



ANNUAL REPORT 2008

LINEAR CORPORATION BERHAD (288687-W)

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LINEAR CORPORATION BERHAD (288687-W)
No. 20A, Jalan Perusahaan, Prai Industrial Estate 4
13600 Prai, Penang, Malaysia

www.linear.com.my

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,
ON BEHALF OF THE BOARD OF DIRECTORS OF LINEAR CORPORATION BERHAD, I AM PLEASED TO PRESENT TO YOU THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008.

FINANCIAL REVIEW

For the financial year ended 31 December 2008, our Group recorded lower consolidated revenue of RM52.69 million, a decline of 66%, as compared to RM158.2 million in the preceding financial year due to contraction in the overall market demand for cooling towers and related components as well as solar panels. Nevertheless, the Group achieved profit after tax of RM4.19 million in the financial year under review, a decline of 15%, as compared to the previous year's profit after tax of RM4.98 million, attributable largely to the gain of RM9.0 million derived from the disposal of subsidiary and associated companies which were non-operating, namely LETC Engineering Sdn Bhd, Times Engineering Systems Co Ltd and Linear TES Ltd during the financial year. The Group's total shareholders' funds stood at RM80.48 million as at financial year ended 31 December 2008.

BUSINESS AND OPERATIONS REVIEW

The on-going global economic crisis had a besetting effect on the business environment worldwide. Almost all economic sectors were adversely affected by this crisis and we were not spared either. Demand for our products contracted drastically due to the immediate slowdown in development projects worldwide. Fortunately, on a positive note, despite the unfavourable economic conditions, we have managed to lock-in new revenue from spare-parts sales as well as income from maintenance of cooling towers and water treatment services

The district cooling plant at The Curve in Mutiara Damansara, Selangor, in which we have 30% equity interest has begun to record profits and is expected to contribute positively towards the Group's future earnings. Our wholly-owned district cooling plant at Bandar Baru Perda in Bukit Mertajam, Penang, however, recorded operational loss in the year under review due to a mismatch of costs and revenue. Notwithstanding this initial set-back which is anticipated at the early stage of all development projects, contributions from these 2 district cooling plants are expected to be long term and sustainable vide the collection of tariffs for chilled water supply to occupants at The Curve and Bandar Baru Perda.

CHAIRMAN'S STATEMENT (CONT'D)

DIVIDEND

The Board of Directors is not recommending any dividend in respect of the financial year ended 31 December 2008.

FUTURE PROSPECTS

There are still much uncertainties and speculations on the global economy. The worsening economic pain reported in the United States and around the world during the 1st quarter of 2009 brought many to grapple with the fear of an inevitable global recession. However in the 2nd quarter of 2009, there are some signs of optimism and hope for recovery by year 2010. Against this backdrop of economic uncertainties, we do not expect business in the current financial year to be buoyant, and we will have to brace ourselves to face many challenges such as weaker market sentiments, tighter liquidity and lower profit margins. To mitigate the negative impact of these challenges, Management has committed to be cautious, cost-efficient and vigilant in managing the Group's businesses and finances. Given this commitment of our people to good business management, the Board is confident that our Group will be able to weather through this economic storm and continue to build long term value for our shareholders in the years ahead.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to thank our Management team and staff for their untiring efforts, dedication and contributions to our Group despite the many challenges associated with the current global economic crisis. I would also like to express our sincere appreciation to our customers, business partners, financiers, advisers, the government authorities and particularly our valued shareholders for your continuing support and confidence in our Group.

Pervez Rustim Manecksha @ Paul Manecksha
Chairman & Independent Non-Executive Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Pervez Rustim Manecksha
@ Paul Manecksha
*Chairman & Independent
Non-Executive Director*

Heinrich August Diehl
Senior Independent Non-Executive Director

Kok Seng Loong
Independent Non-Executive Director

Alan Rajendram A/L Jeya Rajendram
Executive Director

Eswaramoorthy Pillay S/O Amuther
Executive Director

Mevin Nevis A/L AF Nevis
Executive Director

AUDIT COMMITTEE

Kok Seng Loong
Chairman

Pervez Rustim Manecksha
@ Paul Manecksha
Member

Heinrich August Diehl
Member

SECRETARY

Ng Wai Peng (MAICSA 7014112)

SENIOR MANAGEMENT

Clive Vincent Nelligan
Chief Operations Officer

Lim Soo Aun
Group Financial Controller

REGISTERED OFFICE/ HEAD OFFICE/FACTORY

No. 20A, Jalan Perusahaan
Prai Industrial Estate 4
13600 Prai, Penang, Malaysia
Tel : 604-5078822
Fax : 604-5078359

SELANGOR OFFICES

No. 23-03, Block E1, Jalan PJU1/42
Dataran Prima, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-78809888
Fax : 603-78809232

REGISTRARS

PFA Registration Services Sdn Bhd
Level 17, The Gardens
North Tower, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel : 603-22643883
Fax : 603-22821886

AUDITORS

UHY Diong (AF No. 1411)
51-21-F, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050, Penang, Malaysia

PRINCIPAL BANKERS

HSBC Bank (Malaysia) Berhad
Malayan Banking Berhad
CIMB Bank Berhad
RHB Bank Berhad
EON Bank Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

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

WEBSITE

www.linear.com.my

PROFILE OF DIRECTORS

PERVEZ RUSTIM MANECKSHA @ PAUL MANECKSHA

Chairman & Independent Non-Executive Director and member of the Audit Committee

Mr Pervez Rustim Manecksha @ Paul Manecksha, a Malaysian, aged 63, was appointed to the Board on 12 February 2007 and as Chairman on 2 June 2008. He is a Barrister-at-Law of the Honourable Society of the Inner Temple, London, United Kingdom. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1971 and has been in active law practice since then. He was also admitted as a Barrister and Solicitor in Canberra, Australia in 1978. He is currently the Managing and Principal Partner of the law firm, PR Manecksha & Associates. He is currently not a director of any other public company listed on Bursa Malaysia Securities Berhad

HEINRICH AUGUST DIEHL

Senior Independent Non-Executive Director and member of the Audit Committee

Mr Heinrich August Diehl (Heinz), a German, aged 54, was appointed to the Board on 12 February 2007 and designated as Senior Independent Non-Executive Director on 2 June 2008. He graduated from the Hotel School in Heidelberg, Germany. He has more than 20 years experience in the hotel and hospitality industry, holding various senior management positions including as General Manager of Concorde Reef Resort Kuda Haraa, Maldives. He has specialised in projects involving the pre-opening of international hotels and their operations. In 1996, he set up his own company providing consulting services to hotels, development companies, breweries and tour organisations worldwide with projects in Egypt, Maldives and throughout Europe. He is currently not a director of any other public company listed on Bursa Malaysia Securities Berhad.

