased and retained as treasury shares as at 24 May 2006;
- (ii) the amount allocated for the Proposed Share Buy-Back shall not exceed the Company's audited retained profit and/or share premium account;



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

THAT upon completion of the Proposed Share Buy-Back, the Directors are authorised to retain the purchased shares as treasury shares or cancel the purchased shares or retain part of the purchased shares as treasury shares and cancel the remainder AND THAT the Directors are further authorised to resell the treasury shares on Bursa Securities or distribute the treasury shares as share dividends to the shareholders of the Company or subsequently cancel the treasury shares or any combination of the above.

AND THAT the authority conferred by this Resolution shall be effective immediately upon the passing of this Ordinary Resolution until:-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company to be held in 2007, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date."

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

BY ORDER OF THE BOARD

CHAN WAN MEI ( MAICSA 7024746 )  
Secretary

Penang  
Date: 5 June 2006

Notes:-

1. A member eligible to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but neednot be a member of the Company to vote in his/her stead. The provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. An instrument appointing a proxy must be deposited at the Registered Office at 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes on Special Business:-

- (i) Ordinary Resolution 7, if passed, will give the Directors of the Company authority to issue shares up to an amount not exceeding 10% of the issued share capital of the Company at any time and at their absolute discretion without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting ("AGM") of the Company.
- (ii) Ordinary Resolution 8, if passed, will empower the subsidiary of the Company to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM. Further details on Resolution 8 are set out in the Circular to Shareholders dated 5 June 2006 despatched together with this Annual Report.
- (iii) Ordinary Resolution 9, if passed, will empower the Company to buy back its own shares up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next meeting. Further details on Resolution 9 are set out in the Share Buy-Back Statement dated 5 June 2006 despatched together with this Annual Report.



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

The Directors standing for re-election at the Twelfth Annual General Meeting of the Company to be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Tuesday, 27 June 2006 at 11.00 a.m. are as follows:-

<b>Name of Director</b>	<b>Details of Attendance at Board Meeting</b>	<b>Details of Individual Directors and Other Disclosure Requirements</b>
Soh Yew Aun	Refer to page 13 of the Annual Report	Refer to page 10 to 12 of the Annual Report
Datuk Abdul Malek Bin Abdul Aziz	Refer to page 13 of the Annual Report	Refer to page 10 to 12 of the Annual Report
Tan Sri Dato' Hanafiah Bin Hussain	Refer to page 13 of the Annual Report	Refer to page 10 to 12 of the Annual Report





## CORPORATE INFORMATION

### Board of Directors

Tan Sri Dato' Hanafiah Bin Hussain  
*(Chairman)*

Lum Weng Loy  
*(Deputy Chairman/Managing Director/  
Chief Executive Officer)*

Soh Yew Aun  
*(Executive Director)*

Chin Kuet Lee  
*(Executive Director)*

Dato' Lee Kam Sun  
*(Non-Independent Non-Executive Director)*

Datuk Abdul Malek Bin Abdul Aziz  
*(Senior Independent Non-Executive Director)*

Ahmad Shalimin Bin Ahmad Shaffie  
*(Independent Non-Executive Director)*

### Registered Office

20A, Jalan Perusahaan  
Prai Industrial Estate 4  
13600 Prai, Penang  
Malaysia  
Tel : (604) 5078822  
Fax : (604) 5078359

### Head Office/Factory

20A, Jalan Perusahaan  
Prai Industrial Estate 4  
13600 Prai, Penang  
Malaysia  
Tel : (604) 5078822  
Fax : (604) 5078359

### Company Secretary

Chan Wan Mei (MAICSA 7024746)

### Auditors

Deloitte KassimChan  
Chartered Accountants  
4th Floor, Wisma Wang  
251-A, Jalan Burma  
10350 Penang, Malaysia

### Registrars

PFA Registration Services Sdn Bhd  
Level 13, Uptown 1  
1 Jalan SS21/58, Damansara Uptown  
47400 Petaling Jaya, Selangor  
Tel : (603) 77254888  
Fax : (603) 77222311

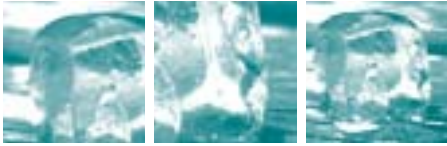
### Principal Bankers

Bumiputra-Commerce Bank Berhad  
EON Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
Southern Bank Berhad

### Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad  
Sector : Industrial Products  
Stock Name : Linear  
Stock Code : 9504





## LETTER TO SHAREHOLDERS

**DEAR SHAREHOLDERS,**

**ON BEHALF OF THE BOARD OF DIRECTORS, WE PRESENT TO YOU THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005.**

IN GENERAL, the Malaysian economy and the global economy at large did not see significant positive momentum in year 2005 as it was shadowed by unpredictable oil price hikes that brought about corresponding broad based cost-push inflationary pressures. On the domestic front, the situation was further exacerbated by the contraction in the construction sector while the property sector saw concerns on the selective over-supply in Malaysia.

### **FINANCIAL REVIEW**

For the financial year ended 31 December 2005, the Group registered a revenue of RM46 million, a decrease of RM33 million from the previous year's revenue of RM79 million. In summary, the manufacturing and trading segment had recorded an increase in revenue by RM13 million (some 58%) to RM36 million. The effect was off-set by the drop of contract revenue from the engineering segment of the Group.

The Group's post-tax loss of RM41 million recorded in the year under review could be substantially traced to the impairment loss of the Group's investments in quoted and unquoted shares, impairment of goodwill and allowance for doubtful debts aggregated to RM43 million in compliance with the applicable approved accounting standards. Besides the aforesaid items, performance of the Group was also affected by the increase in cost of materials and other operating costs.

Further, the increasingly intense competition in the markets of our manufactured and traded products, locally and abroad, had narrowed profit margins despite the noticeable rise in revenues of the said segment.

### **OPERATION REVIEW**

- **Manufacturing and Trading**

The contraction of construction sector and intense competition in Malaysia did not deter the Group's efforts in strengthening its market shares, where this division recorded a commendable increase in revenues by RM13 million or some 58% to RM36 million. Contributing to this along with the growth in local sales was the widening of market coverage through the established distribution networks, in particular in the booming Middle East and other Asia Pacific markets.

Nevertheless, stiff competition, domestic and external, and the rise in cost of materials and operating costs had held back the follow-through effect of revenue increase into profitability.

- **District Cooling**

Developing the district cooling division continued to be the main strategic thrust of the Group during the year. Awareness and feasibility of district cooling services were the main emphasis on the marketing efforts undertaken during the year. Currently the Group has interests in two operating district cooling plants – one located at the Curve in Mutiara Damansara and the other in Bandar Perda – both of which have yet to reach their respective optimum capacity. Reasonable gestation period is needed, in tandem with the developments that the plants are serving, for them to contribute positively towards the Group's results.



## LETTER TO SHAREHOLDERS (CONT'D)

- **Engineering**

Resulting from the completion of the district cooling plant at the Curve and phased completion of the district cooling plant in Bandar Perda, coupled with the lack luster of construction sector in Malaysia, the engineering division recorded a decline in contract revenue for the financial year under review. Performance of this division consequently had worsened and was further affected by allowance for doubtful debts.

### **MOVING FORWARD IN 2006**

While the Group will strive to reap the most out of the stimulants to be availed under 9th Malaysia Plan ("9MP", 2006-2010), intensive effort will be made to globalize across all business segments of the Group. In a near future, we are positive in achieving a breakthrough in our district cooling system in the overseas market.

Nevertheless, year 2006 is expected to remain as challenging as previous year in the wake of increasing oil prices, the interest rates rise regimes, escalating operating costs and gestation period for the benefits of the 9MP to flow through and political tensions in certain parts of the world.

Moving forward, the Group will maintain a cautiously optimistic approach in expanding and managing its various business segments as it endeavours to preserve and recoup the resources of the Group. At the same time, with the impending changes in the financial reporting landscape in Malaysia in 2006 more emphasis will be put in place on compliance to ensure better investor relations in every aspect of financial reporting.

### **APPRECIATION**

We extend our utmost gratitude to fellow members of the Board and staff members of the Group who had worked together as a team with integrity, courage, dedication and diligence that had ensured the Group remain resilient in overcoming the challenges faced.

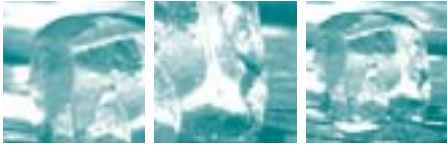
Last but not least, we wish to thank our shareholders, customers, suppliers, business associates and bankers for their strong support.

Thank You.

Tan Sri Dato's Hanafiah Bin Hussain  
Chairman

Lum Weng Loy  
Deputy Chairman/MD/CEO

5 June 2006



## DIRECTORS' PROFILE

**TAN SRI DATO' HANAFIAH BIN HUSSAIN,**  
aged 79, Malaysian

*(Chairman)*  
*Independent Non-Executive Director*

Tan Sri Dato' Hanafiah Bin Hussain was appointed as the Chairman of Linear on 12 November 2004. Tan Sri holds a Bachelor of Arts (Commerce) Degree from the University of Manchester, England and is a Fellow of The Institute of Chartered Accountants in England and Wales.

Tan Sri has extensive experience in auditing, finance and banking. Tan Sri was formerly the Executive Chairman of Bank Bumiputra Malaysia Berhad from 1990 to 1993, Chairman of South East Asia Bank Ltd. Mauritius from 1990 to 1993, and President of the Associated Malay Chambers of Commerce of Malaysia from 1966 to 1970. He was a founder partner of the firm of chartered accountants, Hanafiah Raslan and Mohamed. Tan Sri also sits on the board of Asia Pacific Land Berhad and several private limited companies.

**LUM WENG LOY,**  
aged 40, Malaysian

*(Deputy Chairman/MD/CEO)*  
*Non-Independent Executive Director*

Lum Weng Loy, appointed to the Board of Linear on 29 June 2000 and became the Chief Executive Officer on 17 October 2005. He is a trained and qualified Chartered Accountant since 1991. He undergone his articleship in one of the top four international accounting firms. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

**SOH YEW AUN,**  
aged 48, Malaysian

*(Executive Director)*  
*Non-Independent Executive Director*

Soh Yew Aun was appointed to the Board of Linear on 29 January 1994 and became an Executive Director on 10 January 2003. He graduated in 1980 with a Bachelor of Social Science (Hons) Degree majoring in Economics from University Sains Malaysia. He started his career with a leading local bank and had held several portfolios including as Head of Credit Department of Penang Branch. After leaving the banking industry, he served with several companies including two companies listed on Bursa Malaysia Securities Berhad.

**CHIN KUET LEE,**  
aged 49, Malaysian

*(Executive Director)*  
*Non-Independent Executive Director*

Chin Kuet Lee, appointed to the Board of Linear on 29 June 2000, is a trained engineer, holding a first class degree in Electronics Engineering from Lancaster University, United Kingdom and a Master of Business Administration Degree from Pepperdine University in the United States of America. He currently holds several directorships including CEO of Photonics Venture Capital Sdn Bhd, a venture capital management company, and director of The Media Shoppe Berhad, a Mesdaq-listed company.



## DIRECTORS' PROFILE (CONT'D)

**DATO' LEE KAM SUN,**  
aged 47, Malaysian

*Non-Independent Non-Executive Director*

Dato' Lee Kam Sun was appointed to the Board of Linear on 7 November 2003 and became an Executive Director on 13 September 2004. On 28 November 2005, Dato' Lee resigned as the Executive Director and remained as the Non-Independent Non-Executive Director. Dato' Lee has more than 20 years of experience in electrical and mechanical engineering. He sits on board of a few other private limited companies.

**DATUK ABDUL MALEK BIN ABDUL AZIZ,**  
aged 69, Malaysian

*Senior Independent Non-Executive Director*

Datuk Abdul Malek Bin Abdul Aziz was appointed to the Board of Linear on 20 June 2000 and was further appointed as Senior Independent Director. Datuk Malek graduated with a LLB (Hons) Degree from Singapore. Datuk Malek served as the Deputy Secretary-General of the Ministry of Home Affairs from 1988 to 1989 and was promoted to Senior Deputy Secretary-General to the Prime Minister's Department from 1990 to 1991 and currently sits on the board of Negara Properties (M) Berhad, NCB Corporation Berhad and several private limited companies.

**AHMAD SHALIMIN BIN AHMAD SHAFFIE,**  
aged 37, Malaysian

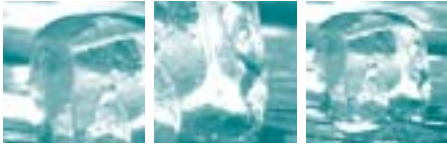
*Independent Non-Executive Director*

Ahmad Shalimin Bin Ahmad Shaffie was appointed to the Board of Linear on 31 March 2003. He graduated from the School of Public Administration & Law, University Technology Mara in 1990. He has held various managerial positions in a diverse range of industries including securities dealing, services and retailing prior to his involvement in the haulage industry. He is presently the Chairman of Mexter Technology Berhad and the Executive Chairman of Bintang Group and he also sits on the board of Gunung Capital Berhad and several private limited companies and he is the present President of the Association of Malaysian Hauliers.

### Other Information

(a) Other than the following, none of the directors are involved in any board committees:-

- |    |                                  |   |  |
|----|----------------------------------|---|--|
| a) | Datuk Abdul Malek Bin Abdul Aziz | - | Chairman of Audit Committee                        |
|    |                                  | - | Chairman of Remuneration Committee                 |
|    |                                  | - | Chairman of Nomination Committee                   |
|    |                                  | - | Member of Employees' Share Option Scheme Committee |
|    |                                  | - | Member of Risk Management and Investment Committee |



## DIRECTORS' PROFILE (CONT'D)

### Other Information (cont'd)

- |                                     |   |  |
|-------------------------------------|---|--|
| b) Ahmad Shalimin Bin Ahmad Shaffie | - | Member of Audit Committee                            |
|                                     | - | Member of Remuneration Committee                     |
|                                     | - | Member of Nomination Committee                       |
|                                     | - | Member of Risk Management and Investment Committee   |
| c) Lum Weng Loy                     | - | Member of Audit Committee                            |
|                                     | - | Chairman of Employees' Share Option Scheme Committee |
|                                     | - | Chairman of Risk Management and Investment Committee |
| d) Soh Yew Aun                      | - | Member of Risk Management and Investment Committee   |
|                                     | - | Member of Employees' Share Option Scheme Committee   |

(b) There are no family relationships among the Directors and/or substantial shareholders of the Company.

(c) None of the Directors has any conflict of interest with the Company.

(d) None of the Directors has convicted any offences within the past 10 years other than traffic offences (if any).