KOK SENG LOONG

Independent Non-Executive Director and Chairman of the Audit Committee

Mr Kok Seng Long, a Malaysian, aged 33, was appointed to the Board on 22 February 2008 and as Chairman of the Audit Committee on 2 June 2008. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He also holds a Master's Degree in Business Administration from Edinburgh Business School. He started his career with KPMG as an audit assistant in 1998 which he left in 1999 to join Intel Technology Sdn Bhd as a financial analyst. In 2002, he advanced his career to Dell Asia Pacific Sdn Bhd as a Senior Financial Analyst. In 2004, he left Dell to join Elsoft Research Berhad as its Financial Controller until 2006 when he left to join Tejari Technologies Berhad as Group Financial Controller. He left Tejari in 2007 and is currently an Independent Non-Executive Director of MQ Technology Berhad, a public company listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

ALAN RAJENDRAM A/L JEYA RAJENDRAM

Executive Director

Mr Alan Rajendram A/L Jeya Rajendram, a Malaysian, aged 53, was appointed to the Board on 8 December 2006 and as Executive Director on 2 June 2008. He holds a Bachelor of Commerce Degree from the University of Melbourne, Australia and is a fellow member of the Australian Society of Certified Practising Accountants and a member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Taxation. He received his early training in public accounting from Deloitte, Australia from 1977 to 1979.

He then returned to Malaysia in 1981 to work for Rajendram & Co. in Penang, an accounting practice owned by his father. In 1983, he left the practice to join The Elrond And Kredin Group (a privately owned group of companies with diverse interests in manufacturing, property development and investment) as its Chief Executive Officer. After a 5-year stint, he left The Elrond And Kredin Group and returned to work for the Rajendram family-owned businesses within the Stanton Group of Companies which are involved in manufacturing, property development, investment and provision of corporate advisory, management, taxation, secretarial and accountancy services. He also sits on the Board of LFE Corporation Berhad, a public company listed on the Second Board of Bursa Malaysia Securities Berhad.

PROFILE OF DIRECTORS (CONT'D)

ESWARAMOORTHY PILLAY S/O AMUTHER

Executive Director

Mr Eswaramoorthy Pillay S/O Amuther (Bryann), a Singaporean, aged 43, was appointed to the Board on 8 December 2006 and as Executive Director on 26 December 2006. He holds a Master's Degree in Business Studies from the University of Newport, United States of America and has extensive experience in the field of information technology. He is currently not a director of any other public company listed on Bursa Malaysia Securities Berhad.

MEVIN NEVIS A/L AF NEVIS

Executive Director

Mr Mevin Nevis A/L AF Nevis, a Malaysian, aged 55, was appointed to the Board on 22 February 2008 and as Executive Director on 2 June 2008. He graduated from the INSEAD EURO ASIA International Management Programme in Fontainebleau, France and holds a Master's Degree in Business Administration, Executive Management. He started his career with Standard Chartered Bank Berhad ("the Bank") in 1972. Rising through the ranks under the Bank's Executive Management Trainee program, he has held various executive and senior managerial positions in the Bank during the period from 1980 to 2007 such as Branch Manager, Area Manager for Northern/Central Region, Head of Small & Medium Enterprises, Head of Large Local Corporations and Head of Product Management for Cash Management, Trade & Securities Services. From 1990 to 1992, he was assigned to the Bank's offices in Chicago and Los Angeles in the United States of America as Senior Relationship Manager for multinational corporate businesses. His last posting before he left the Bank in October 2007 was as Director/Head of Transaction Banking. Thereafter, he joined the Linear Group in late 2007. He is currently not a director of any other public company listed on Bursa Malaysia Securities Berhad.

OTHER INFORMATION

1. Save for Mr Alan Rajendram A/L Jeya Rajendram and Mr Eswaramoorthy Pillay S/O Amuther, none of the Directors are substantial shareholders of the Company.
2. There are no family relationships amongst the Directors and/or substantial shareholders of the Company.
3. None of the Directors has any conflict of interest with the Company.
4. None of the Directors has been convicted of any offence, other than traffic offences, within the past 10 years.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Linear Corporation Berhad ("Linear") is committed to uphold and maintain sound principles of corporate governance within the Linear Group ("the Group") with the objective of building and enhancing long term shareholders' value. Set out below is how the Company has applied the principles and practices of good governance set out in Part 1 and 2 of the Malaysian Code on Corporate Governance ("the Code") throughout the financial year ended 31 December 2008 ("the financial year").

1. BOARD OF DIRECTORS

Board Responsibilities

The Board assumes overall responsibility for the Group's corporate governance and retains full and effective control over the Group's businesses and affairs. As such, it has reserved for itself a schedule of matters for consideration and decision which include inter alia, the Group's strategic business direction and action plans, risks management and internal control measures to ensure the proper conduct of operations, financial and operating efficiency and performance of all business units as well as human resource capabilities within the Group.

Board Composition

The Board currently has 6 members comprising 3 Independent Non-Executive Directors and 3 Executive Directors, thereby exceeding Bursa Malaysia Securities Berhad ("Bursa Securities")'s minimum requirement of 1/3 of the Board to be independent non-executive directors. Collectively, the Directors bring to the Company a broad mix of business, management, financial, legal, marketing and technical expertise and experience to provide clear and effective leadership for the Group. Brief descriptions on the background of the Directors are presented on pages 5 and 6 of this annual report.

Board Balance

The Board is currently led by the Chairman who is an Independent Non-Executive Director. The Chairman is primarily responsible for the orderly and effective conduct of the Board whilst the 3 Executive Directors are collectively responsible for the making of day-to-day business and operational decisions and implementation of Board policies in meeting the goals, vision and direction set by the Board.

The Independent Non-Executive Directors are not involved in the day-to-day management of the Group but they play a key supporting role, contributing their skills and knowledge in all major matters and issues referred to the Board for consideration and approval. Their role is particularly important in ensuring that matters proposed to the Board will be fully discussed and examined, taking into account the long term interest of the Company's minority shareholders. Most importantly, their contributions will provide an element of objectivity and independent judgment to the Board.

Mr Heinrich August Diehl, is currently the designated Senior Independent Non-Executive Director to whom matters of concern may be conveyed.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board Committees

To enhance business and operational efficiency as well as to be in line with the best practices prescribed by the Code, the Board has delegated specific tasks to 5 Board Committees, namely, Audit Committee, Nomination Committee, Remuneration Committee, Risk Management and Investment Committee and Employees' Share Options Committee, the compositions of which are as follows :-

Audit Committee

(comprising entirely Independent Non-Executive Directors)

Kok Seng Loong <i>(member of the Malaysian Institute of Accountants)</i>	- Chairman
Pervez Rustim Manecksha @ Paul Manecksha	- Member
Heinrich August Diehl	- Member

Nomination Committee

(comprising entirely Independent Non-Executive Directors)

Pervez Rustim Manecksha @ Paul Manecksha	- Chairman
Heinrich August Diehl	- Member

Remuneration Committee

(comprising entirely Independent Non-Executive Directors)

Heinrich August Diehl	- Chairman
Pervez Rustim Manecksha @ Paul Manecksha	- Member

Risk Management and Investment Committee

Alan Rajendram A/L Jeya Rajendram	- Chairman
Eswaramoorthy Pillay S/O Amuther	- Member
Mevin Nevis A/L AF Nevis	- Member
Kok Seng Loong	- Member

Employees' Share Options Committee

Eswaramoorthy Pillay S/O Amuther	- Chairman
Alan Rajendram A/L Jeya Rajendram	- Member
Mevin Nevis A/L AF Nevis	- Member

Appointments to the Board

The Nomination Committee is charged with the duty to assess and review the suitability of candidates nominated for appointment to the Board based on the candidates' qualifications, skills and experience. In the course of this review, it will ensure that the Board has the required mix of skills and experience for the effective discharge of duties. The Nomination Committee will then make its recommendations to the Board and the final decision on the appointment lies with the entire Board. No new Directors were appointed to the Board in the financial year.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Re-election of Directors

According to the Company's Articles of Association, all Directors appointed to the Board are subject to retirement at the first annual general meeting of the Company. Thereafter, at least 1/3 of the Board are subject to retirement by rotation at every subsequent annual general meeting provided that all Directors including the Managing Director shall retire once in every 3 years in compliance with the Listing Requirements of Bursa Securities ("the Listing Requirements"). The Articles of Association further provides that all new Directors shall retire at the annual general meeting subsequent to their appointment, and that all retiring Directors are eligible for re-election. The Board, upon the recommendation of the Nomination Committee, will normally nominate the retiring Directors for re-election. The Directors standing for re-election at the forthcoming annual general meeting are Mr Eswaramoorthy Pillay S/O Amuther and Mr Pervez Rustim Manecksha @ Paul Manecksha. They are all eligible for re-election and have offered themselves for re-election. The Board, upon the recommendation of the Nomination Committee, has nominated the retiring Directors for re-election at the Company's forthcoming Fifteenth Annual General Meeting.

Board Meetings

Board meetings are generally held once in every quarter with additional meetings convened when necessary. There were 5 Board meetings held during the financial year and the record of attendance of the Directors is as follows :-

<i>Director</i>	<i>Attendance</i>
Pervez Rustim Manecksha @ Paul Manecksha	5 out of 5
Heinrich August Diehl	4 out of 5
Kok Seng Loong	4 out of 5
Alan Rajendram A/L Jeya Rajendram	5 out of 5
Eswaramoorthy Pillay S/O Amuther	3 out of 5
Mevin Nevis A/L AF Nevis	5 out of 5

The Board had, at the Board meetings, deliberated on and considered a variety of matters including amongst others, the Group's financial results, challenges faced by the Group, strategic action plans to enhance performance and to tighten internal controls, recurrent related party transactions. All of the Directors have met the minimum requirement of 50% attendance at Board meetings during a financial year. In addition, the Board has exercised control on matters that required the Board's approval during the intervals between the scheduled Board meetings through the passing of Directors' Circular Resolutions prepared and circulated from time to time by the company secretary.

Supply of Information

The Management has the responsibility and duty to provide the entire Board with all the information, of which it is aware, to facilitate the effective discharge of the Board's duties. The notice calling for each Board meeting is given to the Directors in advance together with the agenda and all relevant Board papers which encompass both quantitative and qualitative factors so that informed decisions can be made by the Directors at the meetings. All Board members had access to the advice and services of the company secretary and auditors and all information relating to the Group to assist them in the furtherance of their duties. The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company's expense.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors' Training

The Directors have attended courses provided by tax consultants to update themselves on the latest tax laws and applications and will continue to attend training courses to equip themselves and to keep abreast with developments in corporate tax and financial matters as well as industry practices for them to discharge their duties more effectively.

Directors' Remuneration

The Remuneration Committee, comprising entirely of Independent Non-Executive Directors, is responsible for the establishment of a formal and transparent procedure to assess and determine the remuneration packages offered to the Directors with the objective to attract and retain Directors of the caliber needed to run the Group successfully. The remuneration packages offered to Directors who hold executive functions are based on prevailing market rates and commensurate with the knowledge, skills, experience and level of responsibilities of each Director. The Board, upon the recommendation of the Remuneration Committee, will determine the remuneration packages of each Director. However, the Directors do not participate in decisions regarding their own remuneration packages. Independent Non-Executive Directors, on the other hand, receive Director's fees that are approved by shareholders at annual general meetings. The Company also reimburses the Directors with meeting allowances for expenses necessarily incurred by them for attendance at Board meetings.