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to paragraph 15.27(a) of the Listing Requirements of Bursa Malaysia Securities Berhad

The Companies Act, 1965 (the "Act") and Listing Requirements of Bursa Malaysia Securities Berhad require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flows of the Company and the Group for the financial year, in accordance with the applicable MASB approved accounting standards in Malaysia and the provisions of the Act.

The Directors are satisfied that in preparing the financial statements of the Company and the Group for financial year ended 31 December 2005, the Directors' have made judgement and estimates that are prudent and reasonable and adopted the appropriate accounting policies and applied them consistently. The Directors also consider that applicable MASB approved accounting standards have been followed in the preparation of these financial statements.



## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring and maintaining a high standard of corporate governance. Sets out below is the manner in which the Company has applied the principles and practices as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance within the Group throughout the financial year ended 31 December 2005.

### Board of Directors

The Board is principally responsible for strategic planning and ensuring proper conduct of operations and affairs of the Group. Current Board composition reflects a mixed of experience, skills, technical and management expertise. A brief write-up on each Director is set out under the Directors' Profile.

#### *i) Board Meetings*

Board meetings are generally held quarterly, with additional meetings convened as and when necessary. During the financial year ended 31 December 2005, four (4) meetings were held and the record of Directors' attendance is as follows:-

<b>Directors</b>	<b>Attendance</b>
Tan Sri Dato' Hanafiah Bin Hussain	2/4
Lum Weng Loy	4/4
Soh Yew Aun	4/4
Chin Kuet Lee	4/4
Dato' Lee Kam Sun	4/4
Datuk Abdul Malek Bin Abdul Aziz	3/4
Ahmad Shalimin Bin Ahmad Shaffie	4/4

#### *ii) Board balance*

Presently, the Board of Linear Corporation Berhad has seven (7) members :-

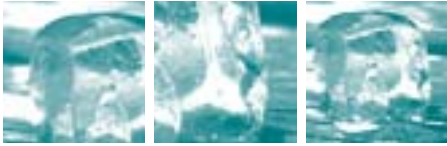
The Independent Non-Executive Chairman  
The Deputy Chairman/MD/CEO  
Two (2) Executive Directors  
One (1) Non-Independent Non-Executive Director  
Two (2) Independent Non-Executive Directors

The Board is led by the Independent Non-Executive Chairman and the executive management of the Group is led by the Managing Director/Chief Executive Officer. There is a clearly accepted division of responsibilities between the Chairman and Managing Director/Chief Executive Officer to ensure a balance of power and authority.

The Executive Directors are generally responsible for making and implementing strategic plans and policies of the Group and overseeing the conduct of the Group business. Non-Executives play a significant role in exercising independent and unbiased judgement based on their knowledge and experience.

Datuk Abdul Malek Bin Abdul Aziz has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

To facilitate the smooth transaction of business within the Group, the Board has successfully delegated specific tasks to six (6) board committees, namely Audit Committee, Executive Committee, Nomination Committee, Remuneration Committee, Risk Management and Investment Committee and Employees Share Option Scheme Committee.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### Board of Directors (cont'd)

#### **iii) Supply of Information**

Prior to board meetings, board members are furnished with the agenda of the meeting and relevant board papers to facilitate decision making and sound judgement during the meeting. Board papers provided include, inter alia, minutes of previous board meetings, reports and papers for consideration and approval in relation to financial, operations, corporate, regulatory and business developments.

All Directors may obtain independent professional advice in furtherance of their duties and have access to the advice and services of the Company Secretary and the senior management staff of the Group.

#### **iv) Appointment to the Board**

The Nomination Committee is primarily responsible for proposing new nominees for the board appointment and assessing directors on an on-going basis to ensure the required mix of skills and experience for effective discharge of duties.

The Nomination Committee consists of two (2) Independent Non-Executive Directors:-

Datuk Abdul Malek Bin Abdul Aziz (Senior Independent Non-Executive Director)

Ahmad Shalimin Bin Ahmad Shaffie (Independent Non-Executive Director)

#### **v) Directors' Training**

All Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad. Throughout the year, the directors have attended various programmes and seminars to enhance their expertise and knowledge. The training needs of the directors are evaluated and determined by the Board of Directors on an on-going basis.

#### **vi) Re-election**

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to re-election at the first Annual General Meeting ("AGM") subsequent to their appointment. The Articles also provide that at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each AGM provided always that all Directors including the Managing Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. The Directors standing for re-election at the AGM are Datuk Abdul Malek Bin Abdul Aziz and Mr. Soh Yew Aun.

Directors over seventy (70) years of age are to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. The Director due for re-appointment at the AGM is Tan Sri Dato' Hanafiah Bin Hussain.

#### **vii) Directors' Remuneration**

The Remuneration Committee comprising of Independent Non-Executive Directors will recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary. The determination of remuneration packages of non-executive directors shall be a matter for the board as a whole. The Committee is responsible for establishing a formal and transparent procedure for developing policy on remuneration so as to link rewards to corporate and individual performance.





## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### Board of Directors (cont'd)

The determination of the remuneration packages of each director is a matter of the Board and each Director concerned plays no part in the decisions on their own remuneration but may attend the Committee meetings by invitation.

The Remuneration Committee consists of two (2) Independent Non-Executive Directors:-

Datuk Abdul Malek Bin Abdul Aziz (Senior Independent Non-Executive Director)

Ahmad Shalimin Bin Ahmad Shaffie (Independent Non-Executive Director)

The aggregate remuneration of Directors paid or payable by the Company and the Group for the financial year ended 31 December 2005 are as follows:-

	<b>Executive RM</b>	<b>Non-Executive RM</b>
Fees	-	30,000
Salary	624,000	-
Bonus	70,500	-
Other emoluments	83,340	-

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective band are as follows:-

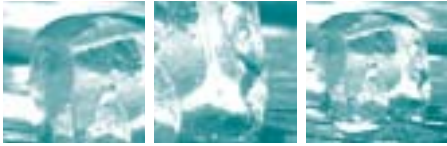
	<b>Executive</b>	<b>Non-Executive</b>
RM50,000 and below	1	2
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	1	-
RM300,001 – RM350,000	1	-

### Relationship with shareholders

The Company recognizes the importance of effective communications and timely dissemination of information to its shareholders. Annual Report, financial statements, circular to shareholders and announcements are some of the modes of reporting to the shareholders on the business activities, financial performance and major development of the Group to enable the shareholders to have an overview of the Group's performance and operations.

General meetings provides an opportunity for shareholders to access their Board for clarification of issues relevant to the Company. Shareholders are encouraged to participate and communicate at the general meetings and to vote on all resolutions.

The Company maintains a website at [www.linear.com.my](http://www.linear.com.my) for which the shareholders can access information of the Group.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

### Accountability and Audit

#### i) Financial Reporting

In presenting the Annual Report and quarterly financial statements to shareholders, the Board aims to provide a balanced and meaningful assessment of the Group's financial performance and prospect.

The Directors are also responsible for ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia.

#### ii) Internal Control

The Board acknowledges their responsibility for the maintenance of a sound system of internal control, including risk assessment and reviewing its effectiveness to safeguard shareholders' investment and Group assets. As with any such system, controls can only provide reasonable but not absolute assurance against material misstatement or loss. The Group is continuously looking into the adequacy and integrity of its system of internal controls.

A statement on Internal Control of the Group is set out in this Annual Report.

#### iii) Relation with Auditors

The Company has always maintained a formal and transparent relationship with the Auditors in seeking professional advice and ensuring compliance with the applicable MASB approved accounting standards in Malaysia.



## AUDIT COMMITTEE REPORT

### MEMBERSHIP

Members of the Audit Committee are as follows: -

#### Chairman

Datuk Abdul Malek Bin Abdul Aziz  
(Senior Independent Non-Executive Director)

#### Members

Lum Weng Loy  
(Deputy Chairman/MD/CEO)  
Ahmad Shalimin Bin Ahmad Shaffie  
(Independent Non-Executive Director)

### TERMS OF REFERENCE

The Audit Committee shall be governed by the following terms of reference.

#### Composition

The Audit Committee shall be appointed by the Board of Directors from amongst their number and shall comprise of not less than three (3) members of whom a majority shall be independent directors.

At least one member of the Committee must be:-

- i) a member of the Malaysian Institute of Accountants (MIA); or
- ii) have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967 or a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- iii) holds a degree/masters/doctorate in accounting or finance with at least 3 years' post qualification experience in accounting or finance; or
- iv) have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The members of the Audit Committee shall elect a Chairman from among themselves who shall be an independent director. No alternate director shall be appointed as a member of the Audit Committee.

#### Quorum

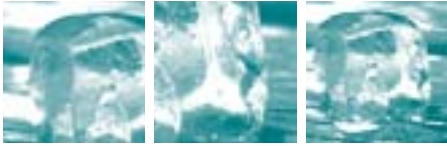
A quorum shall be two (2) members of which the majority present must be independent directors.

#### Authority

The Committee is authorised by the Board to investigate any matter within its terms of reference and to access to any information it requires from any employee. It is authorised by the Board to obtain independent professional advice and to convene meetings with external auditors, excluding the attendance of the executive members of the committee, if it deemed necessary.

#### Duties & Functions

- To review the quarterly results and annual financial statements before presenting to the Board.
- To consider the appointment of external auditors, audit fees and any questions of resignation or removal.
- To review the audit plan and audit report of the external auditors and internal auditors.



## AUDIT COMMITTEE REPORT (CONT'D)

### TERMS OF REFERENCE (cont'd)

#### Duties & Functions

- To keep under review the effectiveness of internal control systems and the adequacy of the scope, functions and resources of the internal audit function.
- To review the internal audit programme, consider major findings of internal audit investigations and ensure appropriate actions undertaken by management on the recommendation of the internal audit function.
- To ensure co-ordination of the Company officials with the external auditors.
- To verify the allocation of share options under the Employees' Share Option Scheme ("ESOS") as being in compliance with the criteria set out in the ESOS bye-laws.
- To review any transaction, procedure or course of conduct that raises questions of management integrity.
- To review related party transactions that may arise within the Company or Group

### MEETINGS AND SUMMARY OF ACTIVITIES

The Audit Committee met five (5) times during the financial year ended 31 December 2005 and details of attendance are as follows:

Datuk Abdul Malek Bin Abdul Aziz	5/5
Lum Weng Loy	5/5
Ahmad Shalimin Bin Ahmad Shaffie	5/5

During the financial year, the Audit Committee carried out the following activities in accordance with its terms of reference:-

- Reviewed the quarterly unaudited reports and annual financial statements before recommendation to the Board for approval.
- Reviewed scope and approach of audit plan under audit planning memorandum prepared by the external auditors.
- Reviewed adequacy of functions of external and internal auditors and assess their performance.
- Reviewed with the external auditors, the results of the annual audit, audit report, areas of concern and management letter.
- Reviewed internal audit report, which highlighted the audit issues, recommendations with regards to risk management, internal control and management's response thereto.
- Reviewed internal control statement and audit committee report for inclusion in the Annual Report.
- Reviewed recurrent related party transactions to ensure adherence of review procedures for recurrent related party transactions.

### INTERNAL AUDIT

The Board is responsible for the internal controls in reviewing the effectiveness, adequacy and integrity of the Group to ensure the success in meeting the business objectives of the Group.

The Board also recognises the importance of sound internal controls and is committed to maintain a sound system of internal controls where the employees of the Group conduct themselves. The Group is in the process of re-appointing Internal Auditors to enhance the system of internal controls.



## STATEMENT OF INTERNAL CONTROL

### Introduction

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders investments and the Group's assets. The Board of Directors is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Company's operations.

### Responsibility for risk and internal controls

The Board is responsible for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of the internal control system. The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated to the Audit Committee by the Board.

There are inherent limitations in any system of internal controls. As such, the system of internal controls put into effect by Management can only reduce but not eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

### System Of Internal Control

The Group's system of internal controls comprises the following key elements :-

- Quarterly financial reports are supplied to the Audit Committee and the Board for review and if necessary corrective actions to be taken.
- Accounting records are kept in an orderly, reliable, accessible manner and in compliance with the applicable MASB approved accounting standards and provisions of the Companies Act, 1965.
- The Group has a structured recruitment process, a performance appraisal system and training and development programs to ensure the Group attracts and retains competent and skilled employees.
- A clearly defined lines of accountability and responsibility, which sets out the decisions that need to be taken and the appropriate approving authority at various levels of management.
- Delegation of authority including authorisation limits at various levels of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.
- Regular detailed reporting, covering operational and financial performance and key business indicators, for effective monitoring and decision making.

### Risk Management

The Board is fully aware of the principal risks faced and has put in place the appropriate controls to manage the risks through the involvement of the Executive Directors in the day to day operations of the Group. The Company's performance is monitored through strategic, management and operational level meetings. Significant matters identified during these meetings are highlighted to the Board on a timely basis.

### Conclusion

The development of the system of internal control is an ongoing process, and the Board and Management maintain an ongoing commitment to take pertinent measures to strengthen the existing internal control environment of the Group.

This statement is issued in accordance with the resolution of the Board dated 26 May 2006.



## ADDITIONAL COMPLIANCE INFORMATION

### (a) Share Buybacks

During the financial year, the Company bought back a total of 2,947,600 of its issued shares from the open market at the minimum price of RM0.39 per share and maximum price of RM0.97 per share. The repurchased shares were financed by internally generated funds. The repurchased shares are all being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

### (b) Options, Warrants or Convertible Securities

The Company's Employees' Share Option Scheme ("ESOS") became effective on 14 August 2003. There were no exercise of ESOS during the financial year.

There were no exercise of Warrant 2003/2008 during the financial year.

### (c) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR Programme.

### (d) Non-Audit fees

There were no non-audit fees paid to the external auditors by the Company and the Group during the financial year.

### (e) Material Contracts or Contract relating to Loans

There were no material contracts entered into by the Company and its subsidiaries involving Directors and Major Shareholders.

### (f) Profit Guarantee

The Company did not give any profit guarantee during the financial year.

### (g) Utilisation of proceeds

There was no utilization of proceeds from any corporate exercise announced at the date of this report.

### (g) Revaluation policy

There was no revaluation of landed properties undertaken by the Company during the financial year.

### (i) Variation in results

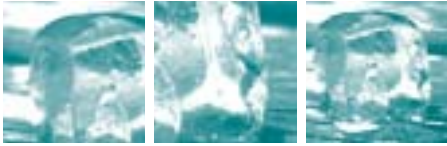
	<b>RM'000</b>
Net loss after taxation and minority interest as per 4th quarter announced unaudited financial results for the year ended 31 December 2005	(29,382)
Adjustment for :	
Revenue	(1,233)
Operating expenses	(16,683)
Other operating income	1,181
Finance costs	400
Taxation	(343)
Minority interest	4,515
Actual net loss after taxation and minority interest for the year ended 31 December 2005	<u>(41,545)</u>

### (j) Sanctions and Penalties

There were no sanctions and/or penalties made public imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

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## DIRECTORS' REPORT

The directors of LINEAR CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2005.

### PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

### RESULTS OF OPERATIONS

	<b>The Group RM</b>	<b>The Company RM</b>
Loss after tax	(50,952,975)	(25,670,679)
Minority interests	9,407,533	-
<b>Net loss for the year</b>	<b>(41,545,442)</b>	<b>(25,670,679)</b>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

### WARRANTS

On September 25, 2003, 17,249,444 detachable warrants were granted by the Company to the subscribers of the rights shares. The warrants may be exercised at any time on or after the issue date but not later than 5.00 p.m. on September 24, 2008. Each warrant entitles its registered holder, at any time during the exercise period of the warrants, to subscribe for one new ordinary share. The exercise price of each warrant is fixed at RM1.00 per share for cash subject to adjustments in accordance with the provisions of the Deed Poll. As of December 31, 2005, all the 17,249,444 warrants remained unexercised.

### EMPLOYEES' SHARE OPTION SCHEME

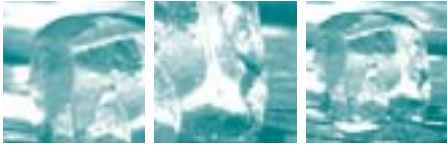
Under the Company's Employees' Share Option Scheme ("ESOS") which became effective on August 14, 2003, options to subscribe for unissued new ordinary shares of RM1 each in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The principal features of the ESOS are as follows:

- (a) The total number of share options offered under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- (b) Subject to any adjustments, which may be made under By-Law 13, the number of new shares that may be offered and allotted to any of the eligible employees of the Group who are entitled to participate in the Scheme shall be at the discretion of the Option Committee after taking into consideration the performance, seniority and length of service of the eligible employee in the Group subject to the following:
  - (i) the number of shares allocated, in aggregate, to directors and senior management of the Group shall not exceed 50% of the total shares available under the Scheme; and
  - (ii) the number of shares allocated to any individual director or employee who, either singly or collectively through his/her associates (as defined under the Act), hold 20% or more in the issued and paid-up capital of the Company shall not exceed 10% of the total shares available under the Scheme.
- (c) Any employee (including executive directors) of the Group shall be eligible to participate in the Scheme, if as at the offer date, the executive:
  - (i) has attained the age of eighteen (18) years;
  - (ii) is employed full-time by and is on the payroll of a company within the Group (other than a company which is dormant); and
  - (iii) is under such categories and of such criteria that the Option Committee may from time to time decide.

Any allocation under the ESOS to an executive director of the Group shall require prior approval from the Company's shareholders in a general meeting.

- (d) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by Bursa Malaysia Securities for the five preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher.
- (e) The options granted may be exercised within a period of five years from the effective date of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing to the Company.
- (f) The new ordinary shares of RM1 each to be allocated upon any exercise of the ESOS will upon allotment rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.



## DIRECTORS' REPORT (CONT'D)

### EMPLOYEES' SHARE OPTION SCHEME (cont'd)

The share options granted and exercised during the financial year are as follows:

Date of offer	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				Balance as of 31.12.2005
		Balance as of 1.1.2005	Granted	Exercised	Cancelled	
August 25, 2003	1.16	4,100,000	-	-	(237,000)	3,863,000
October 15, 2003	1.22	774,000	-	-	(288,000)	486,000

According to Section 169 (11) of the Companies Act, 1965, the Company is required to disclose the name of persons to whom any option has been granted during the financial year. Pursuant to Section 169A of the Companies Act, 1965, the Company has applied and has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of employees who have been granted options below 200,000. There is no employee who has been granted options above 200,000 during the current financial year.

### OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of Company were made out, the directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- 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
- not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## DIRECTORS' REPORT (CONT'D)

### OTHER FINANCIAL INFORMATION (cont'd)

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than those disclosed in Note 31 to the financial statements.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

### DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Tan Sri Dato' Hanafiah Hussain  
 Lum Weng Loy  
 Soh Yew Aun  
 Chin Kuet Lee  
 Datuk Abdul Malek Bin Abdul Aziz  
 Ahmad Shalimin Bin Ahmad Shaffie  
 Dato' Lee Kam Sun

### DIRECTORS' INTEREST

The shareholdings in the Company and in related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

Shares in the Company	No. of ordinary shares of RM1 each			
	Balance as of 1.1.2005	Bought	Sold	Balance as of 31.12.2005
Direct interest:				
Lum Weng Loy	214,200	195,300	-	409,500
Soh Yew Aun	33,334	-	-	33,334
Datuk Abdul Malek Bin Abdul Aziz	32,000	-	-	32,000
Dato' Lee Kam Sun	6,000,000	-	(521,200)	5,478,800
Indirect interest:				
Lum Weng Loy*	16,663,918	-	-	16,663,918
Chin Kuet Lee^	14,372,518	-	-	14,372,518

\* Deemed interested by virtue of his shareholding in Linac Strategic Sdn. Bhd. and spouse's shareholding.

^ Deemed interested by virtue of his shareholding in Linac Strategic Sdn. Bhd.



## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTEREST (cont'd)

<b>Warrants in the Company</b>	<b>Balance as of 1.1.2005</b>	<b>No. of warrants of RM1 each</b>		<b>Balance as of 31.12.2005</b>
		<b>Granted</b>	<b>Exercised/ Sold</b>	
Direct interest:				
Lum Weng Loy	437,600	-	-	437,600
Soh Yew Aun	8,333	-	-	8,333
Datuk Abdul Malek Bin Abdul Aziz	3,700	-	-	3,700
Dato' Lee Kam Sun	50,000	-	-	50,000

<b>Share options in the Company</b>	<b>Balance as of 1.1.2005</b>	<b>No. of options over ordinary shares of RM1 each</b>		<b>Balance as of 31.12.2005</b>
		<b>Granted</b>	<b>Exercised</b>	
Direct interest:				
Lum Weng Loy	480,000	-	-	480,000
Soh Yew Aun	400,000	-	-	400,000
Chin Kuet Lee	480,000	-	-	480,000
Dato' Lee Kam Sun	250,000	-	-	250,000

<b>Shares in a subsidiary company PrimeAce Venture Limited</b>	<b>Balance as of 1.1.2005</b>	<b>No. of ordinary shares of USD1 each</b>		<b>Balance as of 31.12.2005</b>
		<b>Bought</b>	<b>Capital reduction</b>	
Direct interest:				
Lum Weng Loy	980,001	-	(22,106)	957,895
Chin Kuet Lee	980,001	-	(22,106)	957,895

<b>Shares in a subsidiary company, LETC Engineering Sdn. Bhd.</b>	<b>Balance as of 1.1.2005</b>	<b>No. of ordinary shares of RM1 each</b>		<b>Balance as of 31.12.2005</b>
		<b>Bought</b>	<b>Sold</b>	
Direct interest:				
Dato' Lee Kam Sun	300,000	-	-	300,000

<b>Shares in a subsidiary company, Linear TES Co. Ltd.</b>	<b>Balance as of 1.1.2005</b>	<b>No. of ordinary shares of THB10 each</b>		<b>Balance as of 31.12.2005</b>
		<b>Bought</b>	<b>Sold</b>	
Dato' Lee Kam Sun				
Direct interest	1	-	-	1
Indirect interest#	419,993	-	-	419,993

# Deemed interested by virtue of his shareholding in LETC (Thailand) Co. Ltd.



## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTEREST (cont'd)

Shares in a subsidiary company, Times Engineering Systems Co. Ltd.	No. of ordinary shares of THB10 each			
	Balance as of 1.1.2005	Bought	Sold	Balance as of 31.12.2005
Dato' Lee Kam Sun Indirect interest@	1,919,993	-	-	1,919,993

@ Deemed interested by virtue of his shareholding in Linear TES Co. Ltd.

By virtue of their interest in the shares of the Company, Mr. Lum Weng Loy and Mr. Chin Kuet Lee are also deemed to have an interest in the shares of all the subsidiary companies of Linear Corporation Berhad to the extent the Company has an interest.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions with Boustead Linear Corporation Sdn. Bhd. of which Mr. Lum Weng Loy, Mr. Soh Yew Aun and Dato' Lee Kam Sun are also directors of this company.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the warrants granted by the Company and options over shares granted by the Company to eligible employees including directors of the Company to subscribe for shares in the Company pursuant to the Company's Employees' Share Option Scheme.

### AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

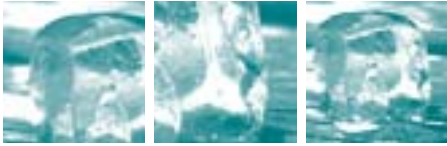
Signed on behalf of the Board  
in accordance with a resolution of the Directors,

LUM WENG LOY

SOH YEW AUN

Penang,

April 26, 2006



## REPORT OF THE AUDITORS

to the members of Linear Coporation Berhad

We have audited the accompanying balance sheets as of December 31, 2005, and the related statements of income, changes in equity and cash flows, for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These 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 that 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 the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies, of which we have not acted as auditors, as mentioned under Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company 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 as required by us for these purposes.

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

DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants

LEE CHENG HEOH  
2225/04/08 (J)  
Partner

Penang,  
April 26, 2006



## INCOME STATEMENTS

for the year ended December 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	4	46,279,319	79,680,634	187,384	365,000
Other operating income		1,562,660	573,737	64,112	96,885
Changes in inventories of finished goods and work-in-progress		(987,084)	991,128	-	-
Purchase of trading goods		(13,060)	(290,163)	-	-
Raw materials and consumables used		(22,450,695)	(16,544,536)	-	-
Staff costs	5	(7,434,119)	(6,713,397)	(1,262,059)	(688,160)
Depreciation of property, plant and equipment		(2,953,209)	(3,449,291)	-	-
Write-off/ amortisation of goodwill on consolidation		(6,591,117)	(695,764)	-	-
Contract cost recognised		(8,803,024)	(44,159,158)	-	-
Gain on disposal of investment in associated companies		-	14,236,698	-	-
Deficit on revaluation of apartment		-	(39,532)	-	-
Other operating expenses		(47,861,592)	(8,487,257)	(4,261,115)	(173,564)
(Loss)/ Profit from operations		(49,251,921)	15,103,099	(5,271,678)	(399,839)
Finance costs		(1,821,821)	(1,966,265)	-	-
Impairment loss of investment in subsidiary companies		-	-	(20,966,227)	-
Share of loss of associated companies		(502,469)	(286,600)	-	-
Income from other investments		806,479	749,845	567,226	346,171
(Loss)/ Profit before tax	6	(50,769,732)	13,600,079	(25,670,679)	(53,668)
Tax (expense)/ income	7				
The Company and its subsidiary companies		(363,442)	(1,383,115)	-	-
Share of tax of associated companies		180,199	(2,833)	-	-
		(183,243)	(1,385,948)	-	-
(Loss)/ Profit after tax		(50,952,975)	12,214,131	(25,670,679)	(53,668)
Minority interests		9,407,533	(457,287)	-	-
Net (loss)/ profit for the year		(41,545,442)	11,756,844	(25,670,679)	(53,668)
(Loss)/ earnings per ordinary share					
Basic	8	(56.83 sen)	15.65 sen		

The accompanying notes form an integral part of the financial statements.



## BALANCE SHEETS

as of December 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	9	56,579,035	49,940,555	-	-
Goodwill on consolidation	10	7,473,784	14,064,901	-	-
Investments in subsidiary companies	11	-	-	48,711,020	69,989,247
Investments in associated companies	12	4,238,305	4,560,575	4,830,000	4,830,000
Other investments	13	4,031,346	24,021,516	2,325,059	6,341,071
Amount owing by subsidiary companies	14	-	-	24,304,130	26,352,512
		72,322,470	92,587,547	80,170,209	107,512,830
<b>CURRENT ASSETS</b>					
Inventories	15	19,334,453	19,994,723	-	-
Trade receivables	16	11,905,111	40,733,392	-	-
Other receivables and prepaid expenses	17	22,970,113	10,570,363	14,979,460	178,096
Amount owing by contract customers	18	936,692	3,746,380	-	-
Tax recoverable		1,163,889	1,784,763	132,157	102,565
Amount owing by associated companies	19	1,117,750	4,186,086	1,224	1,224
Short-term deposits with licensed banks	20	22,360,494	27,337,552	20,536,115	25,604,857
Cash and bank balances		2,999,529	4,997,274	714,469	2,044,670
Total Current Assets		82,788,031	113,350,533	36,363,425	27,931,412
<b>CURRENT LIABILITIES</b>					
Trade payables	21	8,239,013	13,525,544	-	-
Other payables and accrued expenses	22	6,055,279	8,079,352	138,511	81,810
Amount owing to directors	23	2,194,363	2,311,408	-	-
Bank borrowings	24	38,642,644	32,941,008	4,227,088	-
Hire-purchase payables	25	472,811	351,160	-	-
Long-term loans	26	48,068	377,266	-	-
Tax liabilities		1,661,511	2,015,308	-	-
Total Current Liabilities		57,313,689	59,601,046	4,365,599	81,810
<b>NET CURRENT ASSETS</b>		25,474,342	53,749,487	31,997,826	27,849,602
		97,796,812	146,337,034	112,168,035	135,362,432

**BALANCE SHEETS (CONT'D)**

as of December 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>SHARE CAPITAL</b>	27	75,104,777	75,104,777	75,104,777	75,104,777
<b>LESS: 2,947,600 TREASURY SHARES, AT COST</b>	27	(1,998,409)	-	(1,998,409)	-
<b>RESERVES</b>	28	14,102,503	56,079,317	9,425,518	35,096,197
<b>SHAREHOLDERS' EQUITY</b>		87,208,871	131,184,094	82,531,886	110,200,974
<b>MINORITY INTERESTS</b>		1,830,871	11,406,404	-	-
<b>LONG-TERM AND DEFERRED LIABILITIES</b>					
Amount owing to subsidiary companies	29	-	-	29,636,149	25,161,458
Hire-purchase payables	25	1,290,177	1,214,586	-	-
Long-term loans	26	5,042,756	50,969	-	-
Deferred tax liabilities	30	2,424,137	2,480,981	-	-
Total Long-Term and Deferred Liabilities		8,757,070	3,746,536	29,636,149	25,161,458
		97,796,812	146,337,034	112,168,035	135,362,432

The accompanying notes form an integral part of the financial statements.