Directors' Remuneration

The remuneration of the Company's Directors derived from the Group during the financial year are as follows :-

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	-	36,000	36,000
Salaries	480,000	-	480,000
Other emoluments	28,800	-	28,800
Total	508,800	36,000	544,800

The number of Directors whose total remuneration fell within the following bands for the financial year are as follows :-

Remuneration Band (RM per annum)	Number of Directors		Total
	Executive Directors	Non-Executive Directors	
Below 50,000	-	1	1
50,000 to 100,000	-	-	-
100,001 to 150,000	-	-	-
150,001 to 200,000	-	-	-
200,001 to 250,000	2	-	2
Total	2	1	3

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2. RELATIONSHIP WITH SHAREHOLDERS

The Board recognizes the importance of clear and effective communication with shareholders and investors, and hence, has ensured that information concerning the Group's performances, corporate developments and matters affecting shareholders' interests are conveyed to shareholders and investors on a timely basis. The Company's annual reports, financial results, announcements made to Bursa Securities, circulars to shareholders and the Group's website are some of the main channels of communication to enable shareholders to have an overview of the Group's performances and operations.

Annual general meetings, held once a year, will be the principal forum for dialogue between the Board and shareholders. Shareholders are encouraged to participate in the question and answer sessions during these meetings where the Directors will respond to shareholders' questions to ensure a high level of accountability and transparency on the business operations, strategy and goals of the Group.

3. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible to present a true and fair assessment of the Group's financial positions and prospects in the Company's quarterly financial results and annual audited financial statements. All quarterly financial results have been reviewed by the Audit Committee and approved by the Board prior to announcement to Bursa Securities. A statement by the Directors of their responsibilities in the preparation of the audited financial statements for the financial year is set out on page 18 of this annual report.

Internal Control

The Board acknowledges its responsibility to maintain a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal control procedures and guidelines.

The Statement on Internal Control set out on pages 16 and 17 of this annual report provides an overview of the Group's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

Relationship with the Auditors

The Board has always maintained a formal and transparent relationship with the Company's external auditors in seeking professional advice and ensuring compliance with the relevant laws and applicable approved accounting standards. The Board is assisted by the Audit Committee in the review of the audit plans and audit findings of the external auditors.

4. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Group has and will continue to contribute generously to charitable organizations ranging from orphanages to diverse religious groups.

This Corporate Governance Statement was approved by the Board on 20 April 2009.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee of Linear Corporation Berhad currently comprises all Independent Non-Executive Directors namely :

Kok Seng Loong (<i>member of The Malaysian Institute of Accountants</i>)	- Chairman
Pervez Rustim Manecksha @ Paul Manecksha	- Member
Heinrich August Diehl	- Member

TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee is governed by the following Terms of Reference which are in line with the Malaysian Code on Corporate Governance :-

1. Composition of members

The Board shall elect the Audit Committee members from amongst themselves comprising no fewer than three (3) directors. All members of the Audit Committee shall be non-executive directors who possess adequate financial knowledge to discharge their functions effectively. A majority of the Audit Committee members shall be independent directors. The term of office of the Audit Committee is three (3) years and may be re-nominated and appointed by the Board of Directors.

In this respect, the Board adopts the definition of "independent director" as defined under Bursa Malaysia Securities Berhad ("Bursa Securities" or "the Exchange")'s Listing Requirements.

At least 1 member of the Audit Committee must be :-

- (a) a member of the Malaysian Institute of Accountants ("MIA") ; or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and :-
 - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 ;
or
 - (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967 ; or
- (c) fulfills such other requirements as prescribed by the Exchange.

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

2. Retirement and resignation

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

3. Chairman

The Chairman of the Audit Committee, elected from amongst the Audit Committee members, shall be an independent director. The Chairman of the Committee shall be approved by the Board of Directors.

4. Secretary

The Secretary of the Audit Committee shall be the Company Secretary. The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Audit Committee prior to each meeting. The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board of Directors and for following up outstanding matters.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

5. Meetings

The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion. In the absence of the Chairman, the other independent director shall be the Chairman for that meeting. The members of the Audit Committee, General Manager (Corporate Affairs, Finance and Administration), Finance Manager and the head of internal audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meetings where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.

Other Directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external auditors without any executive board member present.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and also to the other members of the Board of Directors. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

6. Quorum

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

7. Reporting

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes. The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

8. Objectives

The principal objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct;
- (d) determine the quality, adequacy and effectiveness of the Group's control environment; and
- (e) develop and maintain an effective risk management system and processes are applied in the day to day business and activities

9. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company :-

- (a) authorise to investigate any activity within its terms of reference. All employees shall be directed to co-operate as requested by members of the Audit Committee;

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE OF AUDIT COMMITTEE (CONT'D)

- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group;
- (c) obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- (d) be able to convene meetings with the external auditors whenever deemed necessary;
- (e) be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurred;
- (f) be kept informed as soon as possible of any adverse development arising from any event such as material litigation; and
- (g) the Audit Committee shall have the power to establish Sub-Committee(s) and delegate its powers to such Sub-Committee(s) for the purpose of carrying out certain investigations on its behalf in such manner as the Audit Committee deems fit and necessary and, to appoint any person(s) as member(s) of the Sub-Committee(s) and/or as Head of Internal Audit who shall report directly to the Audit Committee.

10. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows :-

- (a) To review the maintenance and control of an effective accounting system.
- (b) To review the Group's public accountability and compliance with the law.
- (c) To review and evaluate the adequacy and effectiveness of the internal and external audit procedures, and to ensure that they have the necessary authority to carry out their work.
- (d) To evaluate the quality of external auditors and make recommendations concerning their appointment and remuneration and to consider the nomination of a person or persons as external auditors.
- (e) To provide liaison between the external auditors, the management and the Board of Directors and also to review the assistance given by the management to the external auditors.
- (f) To review the findings of the internal and external auditors and to ensure that appropriate actions are taken on the recommendations of the auditors.
- (g) To review the quarterly results and financial statements and annual report prior to submission to the Board of Directors.
- (h) To monitor and to review any related party transactions that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms-length terms and on terms which are disadvantageous to the Group.
- (i) 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 By-Laws.
- (j) To report its findings on the financial and management performance, and other material matters to the Board of Directors.
- (k) To act in line with the directions of the Board of Directors.
- (l) To consider and examine such other matters as the Audit Committee considers appropriate.
- (m) To review the reports of management in relation to the integrity and adequacy of the process for identifying principal risks and ensure the implementation of appropriate systems to manage these risks.
- (n) To review any appraisal or assessment of the performance of members of the internal audit function who are full-time employees of the Group, if any.
- (o) To approve any appointment or termination of senior staff members of the internal audit function who are full-time employees of the Group, if any.
- (p) To take cognizance of resignations of internal audit staff members who are full-time employees of the Group, if any, and provide such resigning staff member an opportunity to submit his /her reasons for resigning.

AUDIT COMMITTEE REPORT (CONT'D)

AUDIT COMMITTEE MEETINGS

The Audit Committee met 5 times during the financial year ended 31 December 2008 and has met with the external auditors twice in the same financial year without the presence of any executive board member. All Audit Committee meetings were duly convened with sufficient notice given to all Committee members together with the agenda, reports and proposals for deliberation at the meetings.

Details of attendance of the Audit Committee members at the Audit Committee meetings held during the year ended 31 December 2008 are as follows :

Audit Committee member	Attendance
Kok Seng Loong (<i>member of The Malaysian Institute of Accountants</i>)	4 out of 5
Pervez Rustim Manecksha @ Paul Manecksha	5 out of 5
Heinrich August Diehl	4 out of 5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2008, the Audit Committee carried out the following activities in the discharge of its duties :-

- Reviewed all quarterly financial results and the audited financial statements of the Company before recommending them to the Board for approval ;
- Reviewed the external auditors' scope and approach of audit as presented in their audit plan before commencement of audit ;
- Reviewed the external auditors' audit report and considered the areas of concern raised by the external auditors ;
- Reviewed all recurrent related party transactions on a quarterly basis,;
- Reviewed the status of employees' share option allocations on a quarterly basis.

This Audit Committee Report was approved by the Audit Committee on 20 April 2009.

STATEMENT ON INTERNAL CONTROL

The Board of Directors ("Board") of Linear Corporation Berhad ("Linear") is pleased to set out below the Statement of Internal Control pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). It is prepared in accordance with Bursa Securities' Statement of Internal Control – Guidance for Directors of Public Listed Companies. The Board acknowledges its responsibility to maintain a sound system of internal controls to safeguard the Linear Group ("the Group")'s assets in accordance with the Malaysian Code on Corporate Governance ("the Code"). The Board is committed to taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Group's operations. The Board believes that the practice of good corporate governance is an important continuous process and not just a matter to be covered as compliance in its annual report.

BOARD RESPONSIBILITY

The Board affirms the overall responsibility for maintaining a sound system of internal controls and for reviewing its adequacy and integrity so as to safeguard shareholders' investment and the Group's assets.

Due to inherent limitations in any system of internal control, the system is designed to manage and control risk appropriately rather than eliminate the risk of failure to achieve business objectives. Accordingly, the internal control system provides reasonable assurance and not absolute assurance against material misstatement or loss, and therefore risks should be continually monitored and managed at all times.

The Board takes cognizance of the improvement points highlighted by the external auditors and recognizes that reviewing and enhancing the Group's system of internal control is a continuing process. Towards this purpose, the Board has appointed BDO Governance Advisory Sdn Bhd to assist with the development of an Enterprise Wide Risk Management Framework ("EWRM") which encompasses:

- documenting all the processes throughout the organization together with identification of existing and potential risks within these processes;
- assessing the appropriateness of the controls to mitigate these risks, in the event that the controls are deemed inadequate then to put in place action plans to strengthen the risks;
- identifying owners for the identified risks for purposes of ownership and accountability ; and
- establishing a monitoring and reporting framework for reporting to the Board on the risk exposures of the Company.

The Board acknowledges that the ERWM is an integral component of the internal audit process and will ensure that it is applied and monitored consistently throughout the Group.

INTERNAL CONTROL

Key elements of the system of internal controls are as follows:-

Operating structure with clearly defined lines of responsibility

The operating structure includes defined delegation of duties and responsibilities to the various Board Committees, the Executive Board members, the Management and operating units.

STATEMENT ON INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL (CONT'D)

Independence of the Audit Committee

The Audit Committee, which comprises entirely Independent Non-Executive Board members, holds regular meetings to deliberate on audit findings and recommendations and reports to the Board.

Employee competency

Proper procedures are in place in respect of recruitment and termination of employees. Emphasis is placed on the quality and abilities of employees with continuing education, training and development being actively encouraged through various programs.

Financial reporting

Regular monitoring and review of financial results by the Management and formulation of action plans to address areas of concern before they are being reported to the Audit Committee and the Board.

Insurance

Adequate insurance on major assets such as stocks, buildings and machineries belonging to the Group, is in placed to ensure that the Group is sufficiently covered against any mishap that may result in material losses affecting the Group.

Weaknesses in Internal Controls that Result in Material Losses

There were no material or significant losses incurred during the financial year ended 31 December 2008 as a result of weakness in internal control. Notwithstanding, the Board remains committed to strengthen the Group's control environment and processes and its quest for continuous improvement is ongoing and, appropriate action plans will be put in place, when necessary, to further enhance the Group's system of internal controls.

This Statement on Internal Control was reviewed by the Audit Committee and approved by the Board on 20 April 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Companies Act, 1965 ("the Companies Act") and the 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 the financial year, and the profit and loss account and cash flows of the Company and the Group for the financial year in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act.