## STATEMENTS OF CHANGES IN EQUITY

for the year ended December 31, 2005

### The Group

	Share Capital RM	Share Premium RM	Capital Redemption Reserve RM	Revaluation Reserve RM	Translation Reserve RM	Treasury Shares RM	Retained Profit RM	Total RM
Balance as of January 1, 2004	75,099,777	1,438,831	301,000	2,609,229	370,470	-	39,161,386	118,980,693
Allotment of 5,000 new ordinary shares of RM1 each at RM1.16 per share pursuant to the ESOS	5,000	800	-	-	-	-	-	5,800
Translation difference in subsidiary companies	-	-	-	-	122,817	-	-	122,817
Surplus on revaluation of properties	-	-	-	441,584	-	-	-	441,584
Deferred tax liabilities arising on revaluation of properties	-	-	-	(123,644)	-	-	-	(123,644)
Transfer of revaluation surplus	-	-	-	(144,524)	-	-	144,524	-
Net gains not recognised in the income statements	-	-	-	173,416	122,817	-	144,524	440,757
Net profit for the year	-	-	-	-	-	-	11,756,844	11,756,844
Balance as of December 31, 2004	75,104,777	1,439,631	301,000	2,782,645	493,287	-	51,062,754	131,184,094

## STATEMENTS OF CHANGES IN EQUITY (CONT'D)

for the year ended December 31, 2005

The Group	Share Capital RM	Share Premium RM	Capital Redemption Reserve RM	Revaluation Reserve RM	Translation Reserve RM	Treasury Shares RM	Retained Profit RM	Total RM
Repurchase of 2,947,600 treasury shares	-	-	-	-	-	(1,998,409)	-	(1,998,409)
Translation difference in subsidiary companies	-	-	-	-	(431,372)	-	-	(431,372)
Transfer of revaluation surplus	-	-	-	(160,056)	-	-	160,056	-
Net (losses)/ gains not recognised in the income statements	-	-	-	(160,056)	(431,372)	-	160,056	(431,372)
Net loss for the year	-	-	-	-	-	-	(41,545,442)	(41,545,442)
Balance as of December 31, 2005	75,104,777	1,439,631	301,000	2,622,589	61,915	(1,998,409)	9,677,368	87,208,871



## STATEMENTS OF CHANGES IN EQUITY (CONT'D)

for the year ended December 31, 2005

### The Company

	Share Capital RM	Share Premium RM	Capital Redemption Reserve RM	Revaluation Reserve RM	Treasury (Accumulated Shares RM	Retained Profit/ Losses) RM	Total RM
Balance as of January 1, 2004	75,099,777	1,438,831	301,000	19,030,494	-	14,378,740	110,248,842
Net loss for the year	-	-	-	-	-	(53,668)	(53,668)
Allotment of 5,000 new ordinary shares of RM1 each at RM1.16 per share pursuant to the ESOS	5,000	800	-	-	-	-	5,800
Balance as of December 31, 2004	75,104,777	1,439,631	301,000	19,030,494	-	14,325,072	110,200,974
Net loss for the year	-	-	-	-	-	(25,670,679)	(25,670,679)
Repurchase of 2,947,600 treasury shares	-	-	-	-	(1,998,409)	-	(1,998,409)
Balance as of December 31, 2005	75,104,777	1,439,631	301,000	19,030,494	(1,998,409)	(11,345,607)	82,531,886

The accompanying notes form an integral part of the financial statements.

## CASH FLOW STATEMENTS

for the year ended December 31, 2005

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/ profit before tax	(50,769,732)	13,600,079	(25,670,679)	(53,668)
Adjustments for:				
Allowance for diminution in value of other investments	19,990,170	1,092,649	4,016,012	-
Allowance for doubtful debts	16,748,420	-	-	-
Write-off/ amortisation of goodwill on consolidation	6,591,117	695,764	-	-
Depreciation of property, plant and equipment	2,953,209	3,449,291	-	-
Interest expenses	1,704,328	1,506,164	-	-
Inventories written off	724,642	-	-	-
Share of loss of associated companies	502,469	286,600	-	-
Bad debts written off	244,149	93,988	-	-
Loss/ (gain) on disposal of property, plant and equipment	36,767	(80,506)	(64,112)	-
Property, plant and equipment written off	1,619	140,169	-	-
Interest income	(779,365)	(749,845)	(567,226)	(346,171)
Gross dividend income	(105,684)	-	(105,684)	(250,000)
Unrealised gain on foreign exchange	(102)	-	-	-
Impairment loss of investment in subsidiary companies	-	-	20,966,227	-
Loss on disposal of investment in quoted shares	-	685,166	-	-
Deficit on revaluation of apartment	-	39,532	-	-
Gain on disposal of investment in associated companies	-	(14,236,698)	-	-
Allowance for doubtful debts no longer required	-	(61,866)	-	-
Operating (loss)/ profit before working capital changes	(2,157,993)	6,460,487	(1,425,462)	(649,839)
(Increase)/ decrease in:				
Inventories	(64,372)	1,688,404	-	-
Trade receivables	14,074,236	6,668,358	-	-
Other receivables and prepaid expenses	(14,566,314)	(2,066,702)	(14,801,364)	(129,829)
Amount owing by contract customers	2,809,688	(4,218,998)	-	-
Increase/ (decrease) in:				
Trade payables	(5,286,531)	112,045	-	-
Other payables and accrued expenses	(2,024,387)	2,140,653	56,701	(17,062)
Cash (used for)/ generated from operations	(7,215,673)	10,784,247	(16,170,125)	(796,730)
Tax refunded	985,232	448,346	-	-
Tax paid	(1,108,849)	(806,780)	-	-
Net cash (used for)/ generated from operating activities	(7,339,290)	10,425,813	(16,170,125)	(796,730)



## CASH FLOW STATEMENTS (CONT'D)

for the year ended December 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Decrease/ (increase) in amount owing by associated companies		3,068,336	(4,061,721)	-	-
Proceeds from disposal of property, plant and equipment		1,981,108	1,443,845	1,750,000	-
Interest received		779,365	749,845	567,226	346,171
Purchase of property, plant and equipment	9	(10,328,999)	(12,177,396)	(1,685,888)	-
Exchange difference on translation of net assets of foreign subsidiary companies		(274,058)	101,560	-	-
Net proceeds from disposal of investments in associated companies		-	35,191,891	-	-
Proceeds from disposal of investment in quoted shares		-	3,087,397	-	-
Capital repayment of quoted investment		-	300	-	-
Purchase of investment in associated company		-	(4,799,996)	-	(4,799,996)
Purchase of additional shares in subsidiary company		-	(25)	-	-
Dividend received		76,092	-	76,092	180,000
Decrease in amount owing by subsidiary companies		-	-	2,048,382	4,213,376
Capital repayment by a subsidiary company	11	-	-	312,000	-
Net cash (used for)/ generated from investing activities		(4,698,156)	19,535,700	3,067,812	(60,449)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from long-term loan		5,000,000	-	-	-
Increase in bank borrowings		2,626,833	867,908	-	-
Short-term deposits held as security value		(5,216,983)	(1,274,075)	(5,000,000)	-
Interest paid		(2,422,170)	(1,740,621)	-	-
Repurchase of treasury shares		(1,998,409)	-	(1,998,409)	-
Repayment of hire-purchase		(595,958)	(864,187)	-	-
Repayment of long-term loans		(337,411)	(1,247,630)	-	-
(Decrease)/ increase in amount owing to directors		(117,045)	1,425,221	-	-
Capital repayment by a subsidiary company to minority shareholders	11	(168,000)	-	-	-
Proceeds from issuance of shares pursuant to the ESOS		-	5,800	-	5,800
Increase in amount owing to subsidiary companies		-	-	4,474,691	25,161,458
Net cash used for financing activities		(3,229,143)	(2,827,584)	(2,523,718)	25,167,258
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		(15,266,589)	27,133,929	(15,626,031)	24,310,079
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		16,533,189	(10,600,740)	26,649,527	2,339,448
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	20	1,266,600	16,533,189	11,023,496	26,649,527

The accompanying notes form an integral part of the financial statements.





## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### 1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 11. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

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

The Company's registered office and principal place of business are at Plot 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 26, 2006.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

#### Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All significant intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The Group adopts the acquisition method of consolidation. On acquisition, the assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

#### Revenue and Revenue Recognition

Revenue of the Group represents gross invoiced values of sales less discounts and gross service fees from the rendering of services. Revenue of the Company represents gross dividend income and gross service fees from the rendering of management services.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Revenue and Revenue Recognition (cont'd)

Sales revenue are recognised upon delivery of products and when the risks and rewards of ownership have passed. Revenue from construction contracts is recognised on the percentage of completion method where the contracts can be reliably measured. Dividend income is recognised when the shareholder's right to receive payments is established. Rental income is accrued on a time basis, by reference to the agreements entered. Interest income and other operating income are recognised on an accrual basis.

#### Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Deferred tax is charged or credited to the income statements, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

#### Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date. Translation gains and losses are recognised in the income statements as they arise.

For the purpose of consolidation, the financial statements of foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Issued capital	- at historical rate
Revenue and expenses	- at average rate

Exchange differences due to such currency translation are dealt with through translation reserve account under shareholders equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operations are disposed of.

The principal closing rates used in translation of foreign currency amounts and the financial statements of foreign incorporated subsidiary companies and associated companies are as follows:

	2005 RM	2004 RM
100 Thai Baht	9.19	9.76
1 United States Dollar	3.70	3.80
100 Japanese Yen	3.22	3.70
1 Singapore Dollar	2.27	2.33
1 Sterling Pound	Not applicable	7.32
1 Euro	Not applicable	5.17
1 Australian Dollar	Not applicable	2.96

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Employees Benefit Costs

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the employees' provident fund. Such contributions are recognised as expenses in the income statements as incurred.

##### (iii) Equity compensation benefits

The Linear Corporation Berhad Employees' Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

#### Borrowing Costs

Borrowing costs directly attributable to construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

#### Research and Development Expenses

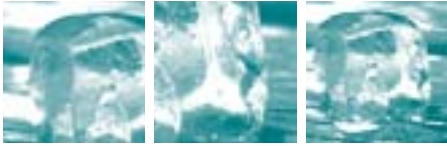
Research and development expenses are charged to the income statements in the period in which they are incurred.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Freehold land and assets in progress are not depreciated. All other property, plant and equipment are depreciated on a straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life.

The annual depreciation rates are as follows:

	<b>Rates</b>
Leasehold land	2%
Buildings	2%
Flats	2%
Plant and machinery	10% to 20%
Moulds, tools and equipment	10% to 20%
Office equipment, furniture and fittings	8% to 20%
Motor vehicles	20%
Apartments	2% to 5%
Renovation	10%



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Property, Plant and Equipment (cont'd)

The Group carried its short leasehold land, buildings, apartments and flats at revalued amounts. These assets shall be revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued property differs materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to the income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets or crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained profit account.

#### Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases which do not meet such criteria are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statements on a straight line basis over the terms of the relevant lease.

#### Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations are treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

#### Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Construction Contracts (cont'd)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as an allowance for foreseeable loss.

Amount owing by contract customers represents the excess of cost incurred to date and portion of profit or loss attributable to work performed to date over progress billings while amount owing to contract customers represents the excess of progress billings over costs incurred to date and portion of profit or loss attributable to work performed to date.

#### Investments in Subsidiary Companies

Subsidiary companies are companies where the Group has control through the power to govern the financial and operating policies of the companies so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the company.

Investment in subsidiary companies, which are eliminated on consolidation, is stated at cost or at 1999 valuation by the directors on the basis of net tangible asset values of the subsidiary companies as approved by the Securities Commission. It was not the intention of the directors then to adopt a policy for revaluation of its long-term investments in subsidiary companies at a regular interval. Accordingly, the Company continues to state its investments in subsidiary companies at its 1998 valuation which was approved by Securities Commission in 1999. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Gain or loss arising from the disposal of an investment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the investment, and is recognised in the income statements. On disposal of revalued investments, the amounts in revaluation reserve account relating to the investments disposed are transferred to retained profit account.

#### Investments in Associated Companies

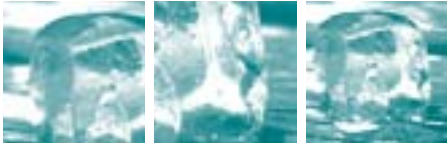
An associated company is a non-subsidiary company in which the Group holds not less than 20% of the equity voting rights as long-term investment and in which the Group is in a position to exercise significant influence in its management.

The Group's investment in associated companies is accounted for under the equity method of accounting based on the latest audited financial statements of the associated companies made up to December 31, 2005. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

Unrealised profits and losses arising on transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the relevant associated companies except where unrealised losses provide evidence of an impairment of the asset transferred.

#### Other Investments

Other investments in quoted and unquoted shares are stated at cost less allowance for diminution in value of investments to recognise any decline, other than a temporary decline, in the value of the investments.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Goodwill on Consolidation

Goodwill arising on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of the subsidiary companies at the date of acquisition.

Goodwill is written off to the consolidated income statement or recognised as an asset and amortised on a systematic basis following an assessment of the economic useful life of the assets over twenty five years.

#### Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets (other than inventories and financial assets which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Cost of raw materials, spare and components, construction materials, trading goods and indirect materials consists of purchase price plus the cost of bringing the inventories to their present location. Cost of work-in-progress and finished goods consists of cost of raw materials, direct labour and an appropriate proportion of factory overheads.

#### Receivables

Receivables are stated at nominal value as reduced by the appropriate allowance for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

#### Borrowings and Payables

Borrowings and payables are stated at cost.

#### Share Capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise the cost is charged to the income statements if there is insufficient share premium.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Share Buybacks

Shares bought back are retained as treasury shares under the treasury stock method. Shares repurchased and held as treasury shares are accounted for at the cost of repurchase and set off against equity. Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity. Where treasury shares are distributed as share dividends to shareholders, the costs of the treasury shares is applied in the reduction of the share premium account or the distributable reserves, or both. Where treasury shares are cancelled, the issued share capital is diminished by the shares so cancelled and the amount by which the issued share capital is diminished is transferred to the capital redemption reserve.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, bank overdrafts, demand deposits which are not pledged and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Contingent Liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

### 4. REVENUE

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of manufacturing goods	24,174,763	13,712,192	-	-
Sales of trading goods	12,205,031	9,302,547	-	-
Contract revenue	9,074,056	56,006,911	-	-
Gross dividend income from quoted shares in Malaysia	105,684	-	105,684	-
Gross dividend income from a subsidiary company	-	-	-	250,000
Management fee	-	-	81,700	115,000
Others	719,785	658,984	-	-
	46,279,319	79,680,634	187,384	365,000





## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 5. STAFF COSTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff costs:				
Employees' Provident Fund	538,921	500,245	129,680	71,160
Other staff costs	6,895,198	6,213,152	1,132,379	617,000
	7,434,119	6,713,397	1,262,059	688,160
Number of directors and employees at end of year:				
Directors	22	23	7	7
Employees	176	198	10	-

Staff costs include directors' remuneration, salaries, bonuses, contributions to employees' provident fund and all other staff related expenses.

### 6. (LOSS)/ PROFIT BEFORE TAX

(Loss)/ Profit before tax is arrived at:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
After charging:				
Allowance for diminution in value of other investments*	19,990,170	1,092,649	4,016,012	-
Allowance for doubtful debts*	16,748,420	-	-	-
Interest on:				
Bank borrowings	1,608,967	1,439,656	-	-
Hire-purchase	83,141	58,175	-	-
Long-term loans	12,220	8,333	-	-
Directors' remuneration:				
Provision for fees:				
Directors of the company	30,000	24,000	30,000	24,000
Employees' Provident Fund:				
Directors of the company	83,340	85,560	68,940	71,160
Other emoluments:				
Directors of the company	694,500	713,000	574,500	593,000
Directors of subsidiary companies	-	333,198	-	-
Inventories written off	724,642	-	-	-
Rental of:				
Premises	598,501	600,243	-	-
Equipment	5,067	5,925	-	-
Bad debts written off	244,149	93,988	-	-
Realised loss on foreign exchange	207,078	-	-	-
Audit fee:				
Current year	96,075	87,981	23,000	18,000
Underprovision in prior year	6,000	9,700	-	6,000
Hire of crane and machinery	50,132	24,995	-	-



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 6. (LOSS)/ PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Loss on disposal of property, plant and equipment	36,767	-	-	-
Property, plant and equipment written off	1,619	140,169	-	-
Loss on disposal of investment in quoted shares	-	685,166	-	-
Research and development costs	-	12,091	-	-
And crediting:				
Interest income	779,365	749,845	567,226	346,171
Rental income	240,000	240,000	-	-
Unrealised gain on foreign exchange	102	-	-	-
Gain on disposal of property, plant and equipment	-	80,506	64,112	-
Allowance for doubtful debts no longer required	-	61,866	-	-
Realised gain on foreign exchange	-	35,791	-	-

\* Included in other operating expenses

### 7. TAX EXPENSE/ (INCOME)

	The Group	
	2005 RM	2004 RM
Current tax expense:		
Malaysian	442,000	986,000
Foreign	-	484,453
	442,000	1,470,453
Deferred tax (Note 30):		
Relating to the origination and reversal of temporary differences in current year	5,400	6,700
Annual crystallisation of deferred tax on revaluation surplus	(62,244)	(56,204)
	(56,844)	(49,504)
Overprovision in prior year:		
Current tax expense	(21,714)	(37,834)
	363,442	1,383,115
Share of tax (income)/ expense in associated companies	(180,199)	2,833
	183,243	1,385,948



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 7. TAX EXPENSE/ (INCOME) (cont'd)

The numerical reconciliations between tax expense and the product of accounting (loss)/ profit multiplied by the applicable tax rates are as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accounting (loss)/ profit	(50,769,732)	13,600,079	(25,670,679)	(53,668)
Tax at the applicable tax rate of 28%	(14,216,000)	3,808,000	(7,188,000)	(15,000)
Tax effect on non-deductible/ (non-taxable) items:				
Non-allowable expenses	13,030,198	1,411,999	7,206,000	15,000
Non-taxable income	(352,000)	(2,018,100)	(18,000)	-
Effect of different tax rates of subsidiary companies	223,959	(2,122,517)	-	-
Tax saving from double deduction on promotion of export and marine insurance	-	(22,000)	-	-
Net deferred tax income not recognised	1,518,800	366,400	-	-
	204,957	1,423,782	-	-
Overprovision in prior year:				
Current tax expense	(21,714)	(37,834)	-	-
Tax expense	183,243	1,385,948	-	-

The applicable tax rate of 28% (2004: 28%) used in the above numerical reconciliations of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

As of December 31, 2005, the approximate amount of carryforward tax losses and unabsorbed capital allowances of the Group and of the Company are as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Carryforward tax losses	11,986,400	9,234,500	822,000	175,000
Unabsorbed capital allowances	6,671,000	4,603,100	-	-

The carryforward tax losses and unabsorbed capital allowances are subject to agreement by the tax authorities.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 8. (LOSS)/ EARNINGS PER ORDINARY SHARE

	The Group	
	2005 RM	2004 RM
Net (loss)/ profit attributable to ordinary shareholders	(41,545,442)	11,756,844
	2005 Units	2004 Units
Number of shares in issue as of January 1	75,104,777	75,099,777
Effect of repurchase of treasury shares	(2,006,372)	-
Effect of the exercise of ESOS	-	4,808
Weighted average number of ordinary shares in issue	73,098,405	75,104,585
Basic (loss)/ earnings per ordinary share (sen)	(56.83)	15.65

The diluted (loss)/ earnings per ordinary share in 2005 and 2004 has not been presented as the effect of the conversions of warrants and employee share options to ordinary shares would be anti-dilutive.

### 9. PROPERTY, PLANT AND EQUIPMENT

The Group	Beginning of year RM	Additions RM	Revaluation RM	Translation reserve RM	Disposals RM	End of year RM
<b>Cost or Valuation</b>						
2005:						
At 2004 valuation:						
Short leasehold land	6,200,000	-	-	-	-	6,200,000
Buildings	16,750,000	-	-	-	-	16,750,000
Flats	395,000	-	-	-	-	395,000
Apartments	1,559,041	-	-	(97,432)	-	1,461,609
At cost:						
Leasehold land and building	-	1,685,888	-	-	(1,685,888)	-
Freehold land and assets in progress	16,851,584	8,416,345	-	(1,861)	-	25,266,068
Freehold land	113,732	-	-	(6,154)	-	107,578
Buildings	-	54,185	-	-	-	54,185
Plant and machinery	12,641,983	781,715	-	(132,693)	-	13,291,005
Moulds, tools and equipment	5,542,287	131,992	-	(12,768)	-	5,661,511
Office equipment, furniture and fittings	2,408,938	105,832	-	(16,364)	(14,738)	2,483,668
Motor vehicles	3,448,617	592,540	-	(29,399)	(399,912)	3,611,846
Renovation	700,107	-	-	-	(276,949)	423,158
	66,611,289	11,768,497	-	(296,671)	(2,377,487)	75,705,628
2004	62,832,350	13,448,107	(3,270,756)	70,927	(6,469,339)	66,611,289



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Accumulated Depreciation	Beginning of year RM	Change for the year RM	Revaluation RM	Translation reserve RM	Disposals RM	End of year RM
2005:						
At 2004 valuation:						
Short leasehold land	-	144,838	-	-	-	144,838
Buildings	-	356,452	-	-	-	356,452
Flats	-	7,900	-	-	-	7,900
Apartments	-	83,501	-	(18,652)	-	64,849
At cost:						
Buildings	-	955	-	-	-	955
Plant and machinery	8,789,951	1,203,757	-	(89,360)	-	9,904,348
Moulds, tools and equipment	4,873,327	216,595	-	(6,418)	-	5,083,504
Office equipment, furniture and fittings	1,545,137	243,797	-	(11,780)	(2,251)	1,774,903
Motor vehicles	1,213,991	632,327	-	(13,147)	(245,352)	1,587,819
Renovation	248,328	63,087	-	-	(110,390)	201,025
	16,670,734	2,953,209	-	(139,357)	(357,993)	19,126,593
2004	21,810,411	3,449,291	(3,672,808)	49,671	(4,965,831)	16,670,734

#### The Company

Cost	Beginning of year RM	Additions RM	Disposals RM	End of year RM
2005:				
Leasehold land and building	-	1,685,888	(1,685,888)	-

#### The Group

	2005 RM	2004 RM
Net Book Value:		
At 2004 valuation:		
Short leasehold land	6,055,162	6,200,000
Buildings	16,393,548	16,750,000
Flats	387,100	395,000
Apartments	1,396,760	1,559,041

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	The Group	
	2005 RM	2004 RM
At cost:		
Freehold land and assets in progress	25,266,068	16,851,584
Freehold land	107,578	113,732
Buildings	53,230	-
Plant and machinery	3,386,657	3,852,032
Moulds, tools and equipment	578,007	668,960
Office equipment, furniture and fittings	708,765	863,801
Motor vehicles	2,024,027	2,234,626
Renovation	222,133	451,779
	56,579,035	49,940,555

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM11,768,497 (2004: RM13,448,107) of which RM793,200 (2004: RM1,039,000) was acquired by mean of hire-purchase with the balance of RM10,975,297 (2004: RM12,409,107) was paid by cash.

Interest expense on bank borrowings specifically related to assets in progress that has been capitalised within additions of the Group during the financial year amounted to RM646,298 (2004: RM231,711) at capitalisation rates ranging from 4.75% to 7.50% (2004: 7% to 8%) per annum.

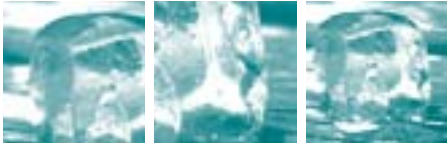
As of December 31, 2005, the carrying values of property, plant and equipment of the Group which are acquired under hire-purchase arrangements of which instalments are still outstanding are as follows:

	The Group	
	2005 RM	2004 RM
Motor vehicles	1,749,011	1,777,546
Plant and equipment	475,092	-
	2,224,103	1,777,546

As of December 31, 2005:

- the unexpired lease period of the short leasehold land is 47 years and 30 years.
- the strata titles of the flats and apartments have not yet been issued to the subsidiary companies by the relevant authority.
- certain property, plant and equipment of the Group with carrying values of RM25,266,068 are pledged to a bank for term loan granted to a subsidiary company as mentioned in Note 26.

The short leasehold land, buildings, flats and apartments of the Group were revalued by the directors in 2004 based on valuations carried out by independent firms of professional valuers, using open market value on existing use basis. The resulting revaluation surplus net of related deferred tax has been credited to revaluation reserve account.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Had these assets been carried at historical cost, the carrying amounts of the revalued leasehold land, buildings, flats and apartments of the Group will be as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Cost	20,360,032	20,360,032
Accumulated depreciation	(4,885,193)	(4,428,220)
Carrying amount	15,474,839	15,931,812

### 10. GOODWILL ON CONSOLIDATION

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
At cost:		
At beginning of year	15,956,923	15,956,898
Goodwill on consolidation arising from the acquisition of a subsidiary company	-	25
At end of year	15,956,923	15,956,923
Less: Amortisation of goodwill on consolidation		
At beginning of year	(1,892,022)	(1,196,258)
Write-off/ amortisation during the year	(6,591,117)	(695,764)
At end of year	(8,483,139)	(1,892,022)
	7,473,784	14,064,901

### 11. INVESTMENTS IN SUBSIDIARY COMPANIES

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares		
At 1999 valuation	32,099,016	32,099,016
At cost	37,578,231	37,890,231
Less: Accumulated impairment loss	(20,966,227)	-
	16,612,004	37,890,231
	48,711,020	69,989,247

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 11. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are as follows:

Direct Subsidiary Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2005	2004
Linear Cooling Industries Sdn. Bhd.	Malaysia	Manufacture and trading of cooling towers and parts thereof and involved in designing and building district cooling system plant	100%	100%
Linear Water Tank Sdn. Bhd.	Malaysia	Sales and distributor of and dealer in water tank, however, the Company did not carry out any further trading activity since February 2004	100%	100%
Linear Water Treatment Sdn. Bhd.	Malaysia	Providing water treatment services	100%	100%
Linear Composites Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
PrimeAce Holdings Sdn. Bhd.	Malaysia	Investment holdings in information and communications technology (ICT) related services	100%	100%
Linear Ventures Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
Aseania Linear District Cooling System Sdn. Berhad	Malaysia	Construct, own and operate a district cooling plant to produce and supply chilled water	100%	100%
Imux (Asia) Limited	Labuan	Dormant	100%	100%
BAC Cooling Technology Sdn. Bhd.	Malaysia	Manufacture and trading of cooling towers	70%	70%
PrimeAce Venture Limited	British Virgin Islands	Investment holdings in ICT related services	65%	65%
Linear Cooling Technology Sdn. Bhd. *	Malaysia	Trading of cooling towers	100%	100%
Nihon Spindle (M) Sdn. Bhd. *	Malaysia	Trading of cooling towers and spare parts	100%	100%
Linear Cooling Industries Pte. Ltd. *	Singapore	Dormant	100%	100%



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 11. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are as follows:

Direct Subsidiary Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2005	2004
LETC Engineering Sdn. Bhd. *	Malaysia	Providing mechanical and engineering services	70%	70%
Times Engineering Systems Co. Ltd. *	Thailand	Providing mechanical and engineering services and construction	70%	70%
Linear TES Co. Ltd. * ©	Thailand	Investment holdings	43.75%	43.75%
<b>Indirect Subsidiary Companies</b>				
Ko Lim BAC Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
Linear Composites Marketing Sdn. Bhd.	Malaysia	Dormant	100%	100%
Idea-Hub Dotcom Sdn. Bhd	Malaysia	Dormant	51%	51%
Idea-Hub.Com Limited	Hong Kong	Investment holdings and providing ICT related services	51%	51%
BAC Cooling Technology Pte. Ltd. *	Singapore	Dormant	100%	100%
Unified Systems Pte. Ltd.*	Singapore	Providing computer programming, consultancy and other computer related services	70%	70%
Quantum Water Heaters Sdn. Bhd. *	Malaysia	Manufacture energy efficient hot water system	59.5%	59.5%

\* The financial statements of these companies were examined by auditors other than the auditors of the Company.

© The directors consider this company as a subsidiary company as the Company has more than one half of the voting rights of the company.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 11. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

During the year, a subsidiary company, PrimeAce Venture Limited, pursuant to Section 35 of the International Business Companies Act (CAP.291), reduced its paid-up share capital from 5,600,002 ordinary shares of USD1 each to 5,473,686 ordinary shares of USD1 each. Such reduction of capital was effected by cash payment of USD126,316 (equivalent to RM480,000) of which RM312,000 was paid to the Company with the balance of RM168,000 paid to minority shareholders.