In preparing the financial statements for the financial year ended 31 December 2008 of Linear Corporation Berhad ("the Company" or "Linear"), the Directors, with the advice from the external auditors, have :-

- a. adopted the suitable accounting policies and have applied them consistently ;
- b. made judgements and estimates that are prudent and reasonable ;
- c. ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements ; and
- d. prepared the financial statements on a going concern basis.

The Directors will ensure that the Company and the Linear Group ("the Group") keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act.

ADDITIONAL COMPLIANCE INFORMATION

1. Fund raising corporate exercises

The Company did not undertake any fund raising corporate exercises during the financial year ended 31 December 2008 ("the financial year").

2. Share Buybacks

The Company did not buy back any of its issued shares during the financial year.

3. Options, Warrants or Convertible Securities

The Company's Employees' Share Option Scheme ("ESOS") which became effective on 14 August 2003 for a period of 5 years up to 13 August 2008 was extended for another 5 years up to 13 August 2013 as permitted by the By-Laws governing the ESOS and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). There were no exercise of share options under the ESOS during the financial year.

The 5 year exercise period for all of the Company's 17,249,444 Warrants 2003/2008 ("Warrants") in issue expired on 25 September 2003. There were no exercise of Warrants during the financial year.

4. Related Party Transactions

The recurrent related party transactions ("RRPT") entered into by the Group during the financial year pursuant to the Shareholders' Mandate granted by the Company's shareholders at the annual general meeting held on 30 June 2008 are as follows :-

	RM
• Sale of cooling tower components by BAC Cooling Technology Sdn Bhd * to Baltimore Aircoil Inc. # Group of Companies	364,680
• Purchase of cooling tower components by BAC Cooling Technology Sdn Bhd * from Baltimore Aircoil Inc. # Group of Companies	741,321
• Sale of cooling towers by Linear Towerline (M) Sdn Bhd (formerly known as Nihon Spindle (M) Sdn Bhd) * to the LFE Corporation Berhad ^ Group of Companies	Nil
• Engagement of LFE Engineering Sdn Bhd + as main contractor to carry out the supply, installation, testing and commissioning of mechanical and electrical engineering works for the district cooling plant system at Bandar Baru Perda, Bukit Mertajam, Penang by District Cooling Systems Sdn Bhd *	2,814,569

Notes :

* BAC Cooling Technology Sdn Bhd, Linear Towerline (M) Sdn Bhd and District Cooling Systems Sdn Bhd are subsidiaries of Linear Corporation Berhad

Baltimore Aircoil Inc is a major shareholder holding 30% direct equity interest in BAC Cooling Technology Sdn Bhd

^ LFE Corporation Berhad is a person connected with the company's Executive Director and major shareholder, Alan Rajendram A/L Jeya Rajendram by virtue of Section 122A (3)(c) of the Companies Act, 1965

+ LFE Engineering Sdn Bhd is a subsidiary of LFE Corporation Berhad

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

5. Sanctions & Penalties

There were no sanctions/penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body during the financial year.

6. Non-audit Fees

There were no non-audit fees paid or payable by the Company or the Group to the external auditors or a firm or company affiliated to the external auditors in respect of the financial year.

7. Profit Estimate, Forecast or Projection & Variation In Results

The Company did not publish any profit estimates, forecasts or projections for the financial year. There were no variances of 10% or more between the audited results for the financial year and the un-audited results announced.

8. Profit Guarantee

There were no profit guarantees given by the Company and its subsidiaries in respect of the financial year.

9. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting as at the financial year or entered into during the financial year, by the Company and its subsidiaries which involved the interest of the Directors and major shareholders of the Company.

10. Revaluation of Landed Properties

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

11. American Depository Receipt ("ADR") / Global Depository Receipt ("GDR") Programme

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

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services.

The principal activities of the Group are investment holding, manufacturing and trading of cooling towers and spare parts, construct, own and operate a district cooling plant to produce and supply of chilled water and providing water treatment services.

There have been no significant changes in the nature of these activities during the financial year except that the Group have disposed of three subsidiary companies, Times Engineering Systems Co. Ltd., Linear TES Co. Ltd. and LETC Engineering Sdn. Bhd. as disclosed in Note 7 to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	4,194,192	(1,913,951)
Attributable to:		
Equity holders of the Company	4,261,401	(1,913,951)
Minority interest	(67,209)	0
	4,194,192	(1,913,951)

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:-

- (a) the bad debts written off and allowance for doubtful debts as mentioned in Note 25 to the financial statements; and
- (b) the gain on disposal of subsidiary companies as mentioned in Note 7 to the financial statements.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend for 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 did not issue any new shares or debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

WARRANTS

On 25 September 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 24 September 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. The exercise period of the warrants expired on 24 September 2008 and all of the remaining unexercised warrants have lapse and became null and void on the expiry date.

EMPLOYEES' SHARE OPTIONS SCHEME

The Company's Employees' Share Option Scheme ("ESOS") which became effective on 14 August 2003 for a period of 5 years was extended for another 5 years up to 13 August 2013 during the financial year.

Details of the ESOS are set out in Note 16 to the financial statements.

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. No options under the ESOS has been granted by the Company to any person during the financial year.

DIRECTORS

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

Alan Rajendram A/L Jeya Rajendram
Eswaramoorthy Pillay S/O Amuther
Pervez Rustim Manecksha @Paul Manecksha
Heinrich August Diehl
Mevin Nevis A/L AF Nevis
Kok Seng Loong

DIRECTORS' INTERESTS

The shareholdings in the Company of those who are 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:-

Shareholdings in the Company	Number of Ordinary Shares of RM1 each			
	At 1-1-2008	Bought	Sold	At 31-12-2008
Direct interest				
Alan Rajendram A/L Jeya Rajendram	1,461,000	0	(1,461,000)	0
Mevin Nevis A/L AF Nevis	0	100,000	0	100,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Shareholdings in the Company	Number of Ordinary Shares of RM1 each			
	At 1-1-2008	Bought	Sold	At 31-12-2008
Indirect interest				
Alan Rajendram A/L Jeya Rajendram *	14,372,518	0	0	14,372,518
Eswaramoorthy Pillay S/O Amuther *	14,372,518	0	0	14,372,518
Pervez Rustim Manecksha @ Paul Manecksha #	100,000	0	0	100,000

Warrants in the Company	Number of warrants of RM1 each				
	At 1-1-2008	Bought	Sold	Lapsed	At 31-12-2008
Indirect interest					
Alan Rajendram A/L Jeya Rajendram *	4,819,518	0	0	(4,819,518)	0
Eswaramoorthy Pillay S/O Amuther *	4,819,518	0	0	(4,819,518)	0

* Deemed interested by virtue of their shareholdings in Linear Holding Sdn. Bhd.