### 12. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares - at cost	4,830,000	4,830,000	4,830,000	4,830,000
Share of post-acquisition results and reserves, net of dividends received	(591,695)	(269,425)	-	-
	4,238,305	4,560,575	4,830,000	4,830,000

The Group's interest in the associated companies is analysed as follows:

	The Group	
	2005 RM	2004 RM
Share of net assets	4,238,305	4,560,575

The associated companies are as follows:

Associated Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2005	2004
Boustead Linear Corporation Sdn. Bhd.	Malaysia	Construct, own and operate a district cooling plant to produce and supply chilled water	40%	40%
Borneo Pacific Linear Sdn. Bhd.	Malaysia	Retail of cooling technology products and parts, and provision of related services	30%	30%



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 13. OTHER INVESTMENTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted shares in Malaysia, at cost	15,979,165	15,979,165	6,341,071	6,341,071
Less: Allowance for diminution in value of investment	(11,947,819)	(1,092,649)	(4,016,012)	-
	4,031,346	14,886,516	2,325,059	6,341,071
Unquoted shares, at cost	13,860,000	13,860,000	-	-
Less: Allowance for diminution in value of investment	(13,860,000)	(4,725,000)	-	-
	-	9,135,000	-	-
	4,031,346	24,021,516	2,325,059	6,341,071
Market value of:				
Quoted shares in Malaysia	4,032,266	10,327,431	2,325,059	5,918,333

### 14. AMOUNT OWING BY SUBSIDIARY COMPANIES

	The Company	
	2005 RM	2004 RM
Aseania Linear District Cooling System Sdn. Berhad	14,325,902	13,521,735
Ko Lim BAC Sdn. Bhd.	4,000,000	4,000,000
Quantum Water Heaters Sdn. Bhd.	3,001,550	3,001,550
Linear Ventures Sdn. Bhd.	2,276,220	2,276,220
Times Engineering Systems Co. Ltd.	479,760	31,192
LETC Engineering Sdn. Bhd.	84,935	-
BAC Cooling Technology Sdn. Bhd.	64,400	-
Nihon Spindle (M) Sdn. Bhd.	39,500	19,000
Imux (Asia) Limited	10,204	8,562
Linear Cooling Technology Sdn. Bhd.	8,900	5,000
Linear Cooling Industries Pte. Ltd.	5,228	5,229
Linear Water Treatment Sdn. Bhd.	3,600	2,000
Linear Composites Marketing Sdn. Bhd.	1,748	1,748
Linear Composites Sdn. Bhd.	1,224	1,224
PrimeAce Venture Limited	959	86,270
Linear Cooling Industries Sdn. Bhd.	-	3,392,782
	24,304,130	26,352,512

The amount owing by subsidiary companies arose mainly from advances which are unsecured and interest free. The Company has confirmed that it will not demand any repayment of the advances within the next twelve months from the financial year end.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 14. AMOUNT OWING BY SUBSIDIARY COMPANIES (cont'd)

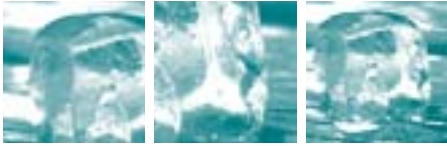
Significant transactions between the Company and its subsidiary companies during the financial year were as follows:

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Management fee received/ receivable		
Linear Cooling Industries Sdn. Bhd.	55,700	94,000
Nihon Spindle (M) Sdn. Bhd.	20,500	14,000
Linear Cooling Technology Sdn. Bhd.	3,900	5,000
Linear Water Treatment Sdn. Bhd.	1,600	2,000
Dividend received/ receivable		
Linear Cooling Industries Sdn. Bhd.	-	250,000

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

### 15. INVENTORIES

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
At cost:		
Raw materials	7,303,026	6,535,951
Spare and components	2,688,429	2,369,366
Construction materials	1,709,131	2,540,410
Trading goods	69,406	91,772
Indirect materials	85,090	87,769
Work-in-progress	1,987,289	3,059,825
Finished goods	5,492,082	5,309,630
	19,334,453	19,994,723
At net realisable value:		
Raw materials	742,000	645,000
Less: Allowance for slow moving inventories	(742,000)	(645,000)
	-	-
Spare and components	250,000	250,000
Less: Allowance for slow moving inventories	(250,000)	(250,000)
	-	-
Finished goods	258,000	355,000
Less: Allowance for slow moving inventories	(258,000)	(355,000)
	-	-
	19,334,453	19,994,723



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 16. TRADE RECEIVABLES

	The Group	
	2005 RM	2004 RM
Trade receivables	26,661,238	40,735,372
Less: Allowance for doubtful debts	(14,756,127)	(1,980)
	11,905,111	40,733,392

Trade receivables comprise amounts receivable for the sale of goods, services rendered and progress billings. The credit periods granted range from 30 to 120 days (2004: 30 to 120 days). An allowance has been made for estimated irrecoverable amounts of RM14,756,127 (2004: RM1,980).

Analysis of trade receivables by currencies:

	The Group	
	2005 RM	2004 RM
Ringgit Malaysia	8,202,618	21,269,373
Thai Baht	2,190,347	10,793,429
United States Dollar	1,512,146	8,653,636
Singapore Dollar	-	16,954
	11,905,111	40,733,392

### 17. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	23,169,912	9,322,734	14,822,263	97,626
Less: Allowance for doubtful debts	(1,994,273)	-	-	-
	21,175,639	9,322,734	14,822,263	97,626
Deposits	787,624	309,258	770	-
Prepaid interest	214,068	142,210	-	-
Other prepaid expenses	792,782	796,161	156,427	80,470
	22,970,113	10,570,363	14,979,460	178,096

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 17. OTHER RECEIVABLES AND PREPAID EXPENSES (cont'd)

Analysis of other receivables by currencies:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
United States Dollar	11,015,517	910,686	8,629,014	-
Ringgit Malaysia	7,166,492	3,298,707	6,193,249	97,626
Singapore Dollar	2,897,004	2,897,004	-	-
Thai Baht	96,626	2,216,337	-	-
	21,175,639	9,322,734	14,822,263	97,626

### 18. AMOUNT OWING BY CONTRACT CUSTOMERS

	The Group	
	2005	2004
	RM	RM
Contract costs incurred plus recognised profits	37,395,691	56,100,452
Less: Progress billings received/ receivable	(36,458,999)	(52,354,072)
	936,692	3,746,380

Included in contract costs incurred during the financial year are the following charges:

	The Group	
	2005	2004
	RM	RM
Interest expenses	265,321	240,380

### 19. AMOUNT OWING BY ASSOCIATED COMPANIES

The amount owing by associated companies is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Boustead Linear Corporation Sdn. Bhd.	1,111,808	4,180,144	-	-
Borneo Pacific Linear Sdn. Bhd.	5,942	5,942	1,224	1,224
	1,117,750	4,186,086	1,224	1,224

The amount owing by associated companies arose mainly from trade transactions.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 19. AMOUNT OWING BY ASSOCIATED COMPANIES (cont'd)

Significant transactions between the Group and an associated company during the financial year were as follows:

	The Group	
	2005 RM	2004 RM
With associated company		
Boustead Linear Corporation Sdn. Bhd.		
Contract revenue received/ receivable	3,734,003	29,550,997
Facility maintenance received/ receivable	1,367,532	96,275

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

### 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements consist of the following balance sheets items:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short-term deposits with licensed banks	22,360,494	27,337,552	20,536,115	25,604,857
Cash and bank balances	2,999,529	4,997,274	714,469	2,044,670
Bank overdrafts	(16,602,365)	(13,527,562)	(4,227,088)	-
	8,757,658	18,807,264	17,023,496	27,649,527
Less: Short-term deposits held as security value	(7,491,058)	(2,274,075)	(6,000,000)	(1,000,000)
	1,266,600	16,533,189	11,023,496	26,649,527

The short-term deposits held as security value are pledged to certain banks as securities for bank guarantees facilities granted to the Group and to the Company.

The annual effective interest rates are as follows:

	The Group		The Company	
	2005 %	2004 %	2005 %	2004 %
Short-term deposits with licensed banks	2.50 - 3.70	0.38 - 3.70	2.50 - 3.70	2.70 - 3.70

The short-term deposits of the Group and the Company are maturing within January 2006 to November 2006.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 20. CASH AND CASH EQUIVALENTS (cont'd)

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ringgit Malaysia	11,050,600	21,129,949	11,023,496	26,649,527
United States Dollar	741,272	120,593	-	-
Singapore Dollar	109	111	-	-
Thai Baht	(3,037,913)	(2,449,966)	-	-
Others	3,590	6,577	-	-
	8,757,658	18,807,264	11,023,496	26,649,527

### 21. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2004: 30 to 90 days).

Analysis of trade payables by currencies:

	The Group	
	2005 RM	2004 RM
Ringgit Malaysia	6,338,153	10,969,853
Thai Baht	982,130	968,503
United States Dollar	824,522	327,907
Singapore Dollar	88,099	112,901
Japanese Yen	6,109	2,260
Euro	-	1,144,120
	8,239,013	13,525,544

Included in trade payables of the Group are amounts owing to the following related parties:

	The Group	
	2005 RM	2004 RM
Trade payables:		
Baltimore Aircoil International n.v. *	-	1,144,120
Baltimore Aircoil Company #	-	121,214
	-	1,265,334

\* Subsidiary company of a substantial shareholder of BAC Cooling Technology Sdn. Bhd.

# A substantial shareholder of BAC Cooling Technology Sdn. Bhd.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 21. TRADE PAYABLES (cont'd)

Significant transactions between the Group and the above related parties during the financial year were as follows:

	The Group	
	2005 RM	2004 RM
With related parties		
Purchase of components		
Baltimore Aircoil Company	2,129,900	704,370
Baltimore Aircoil International n.v.	511,257	140,490
Baltimore Aircoil (Aust) *	19,573	4,861
Royalty paid/payable		
Baltimore Aircoil Company	369,896	135,243

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

### 22. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	2,876,686	5,762,153	22,514	22,787
Deposits received	501,416	86,104	-	-
Accrued interest	37,163	36,849	-	-
Other accrued expenses	2,640,014	2,194,246	115,997	59,023
	6,055,279	8,079,352	138,511	81,810

Other payables comprise mainly amount outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ringgit Malaysia	5,007,753	5,847,989	138,511	81,810
Thai Baht	900,162	2,154,110	-	-
United States Dollar	75,435	3,644	-	-
Singapore Dollar	71,929	73,609	-	-
	6,055,279	8,079,352	138,511	81,810



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 23. AMOUNT OWING TO DIRECTORS

The amount owing to directors arose mainly from advances from subsidiary companies' directors which are unsecured, interest free and have no fixed term of repayment.

### 24. BANK BORROWINGS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unsecured:				
Bankers acceptance	18,624,000	15,326,000	-	-
Bank overdrafts	16,602,365	13,527,562	4,227,088	-
Revolving credit	3,000,000	3,000,000	-	-
Trust receipt	416,279	1,087,446	-	-
	<b>38,642,644</b>	<b>32,941,008</b>	<b>4,227,088</b>	<b>-</b>

The Group's bank borrowings bear interests at rates ranging from 1% to 2% (2004: 1% to 2%) per annum above the lending banks' base lending rates or cost of fund. The Group's bank borrowings are generally covered by the followings:

- negative pledge on all assets of certain subsidiary companies, both present and future;
- corporate guarantees from the Company;
- blanket counter indemnity;
- general security agreement relating to goods;
- trade financing general agreement; and
- blanket deed of assignment of contract proceeds.

The currency of trust receipt is in United States Dollar and the other bank borrowings are denominated in Ringgit Malaysia.

The effective interest rates are as follows:

	The Group	
	2005 %	2004 %
Bankers acceptance	3.62 - 5.85	2.97 - 4.80
Bank overdrafts	7.00 - 8.40	7.00 - 8.00
Revolving credit	4.90 - 8.00	4.90 - 7.50
Trust receipt	4.50 - 7.00	3.10 - 3.45

The bankers acceptance, revolving credit and trust receipt are maturing within January 2006 to June 2006.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 25. HIRE-PURCHASE PAYABLES

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Total outstanding	2,085,653	1,863,284
Less: Interest-in-suspense outstanding	(322,665)	(297,538)
Principal outstanding	1,762,988	1,565,746
Less: Portion due within one year	(472,811)	(351,160)
Non-current portion	1,290,177	1,214,586

The non-current portion is repayable as follows:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Later than 1 year and not later than 2 years	405,876	326,578
Later than 2 years and not later than 5 years	742,766	751,165
Later than 5 year	141,535	136,843
	1,290,177	1,214,586

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The average term for hire-purchase is about three to seven years. The effective borrowing rates range from 4.69% to 8.72% (2004: 3.25% to 11.72%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the financial institutions' charges over the assets under hire-purchase and personal guarantee from a director of the Company.

### 26. LONG-TERM LOANS

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Long-term loans:		
Secured	5,000,000	-
Unsecured	90,824	428,235
Amount outstanding	5,090,824	428,235
Less: Portion due within one year	(48,068)	(377,266)
Non-current portion	5,042,756	50,969

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 26. LONG-TERM LOANS (cont'd)

The non-current portion is repayable as follows:

	The Group	
	2005 RM	2004 RM
Later than 1 year and not later than 2 years	399,900	50,969
Later than 2 years and not later than 5 years	4,642,856	-
	5,042,756	50,969

The Group's secured long-term loan together with bank guarantee facility obtained from a local bank are secured and covered as follows:

- i) A legal charge over the Group's freehold land and district cooling plant;
- ii) Debenture on all current and future assets of a subsidiary company; and
- iii) Corporate guarantee from the holding company.

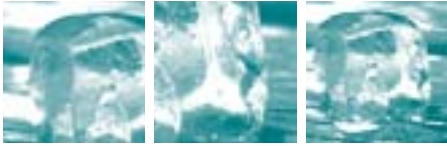
The Group's unsecured long-term loan obtained from a local bank is covered by a corporate guarantee from the Company.

The Group's long-term loans bear interest at a rate of 1.5% per annum above the lending banks' base lending rates.

The effective interest rates for the long-term loans of the Group range from 4.75% to 7.50% (2004: 7%).

### 27. SHARE CAPITAL

	The Group and the Company			
	2005		2004	
	No. of shares of RM1 each	RM	No. of shares of RM1 each	RM
Authorised:				
Ordinary shares:				
At beginning of year	500,000,000	500,000,000	100,000,000	100,000,000
Created during the year	-	-	400,000,000	400,000,000
At end of year	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	75,104,777	75,104,777	75,099,777	75,099,777
Increase during the year				
ESOS	-	-	5,000	5,000
At end of year	75,104,777	75,104,777	75,104,777	75,104,777



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 27. SHARE CAPITAL (cont'd)

At an Annual General Meeting held on June 23, 2004, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buyback exercise, the Company is authorised to purchase up to a maximum of 10% of the total issued and paid-up share capital. The share buyback exercise is undertaken to enhance the value of the Company and is applied in the best interests of the Company and its shareholders. This mandate requires annual renewal and was extended annually at the Annual General Meeting held on June 27, 2005.

During the financial year, the Company repurchased 2,947,600 of its issued and fully paid ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM0.68 per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

As of December 31, 2005, out of the total 75,104,777 issued and paid-up share capital, 2,947,600 are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 72,157,177 ordinary shares of RM1 each.

In 2004, the issued and paid up share capital of the Company was increased from RM75,099,777 to RM75,104,777 by way of issues of 5,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.16 per ordinary share.

The resultant premium arising from the shares issued of RM800 in 2004 was credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

On September 25, 2003, 17,249,444 detachable warrants were granted by the Company to the subscribers of the rights shares. The warrants may be exercised at any time on or after the issue date but not later than 5.00 p.m. on September 24, 2008. Each warrant entitles its registered holder, at any time during the exercise period of the warrants, to subscribe for one new ordinary share. The exercise price of each warrant is fixed at RM1.00 per share for cash subject to adjustments in accordance with the provisions of the Deed Poll. As of December 31, 2005, all the 17,249,444 warrants remained unexercised.