Deemed interested by virtue of his shareholding in Manecksha Enterprise.

By virtue of their interest in the shares of the Company, Mr. Alan Rajendram A/L Jeya Rajendram and Mr. Eswaramoorthy Pillay S/O Amuther 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

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate 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.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed 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 that the Directors received remuneration as directors of related corporations.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

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

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which 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
- (c) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
- (d) 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.

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 which secures the liability of any other person; and
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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 their obligations as and when they fall due.

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 30 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY Diong, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their Resolution,

ALAN RAJENDRAM A/L JEYA RAJENDRAM
Director

ESWARAMOORTHY PILLAY S/O AMUTHER
Director

Dated: 20 April 2009

STATEMENT BY DIRECTORS

The Directors of **LINEAR CORPORATION BERHAD**, state that, in their opinion, the financial statements set out on pages 12 to 77* are drawn up in accordance with the provisions of the Companies Act 1965 and Financial Reporting 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 at 31 December 2008 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with their Resolution,

ALAN RAJENDRAM A/L JEYA RAJENDRAM
Director

ESWARAMOORTHY PILLAY S/O AMUTHER
Director

Dated: 20 April 2009

STATUTORY DECLARATION

I, **ALAN RAJENDRAM A/L JEYA RAJENDRAM**, being the Director primarily responsible for the financial management of **LINEAR CORPORATION BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 77* are 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 **ALAN RAJENDRAM A/L**)
JEYA RAJENDRAM at Georgetown in the) **ALAN RAJENDRAM A/L JEYA RAJENDRAM**
State of Penang this 20 April 2009)
)

Before me,

No. P 092
QUAH KEAT JIN, PJM
Commissioner for Oaths

Note:
* Pages 29 to 74 of this annual report.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LINEAR CORPORATION BERHAD

(Company No. 288687-W) (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **LINEAR CORPORATION BERHAD**, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 77*.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Emphasis of Matter

Without qualifying our opinion, there were certain subsidiaries which show a capital deficiency and net current liabilities of RM13,235,599 and RM43,419,658 respectively. These subsidiaries also incurred a net loss after taxation of RM1,951,092 during the financial year. These factors raise concern that these subsidiaries will be able to continue as a going concern. The appropriateness of preparing the financial statements on the going concern basis depends on financial support from their shareholder and creditors and on these subsidiaries achieving future profitability and cash flows to meet their liabilities when they fall due.

Note:

* Pages 29 to 74 of this annual report.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF LINEAR CORPORATION BERHAD

(Company No. 288687-W) (Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY DIONG
No. AF-1411
Chartered Accountants

Penang

Dated : 20 April 2009

KOAY THEAM HOCK
No. 2141/04/11 (J)
Chartered Accountant

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	NOTE	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	54,958,871	44,527,417	1,097,250	1,389,850
Prepaid land lease payments	6	4,140,000	4,230,000	0	0
Investment in subsidiary companies	7	0	0	33,830,027	33,830,027
Investment in associated companies	8	4,308,260	3,851,324	4,830,000	4,830,000
Other investments	9	1,308,173	1,802,773	11	11
Goodwill on consolidation	10	0	90,862	0	0
Deferred tax assets	11	0	0	0	0
		64,715,304	54,502,376	39,757,288	40,049,888
CURRENT ASSETS					
Inventories	12	6,219,668	17,589,111	0	0
Receivables, deposits and prepayments	13	42,229,693	130,280,707	40,842,681	38,599,212
Tax recoverable		168,836	230,307	0	78,342
Deposits with a licensed bank	14	487,521	470,126	0	0
Cash and bank balances	15	24,830,827	3,102,632	31,506	1,966,701
		73,936,545	151,672,883	40,874,187	40,644,255
TOTAL ASSETS		138,651,849	206,175,259	80,631,475	80,694,143

The annexed notes form part of the financial statements.

BALANCE SHEETS (CONT'D)

AS AT 31 DECEMBER 2008

	NOTE	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
EQUITY AND LIABILITIES					
Share capital	16	75,104,777	75,104,777	75,104,777	75,104,777
Less: Treasury shares, at cost	16	(1,999,279)	(1,999,279)	(1,999,279)	(1,999,279)
Retained profit/(Accumulated losses)		1,777,981	(2,604,920)	(41,785,477)	(39,871,526)
Other reserves	17	3,496,222	3,583,756	20,771,125	20,771,125
Equity attributable to equity holders of the Company		78,379,701	74,084,334	52,091,146	54,005,097
Minority interest		2,104,522	2,171,731	0	0
TOTAL EQUITY		80,484,223	76,256,065	52,091,146	54,005,097
NON-CURRENT LIABILITIES					
Bank borrowings	18	12,483,705	8,404,760	0	0
Hire purchase payables	19	1,594,776	1,744,894	1,025,427	1,208,538
Deferred tax liabilities	20	2,097,100	2,147,664	0	0
		16,175,581	12,297,318	1,025,427	1,208,538
CURRENT LIABILITIES					
Payables	21	15,395,605	93,949,979	27,331,791	25,306,627
Bank borrowings	18	24,678,649	21,686,735	0	0
Hire purchase payables	19	544,808	751,940	183,111	173,881
Taxation		1,372,983	1,233,222	0	0
		41,992,045	117,621,876	27,514,902	25,480,508
TOTAL LIABILITIES		58,167,626	129,919,194	28,540,329	26,689,046
TOTAL EQUITY AND LIABILITIES		138,651,849	206,175,259	80,631,475	80,694,143