Under the Company's ESOS which became effective on August 14, 2003, options to subscribe for unissued new ordinary shares of RM1 each in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The principal features of the ESOS are as follows:

- (a) The total number of share options offered under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- (b) Subject to any adjustments, which may be made under By-Law 13, the number of new shares that may be offered and allotted to any of the eligible employees of the Group who are entitled to participate in the Scheme shall be at the discretion of the Option Committee after taking into consideration the performance, seniority and length of service of the eligible employee in the Group subject to the following:
  - (i) the number of shares allocated, in aggregate, to directors and senior management of the Group shall not exceed 50% of the total shares available under the Scheme; and
  - (ii) the number of shares allocated to any individual director or employee who, either singly or collectively through his/her associates (as defined under the Act), hold 20% or more in the issued and paid-up capital of the Company shall not exceed 10% of the total shares available under the Scheme.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 27 SHARE CAPITAL (cont'd)

(c) Any employee (including executive directors) of the Group shall be eligible to participate in the Scheme, if as at the offer date, the executive:

- (i) has attained the age of eighteen (18) years;
- (ii) is employed full-time by and is on the payroll of a company within the Group (other than a company which is dormant); and
- (iii) is under such categories and of such criteria that the Option Committee may from time to time decide.

Any allocation under the ESOS to an executive director of the Group shall require prior approval from the Company's shareholders in a general meeting.

(d) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as shown in the daily official list of the Bursa Malaysia Securities for the five preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher.

(e) The options granted may be exercised within a period of five years from the effective date of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing to the Company.

(f) The new ordinary shares of RM1 each to be allocated upon any exercise of the ESOS will upon allotment rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.

The share options granted were as follows:

Date of offer	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				Balance as of 31.12.2005
		Balance as of 1.1.2005	Granted	Exercised	Cancelled	
August 25, 2003	1.16	4,100,000	-	-	(237,000)	3,863,000
October 15, 2003	1.22	774,000	-	-	(288,000)	486,000

There was no share option exercised during the year. Details of share options exercised in 2004 and the fair values, at exercise date, of shares issued were as follows:

Exercise date	Exercise price per ordinary share RM	Fair value of shares issued RM	No. of options exercised RM	Considerations received RM
2004:				
January 2004	1.16	1.19	5,000	5,800



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 28. RESERVES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable:				
Translation reserve	61,915	493,287	-	-
Capital redemption reserve	301,000	301,000	301,000	301,000
Revaluation reserve	2,622,589	2,782,645	19,030,494	19,030,494
Share premium	1,439,631	1,439,631	1,439,631	1,439,631
	4,425,135	5,016,563	20,771,125	20,771,125
Distributable:				
Retained profit/ (accumulated losses)	9,677,368	51,062,754	(11,345,607)	14,325,072
	14,102,503	56,079,317	9,425,518	35,096,197

The translation reserve is used to record exchange differences arising on translation of foreign subsidiary companies.

The capital redemption reserve was created in 1998 as a result of the amount of the nominal value of shares cancelled on repurchase.

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets as described in the accounting policies. Revaluation reserve of the Group represents surplus arising from revaluation of property, plant and equipment, net of the related deferred tax liabilities. Revaluation reserve of the Company represents surplus arising from revaluation of investment in subsidiary companies.

Share premium of the Group and of the Company arose from allotment of ordinary shares at premium, net of share issue expenses.

Distributable reserves are those available for distribution by way of dividends. Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the retained profit of the Company is available for distribution by way of cash dividends without incurring additional tax liability.

### 29. AMOUNT OWING TO SUBSIDIARY COMPANIES

	The Company	
	2005 RM	2004 RM
PrimeAce Holdings Sdn. Bhd.	25,060,111	25,161,458
Linear Cooling Industries Sdn. Bhd.	4,576,038	-
	29,636,149	25,161,458

The amount owing to subsidiary companies arose mainly from advances which are unsecured, interest free and with no fixed repayment term. The Company has confirmed that there will be no demand of any repayment of the amount owing to subsidiaries companies within the next twelve months from the financial year end.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 30. DEFERRED TAX LIABILITIES

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	2,480,981	2,406,841
Amount charged to equity:		
Deferred tax liabilities on revaluation surplus	-	123,644
Transfer to income statements (Note 7):		
Relating to the origination and reversal of temporary differences in current year	5,400	6,700
Annual crystallisation of deferred tax on revaluation surplus	(62,244)	(56,204)
At end of year	2,424,137	2,480,981

A deferred tax income of RM62,224 (2004: RM56,204) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statements. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group. In addition, an amount of RM160,056 (2004: RM144,524) was transferred from revaluation reserve of the Group to retained profit.

The deferred tax liabilities are in respect of the following:

	<b>The Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Tax effect of revaluation surplus	2,405,137	2,467,381
Tax effect of temporary differences arising from property, plant and equipment	19,000	13,600
	2,424,137	2,480,981

As mentioned in Note 3, the tax effects of temporary differences which give rise to net deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. As of December 31, 2005, the amount of deferred tax assets, calculated at applicable tax rates, which is not recognised in the financial statements, is as follows:

	<b>Deferred Tax Assets/ (Liabilities)</b>			
	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Tax effect of:				
Temporary differences arising from:				
Property, plant and equipment	(1,513,300)	(1,396,600)	-	-
Inventories	343,000	330,000	-	-
Others	241,000	73,000	12,000	10,000
Carryforward tax losses	3,249,700	2,375,800	230,000	49,000
Unabsorbed capital allowances	1,866,000	1,285,400	-	-
	4,186,400	2,667,600	242,000	59,000



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 31. CONTINGENT LIABILITIES - Unsecured

As of December 31, 2005:

- a. The Company is contingently liable to an amount of RM39,687,228 (2004: RM32,585,531) in respect of corporate guarantees given to certain local banks on banking facilities granted to and utilised by the subsidiary companies.
- b. The Group is contingently liable to an amount of RM700,000 (2004: RM300,000) in respect of indemnity given to a director of the Company for any claims, liabilities, losses, cost and expenses which may arise or incur in connection with his execution of personal guarantee to secure a hire-purchase facility granted by a financial institution to a subsidiary company.

### 32. CAPITAL COMMITMENT

As of December 31, 2005, the Group has capital expenditure in respect of construction of district cooling plant and technical assistance services contracted but not provided for in the financial statements amounting to approximately RM716,000 and RM413,000 respectively.

### 33. LEASE COMMITMENTS

As of December 31, 2005, non-cancellable long-term lease commitments in respect of rental of premises and equipment are as follows:

	The Group	
	2005 RM	2004 RM
Not later than 1 year	406,320	567,971

### 34. SUBSEQUENT EVENT

Subsequent to December 31, 2005, the Securities Commission had vide its letter dated April 20, 2006 rejected the Company's application for a further extension of time of six (6) months to September 30, 2006 for the Company to implement the Private Placement. As such, the Private Placement expired on March 31, 2006 without any placement of new shares.

### 35. FINANCIAL INSTRUMENTS

#### a. Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposures to risks and/ or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.





## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 35. FINANCIAL INSTRUMENTS (cont'd)

#### a. Financial Risk Management Objectives and Policies (cont'd)

##### i. Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions, receivables and payables in foreign currencies arising from normal operating activities. The Group does not speculate in foreign currencies.

##### ii. Interest rate risk

The Group's exposures to changes in interest rate risk relates primarily to the Group's short-term deposits with licensed banks and financing through bank borrowings, hire-purchase payables and long-term loans. The short-term deposits are placed with reputable banks. The Group does not use derivative financial instruments to hedge its risk.

##### iii. Market risk

The Group has in place policies to manage the Group's exposures to fluctuation in the prices of the key raw materials used in the operations.

##### iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial conditions and credit histories. The Group also ensures a number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Group is also exposed to credit risk arising from the depositing of surplus cash in banks. However, the Group seeks to invest its surplus cash safely by depositing them with reputable local licensed banks.

##### v. Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

##### vi. Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

#### b. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 35. FINANCIAL INSTRUMENTS (cont'd)

#### c. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2005 are as follows:

	Carrying Amount		Fair Value	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>The Group</b>				
Financial assets				
Other investments				
Quoted shares	4,031,346	14,886,516	4,032,266	10,327,431
Unquoted shares	-	9,135,000	-	*
<b>The Company</b>				
Financial assets				
Other investments				
Quoted shares	2,325,059	6,341,071	2,325,059	5,918,333

\* It is not practical to estimate the fair values of investments in unquoted shares. The directors consider that the carrying amounts of investments in unquoted shares approximate their fair values.

The fair values of hire-purchase payables and long-term loans approximate their carrying amounts. The fair values of hire-purchase payables and long-term loans are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

The fair values of the amount owing by subsidiary companies and amount owing to subsidiary companies have not been computed as the timing of the repayment of these balances cannot be reasonably determined.

The fair values of other financial assets and other financial liabilities approximate their carrying amounts because of the short maturity of these instruments.

It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs or eventual outcome.

### 36. SEGMENTAL REPORTING

#### Business Segments

For management purposes, the Group is organised into the following operating divisions:

- investment holdings
- manufacturing of cooling towers
- engineering (includes designing and building district cooling system plants)
- trading of cooling towers
- others (includes providing water treatment services, trading of water tank, sales and distributor of and dealer of fibreglass reinforce plastics (FRP or GRP), composites and other compounds and information and communications technology (ICT) services)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 36. SEGMENTAL REPORTING (cont'd)

The Group	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2005							
Revenue							
External sales	105,684	24,174,763	9,074,056	12,205,031	719,785	-	46,279,319
Inter-segment sales	81,700	17,330,665	1,326,493	-	72,412	(18,811,270)	-
<b>Total revenue</b>	<b>187,384</b>	<b>41,505,428</b>	<b>10,400,549</b>	<b>12,205,031</b>	<b>792,197</b>	<b>(18,811,270)</b>	<b>46,279,319</b>
Results							
(Loss)/ profit from operations	(22,536,848)	(1,308,750)	(19,762,100)	(258,160)	107,935	(5,493,998)	(49,251,921)
Income from other investments	567,237	56,755	182,487	-	-	-	806,479
Finance costs	(12,740)	(1,536,064)	(270,082)	-	(2,935)	-	(1,821,821)
Share of loss of associated companies	-	-	-	-	-	(502,469)	(502,469)
Impairment loss of investment in subsidiary companies	(20,966,227)	(100,000)	-	-	-	21,066,227	-
(Loss)/ profit before tax	(42,948,578)	(2,888,059)	(19,849,695)	(258,160)	105,000	15,069,760	(50,769,732)
Tax (expense)/ income	-	(324,756)	(61,780)	(2,763)	25,857	180,199	(183,243)
(Loss)/ profit after tax	(42,948,578)	(3,212,815)	(19,911,475)	(260,923)	130,857	15,249,959	(50,952,975)
Other information							
Capital additions	1,685,888	1,583,371	152,653	-	8,346,585	-	11,768,497
Depreciation of property, plant and equipment	114,213	1,832,639	949,292	43,537	13,528	-	2,953,209
Amortisation of goodwill	4,470	-	-	-	-	6,586,647	6,591,117
Non-cash expenses other than depreciation and amortisation	21,362,856	142,793	17,446,548	-	(13,781)	(1,192,649)	37,745,767



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 36. SEGMENTAL REPORTING (cont'd)

#### The Group

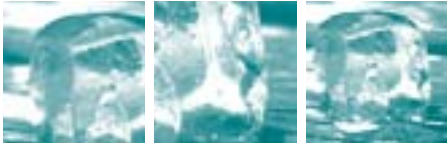
	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Consolidated							
Balance Sheet							
Assets							
Segment assets	165,714,677	78,017,532	13,214,272	5,741,028	26,911,799	(139,891,001)	149,708,307
Investment in associated companies	4,830,000	-	-	-	-	(591,695)	4,238,305
Income tax assets	134,539	742,996	136,771	153,586	-	(4,003)	1,163,889
Consolidated total assets	170,679,216	78,760,528	13,351,043	5,894,614	26,911,799	(140,486,699)	155,110,501
Liabilities							
Segment liabilities	41,073,691	47,890,508	14,209,037	3,260,083	28,417,060	(72,865,268)	61,985,111
Income tax liabilities	-	2,977,762	1,107,886	-	-	-	4,085,648
Consolidated total liabilities	41,073,691	50,868,270	15,316,923	3,260,083	28,417,060	(72,865,268)	66,070,759
2004							
Revenue							
External sales	-	13,712,192	56,006,911	9,302,547	658,984	-	79,680,634
Inter-segment sales	365,000	10,861,520	1,195,728	-	44,340	(12,466,588)	-
Total revenue	365,000	24,573,712	57,202,639	9,302,547	703,324	(12,466,588)	79,680,634
Results							
Profit/ (loss) from operations	24,844,905	(496,660)	5,556,961	(145,992)	(322,074)	(14,334,041)	15,103,099
Income from other investments	698,078	5,018	46,749	-	-	-	749,845
Finance costs	(7,789)	(1,624,305)	(331,627)	-	(2,544)	-	(1,966,265)
Share of loss of associated companies	-	-	-	-	-	(286,600)	(286,600)
Profit/ (loss) before tax	25,535,194	(2,115,947)	5,272,083	(145,992)	(324,618)	(14,620,641)	13,600,079
Tax (expense)/ income	(63,569)	18,856	(1,408,402)	-	-	67,167	(1,385,948)
Profit/ (loss) after tax	25,471,625	(2,097,091)	3,863,681	(145,992)	(324,618)	(14,553,474)	12,214,131

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 36. SEGMENTAL REPORTING (cont'd)

The Group	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Other information							
Capital additions	545,900	1,138,363	289,540	700	11,919,417	(445,813)	13,448,107
Depreciation of property, plant and equipment	78,380	1,117,500	2,158,969	52,928	41,514	-	3,449,291
Amortisation of goodwill	4,470	-	-	-	-	691,294	695,764
Non-cash expenses other than depreciation and amortisation	1,817,347	22,435	-	1,353	210,369	-	2,051,504
Consolidated Balance Sheet							
Assets							
Segment assets	181,829,671	80,379,469	37,513,589	4,651,881	18,084,604	(122,866,472)	199,592,742
Investment in associated companies	4,830,000	-	-	-	-	(269,425)	4,560,575
Income tax assets	102,565	1,090,162	389,197	156,349	50,493	(4,003)	1,784,763
Consolidated total assets	186,762,236	81,469,631	37,902,786	4,808,230	18,135,097	(123,139,900)	205,938,080
Liabilities							
Segment liabilities	32,624,316	46,698,529	18,628,850	2,461,223	19,251,019	(60,812,644)	58,851,293
Income tax liabilities	63,997	2,467,381	1,964,911	-	-	-	4,496,289
Consolidated total liabilities	32,688,313	49,165,910	20,593,761	2,461,223	19,251,019	(60,812,644)	63,347,582



## NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2005

### 36. SEGMENTAL REPORTING (cont'd)

#### Geographical segments

The Group's manufacturing and trading of cooling towers is located in Malaysia, investment activity is located in Malaysia and British Virgin Island, engineering activity is located in Thailand and Malaysia, whereas other activities are located in Malaysia, British Virgin Island and Singapore.

The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/ services:

	Sales revenue by geographical market	
	2005 RM	2004 RM
Malaysia	24,450,641	56,688,015
Other Asia Pacific Countries	20,515,585	22,992,619
Middle East	1,313,093	-
	46,279,319	79,680,634

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located.

	Carrying amount of segment assets		Capital additions	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysia	140,647,607	167,882,306	11,618,744	13,299,849
Thailand	8,437,131	16,031,393	149,753	148,258
British Virgin Island	623,560	15,679,034	-	-
Singapore	9	9	-	-
	149,708,307	199,592,742	11,768,497	13,448,107



## STATEMENT BY DIRECTORS

The directors of LINEAR CORPORATION BERHAD state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date.

Signed in accordance with  
a resolution of the Directors,

\_\_\_\_\_  
LUM WENG LOY

\_\_\_\_\_  
SOH YEW AUN

Penang,  
April 26, 2006

## DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE

for the financial management of the company

I, WEE JUNE CHEONG @ GAI JUNE CHEONG, the officer primarily responsible for the financial management of LINEAR CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed WEE JUNE CHEONG @  
GAI JUNE CHEONG at GEORGETOWN in  
the State of PENANG on April 26, 2006

\_\_\_\_\_  
Before me,

\_\_\_\_\_  
Govindasamy A/L G. Muttusamy, PJM  
COMMISSIONER FOR OATHS



## LIST OF PROPERTIES

Location	Particulars of title	Tenure	Land/Build up Area	Description	Age of building (years)	Net Book Value RM
Plot 20A, Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	PT 458 HS(D) 37842 (Old - HS(D) 570), Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Leasehold (60 years - expiring on 11.5.2052)	6.42913 acres	Head Office and Factory Building	13	14,981,986
Plot 20B, Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	PT 475, HS(D) 37866, Mukim 6, PT 2994, HS(D) 17962, Mukim 11 (Old - HS(D) 596), Daerah Seberang Perai Tengah, Pulau Pinang	Leasehold (60 years - expiring on 9.5.2054)	5,412.70 square metres	Factory Building	8	4,181,244
Plot 245, Prai Industrial Estate 2 Prai, Penang	PT 245, HS(D) 38476 (Old - HS(D) 119), Mukim 1 Daerah Seberang Perai Tengah Pulau Pinang	Leasehold (60 years - expiring on 4.3.2035)	2.5 acres	Factory Building	25	3,338,710
T-3-1, T-3-2, T-3-15, T-3-16, T-4-1, T-4-16 Jalan Pelangi 2 Taman Pelangi Prai, Penang	Parcel Nos. 193, 194, 207, 208, 209, 224, Parent Lot No. 5797, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang	Leasehold (99 years - expiring on 22.4.2092)	689 sq ft each	Workers Quarters	10	387,100
3A-F, Marina Crescent Condominium, Bt 5 1/2, Jalan Pantai, Si Rusa, Port Dickson, Seremban	Lot 6100, PN 11176 (Old - PT 3088, HS(D) 13639) Mukim of Si Rusa, District of Port Dickson, Negeri Sembilan	Leasehold (99 years- expiring on 27.7.2094)	62 square metres	Condominium	11	186,200
Mukim 7 Seberang Perai Tengah Pulau Pinang	Mukim 7 Seberang Perai Tengah Pulau Pinang	Freehold	1.85 acre	District Cooling Systems Plant Under Construction	-	25,275,017
No. 898/16, Rama 3 Road Bangpongpan, Yannawa Bangkok 10120 Thailand	T/D No. 449, 450, 4491, 6579, 8680 No. 898/16 Chong Nonsi, Yannawa Bangkok	Freehold	292.55 square metres	Condominium	10	605,280
No 898/34, Rama 3 Road Bangpongpan, Yannawa Bangkok 10120 Thailand	T/D No. 449, 450, 4491, 6579, 8680 No. 898/34 Chong Nonsi, Yannawa Bangkok	Freehold	292.55 square metres	Condominium	10	605,280
No 61285 Bangyai, Nonthaburi	No 61285 Bangyai, Nonthaburi	Freehold	2,400 square metres	Land	-	98,629
Total						49,659,446



## ANALYSIS OF SHAREHOLDINGS

as at 28 April 2006

Authorised Share Capital	: RM100,000,000
Issued and Paid-up Share Capital	: RM75,104,777
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote for every share
No. of Shareholders	: 5110

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Ordinary Shares	% <sup>#</sup>
1 – 99	188	3.68	7,115	0.01
100 – 1,000	1,121	21.94	1,013,096	1.40
1,001 – 10,000	3,073	60.13	11,901,912	16.50
10,001 – 100,000	672	13.15	18,213,431	25.24
100,001 to less than 5% of issued shares	54	1.06	22,929,605	31.78
5% and above of issued shares	2	0.04	18,092,018	25.07
	5,110	100	72,157,177	100 <sup>#</sup>

Note :

# Excluding 2,947,600 shares bought back by the Company and held as treasury shares.

### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Size of Shareholdings	← Direct		← Indirect →	
	No. of Shareholders	% <sup>#</sup>	No. of Ordinary Shares	% <sup>#</sup>
Linac Strategic Sdn Bhd	14,372,518	19.92	-	-
Lum Weng Loy	409,500	0.57	16,663,918 <sup>(1)</sup>	23.10
Chin Kuet Lee	-	-	14,372,518 <sup>(2)</sup>	19.92
Dato' Lee Kam Sun	3,719,500	5.16	-	-

Note:-

(1) By virtue of his shareholdings in Linac Strategic Sdn Bhd and spouse's shareholdings.

(2) By virtue of his shareholdings in Linac Strategic Sdn Bhd.

# Excluding 2,947,600 shares bought back by the Company and held as treasury shares.

### DIRECTORS' SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

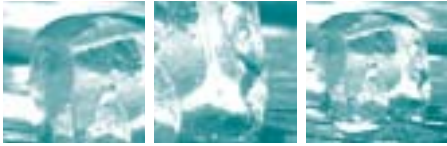
Size of Shareholdings	← Direct		← Indirect →	
	No. of Shareholders	%	No. of Ordinary Shares	%
Lum Weng Loy	409,500	0.57	16,663,918 <sup>(1)</sup>	23.10
Chin Kuet Lee	-	-	14,372,518 <sup>(2)</sup>	19.92
Dato' Lee Kam Sun	3,719,500	5.16	-	-
Soh Yew Aun	53,334	0.07	-	-
Datuk Abdul Malek Bin Abdul Aziz	32,000	0.04	-	-

Note:-

(1) By virtue of his shareholdings in Linac Strategic Sdn Bhd and spouse's shareholdings.

(2) By virtue of his shareholdings in Linac Strategic Sdn Bhd.

# Excluding 2,947,600 shares bought back by the Company and held as treasury shares.



## ANALYSIS OF SHAREHOLDINGS (CONT'D)

as at 28 April 2006

### THIRTY (30) LARGEST ORDINARY SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares	Percentage % #
1. Linac Strategic Sdn Bhd	14,372,518	19.92
2. RHB Capital Nominees (Tempatan) Sdn Bhd -Pledged securities account for Dato' Lee Kam Sun	3,719,500	5.16
3. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lim Oon Cheng	2,822,000	3.91
4. Ong Peng Chor	2,251,149	3.12
5. Ong Peng Nam	1,561,556	2.16
6. Eduxcel.com Sdn Bhd	1,423,400	1.97
7. Ong Soo Cheng	1,362,033	1.89
8. Mirzan Bin Mahathir	1,200,000	1.66
9. Cimsec Nominees (Asing) Sdn Bhd - ING Asia Private Bank Limited for Lim Oon Hock	1,026,800	1.42
10. Tengku Rethwan Bin Tengku Mansor	1,000,000	1.39
11. Koh Kah Wou	868,000	1.20
12. Mayban Nominees (Asing) Sdn Bhd - Nomura Singapore Limited for Nihon Spindle Manufacturing Company Ltd	833,333	1.16
13. Cimsec Nominees (Tempatan) Sdn Bhd - Kumpulan Sentiasa Cemerlang Sdn Bhd for Bukit Kiara Capital Sdn Bhd	668,000	0.93
14. Citicorp Nominees (Tempatan) Sdn Bhd - Pledged securities account for Ang Siew Lan	450,000	0.62
15. Lembaga Tabung Haji	390,000	0.54
16. Tan Ah Huat @ Tan Say Huat	387,551	0.54
17. HSBC Nominees (Asing) Sdn Bhd - Exempt An for Credit Suisse	362,800	0.50
18. Lum Weng Loy	341,300	0.47
19. Mohd Salleh Bin Hashim	335,000	0.46
20. TCL Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Anson Wang	270,300	0.37
21. Klang Wood Industries Sdn Bhd	268,000	0.37
22. Kam Lai Yong	227,200	0.32
23. Mayban Securities Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Lim Oon Hock	227,000	0.32
24. Zainuddin Bin Mohd Radzi	205,000	0.28
25. Loh Yoke Peng	200,000	0.28
26. Lee Hoo Leng	194,666	0.27
27. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Gay Soon Watt	191,000	0.27
28. A.A. Anthony Nominees (Tempatan) Sdn Bhd -Pledged securities account for Tan Kok Ping	175,000	0.24
29. Ong Chin Kean	175,000	0.24
30. Chan Kin Hua	172,400	0.24
	37,680,506	52.22

Note :

# Excluding 2,947,600 shares bought back by the Company and held as treasury shares.

## ANALYSIS OF WARRANTHOLDINGS

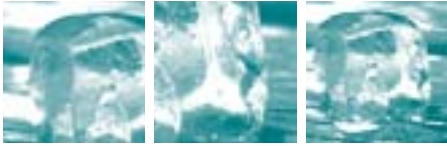
as at 28 April 2006

### DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	# %
1 - 99	80	3.87	3,688	0.02
100 – 1,000	936	45.26	713,996	4.14
1,001 - 10,000	845	40.86	2,882,175	16.71
10,001 – 100,000	190	9.19	5,716,567	33.14
100,001 to less than 5% of Warrants	16	0.77	3,113,500	18.05
5% and above of Warrants	1	0.05	4,819,518	27.94
	2,068	100.000	17,249,444	100.000

### THIRTY (30) LARGEST WARRANTHOLDERS

Name of Warrantholders	No. of Warrants	Percentage %
1. Linac Strategic Sdn Bhd	4,819,518	27.94
2. Lum Weng Loy	420,600	2.44
3. Eduxcel.com Sdn Bhd	393,400	2.28
4. Mayban Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Choon Kwan	300,000	1.74
5. Chan Kin Hua	255,600	1.48
6. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged securities account for Hoo Khee Leng	209,300	1.21
7. HLB Nominees (Asing) Sdn Bhd - Pledged securities account for Lee Chong Min	185,000	1.07
8. Tan Hock Poh	180,000	1.04
9. HLG Nominee (Tempatan) Sdn Bhd - Pledged securities account for Lee Chong Hing @ Yen Chong Hing	160,000	0.93
10. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lim Oon Cheng	157,000	0.91
11. Public Nominees (Tempatan) Sdn Bhd - Pledged securities account for Oi Bee Tin	135,200	0.78
12. ECM Libra Securities Nominees (Asing) Sdn Bhd - Pledged securities account for Ng Chong Jin	133,700	0.78
13. Tan Chuan Li	130,000	0.75
14. Niap Kim Lock @ Andrew Niap Kim Fook	120,000	0.70
15. Chean Nam Hwa	115,900	0.67
16. HLB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Saw Guat Choo	115,000	0.67
17. Siau Huat Lian	102,800	0.60
18. A.A Anthony Nominees (Tempatan) Sdn Bhd - Pledged securities account for Teo Poh Boon	100,000	0.58
19. Ang Siew Lan	100,000	0.58
20. Citigroup Nominees (Asing) Sdn Bhd - Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated	100,000	0.58



## ANALYSIS OF WARRANTHOLDINGS (CONT'D)

as at 28 April 2006

### THIRTY (30) LARGEST WARRANTHOLDERS

Name of Warrantholders	No. of Warrants	Percentage %
21. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged securities account for Ho Sey Chen	100,000	0.58
22. Niap Kim Lock @ Andrew Niap Kim Fook	95,000	0.55
23. Yap Chee Kow @ Yap Chi How	93,300	0.54
24. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Law Boon Leong	93,100	0.54
25. Ong Peng Chor	88,837	0.51
26. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Chong Yiew On	86,700	0.50
27. A.A. Assets Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Tian Sang @ Tan Tian Song	86,500	0.50
28. Mayban Nominees (Tempatan) Sdn Bhd - Pledged securities account for Goh Chear Kuang	77,100	0.45
29. HDM Nominees (Tempatan) Sdn Bhd - Pledged securities account for Ng Seong Kee	75,200	0.44
30. Trade Pioneer Limited	75,100	0.44
	9,103,855	52.78

## PROXY FORM

<b>NO. OF SHARES HELD</b>
---------------------------

\*I/We, \_\_\_\_\_ (Full Name In Block Letters)

of \_\_\_\_\_ (Address)

being a \*member/members of LINEAR CORPORATION BERHAD hereby appoint \_\_\_\_\_

\_\_\_\_\_ (Full Name In Block Letters)

of \_\_\_\_\_ (Address)

or failing\* him/her \_\_\_\_\_ (Full Name In Block Letters)

of \_\_\_\_\_ (Address)

or failing \*him/her, the Chairman of the meeting, as \*my/our proxy, to vote for \*me/us on \*my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Tuesday, 27 June 2006 at 11.00 a.m. and at any adjournment thereof in the manner indicated below.

		For	Against
Resolution 1	To receive the Audited Financial Statements for the year ended 31 December 2005, together with the Reports of the Directors and Auditors thereon		
Resolution 2	To approve the payment of Directors' fees		
Resolution 3	To re-elect Mr. Soh Yew Aun		
Resolution 4	To re-elect Datuk Abdul Malek Bin Abdul Aziz		
Resolution 5	To re-appoint Tan Sri Dato' Hanafiah Bin Hussain		
Resolution 6	To re-appoint Messrs Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration		
Resolution 7	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	Proposed Renewal of Authorisation for the Company to Purchase its Own Shares		

\* Please strike off whichever is not applicable

(Please indicate with an 'X' in the spaces provided, how you wish your vote to be cast. In the absence of specific directions, your proxy may vote or abstain from voting at his/her discretion.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
Signature(s) / Common Seal of shareholder(s)

Notes:-

- A member eligible to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his/her stead. The provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
- Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy must be deposited at the Registered Office at 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

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Affix  
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The Company Secretary  
**Linear Corporation Berhad** (288687 W)  
20A, Jalan Perusahaan  
Prai Industrial Estate 4  
13600 Prai, Penang  
Malaysia

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