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTE	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	22	52,699,320	158,235,35	778,600	267,100
Other income		12,247,049	6,941,073	14,887,592	1,864,324
Contract cost		0	(1,134,586)	0	0
Changes in inventories of finished goods and work-in-progress		(6,505,165)	1,854,028	0	0
Raw materials and consumables used		(10,976,362)	(15,998,921)	0	0
Purchase of trading merchandise		(17,504,958)	(105,909,670)	0	0
Amortisation of prepaid land lease payments		(90,000)	(90,000)	0	0
Depreciation		(2,427,523)	(2,785,290)	(292,600)	(73,150)
Staff costs	23	(5,222,019)	(6,477,120)	(1,350,801)	(1,578,611)
Share of profit/(loss) of associated companies		456,936	(208,780)	0	0
Impairment loss of investment in subsidiary companies		0	0	0	(351,053)
Other expenses		(14,975,594)	(25,292,743)	(15,184,245)	(12,791,449)
Finance costs	24	(2,797,244)	(2,468,728)	(59,255)	(7,849)
PROFIT/(LOSS) BEFORE TAX	25	4,904,440	6,664,620	(1,920,709)	(12,670,688)
Tax expense	26	(710,248)	(1,680,654)	6,758	0
PROFIT/(LOSS) FOR THE YEAR		4,194,192	4,983,966	(1,913,951)	(12,670,688)
Attributable to:					
Equity holders of the Company		4,261,401	5,026,520	(1,913,951)	(12,670,688)
Minority interest		(67,209)	(42,554)	0	0
		4,194,192	4,983,966	(1,913,951)	(12,670,688)
EARNINGS PER SHARE					
Basic earnings per share (sen)	27	5.91	6.97		

The annexed notes form part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

Group	Non-distributable						Attributable to equity holders			Total equity RM
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Translation reserve RM	Treasury shares RM	Accumulated losses RM	of the parent RM	Minority interest RM	
At 1 January 2007	75,104,777	1,439,631	301,000	1,711,513	336,973	(1,999,230)	(7,746,083)	69,148,581	2,101,913	71,250,494
Repurchase of 100 treasury shares	0	0	0	0	0	(49)	0	(49)	0	(49)
Translation difference in subsidiary companies	0	0	0	0	(90,718)	0	0	(90,718)	0	(90,718)
Disposal of a subsidiary company	0	0	0	0	0	0	0	0	112,372	112,372
Transfer of revaluation surplus	0	0	0	(114,643)	0	0	114,643	0	0	0
Net income and expense recognised directly in equity	0	0	0	(114,643)	(90,718)	0	114,643	(90,718)	112,372	21,654
Profit for the year	0	0	0	0	0	0	5,026,520	5,026,520	(42,554)	4,983,966
Total recognised income and expense	0	0	0	(114,643)	(90,718)	0	5,141,163	4,935,802	69,818	5,005,620
At 31 December 2007	75,104,777	1,439,631	301,000	1,596,870	246,255	(1,999,279)	(2,604,920)	74,084,334	2,171,731	76,256,065

Group	Non-distributable						Attributable to equity holders			Total equity RM
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Translation reserve RM	Treasury shares RM	(Accumulated losses)/ Retained profit RM	of the parent RM	Minority interest RM	
At 1 January 2008	75,104,777	1,439,631	301,000	1,596,870	246,255	(1,999,279)	(2,604,920)	74,084,334	2,171,731	76,256,065
Disposal of revalued assets	0	0	0	(7,013)	0	0	7,013	0	0	0
Disposal of subsidiary companies (Note 7)	0	0	0	0	33,966	0	0	33,966	0	33,966
Transfer of revaluation surplus	0	0	0	(114,487)	0	0	114,487	0	0	0
Net income and expense recognised directly in equity	0	0	0	(121,500)	33,966	0	121,500	33,966	0	33,966
Profit for the year	0	0	0	0	0	0	4,261,401	4,261,401	(67,209)	4,194,192
Total recognised income and expense	0	0	0	(121,500)	33,966	0	4,382,901	4,295,367	(67,209)	4,228,158
At 31 December 2008	75,104,777	1,439,631	301,000	1,475,370	280,221	(1,999,279)	1,777,981	78,379,701	2,104,522	80,484,223

The annexed notes form part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

Company	Non-distributable					Accumulated losses RM	Total equity RM
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Treasury shares RM		
At 1 January 2007	75,104,777	1,439,631	301,000	19,030,494	(1,999,230)	(27,200,838)	66,675,834
Repurchase of 100 treasury shares	0	0	0	0	(49)	0	(49)
Loss for the year	0	0	0	0	0	(12,670,688)	(12,670,688)
At 31 December 2007	75,104,777	1,439,631	301,000	19,030,494	(1,999,279)	(39,871,526)	54,005,097
At 1 January 2008	75,104,777	1,439,631	301,000	19,030,494	(1,999,279)	(39,871,526)	54,005,097
Loss for the year	0	0	0	0	0	(1,913,951)	(1,913,951)
At 31 December 2008	75,104,777	1,439,631	301,000	19,030,494	(1,999,279)	(41,785,477)	52,091,146

The annexed notes form part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	4,904,440	6,664,620	(1,920,709)	(12,670,688)
Adjustments for:				
Amortisation of prepaid land lease payments	90,000	90,000	0	0
Allowance for doubtful debts	892,333	5,778,688	0	5,669,864
Allowance for doubtful debts no longer required	(80,615)	(26,187)	0	(5,228)
Allowance for slow moving inventories	60,000	0	0	0
Bad debts written off	3,416,562	8,518,765	138,425	5,536,139
Depreciation	2,427,523	2,785,290	292,600	73,150
Gain on disposal of investment in quoted shares	0	(856,738)	0	(856,738)
Gain on disposal of subsidiary companies	(9,009,850)	(13,033)	0	0
Over amortisation of goodwill in prior year	0	(147,385)	0	0
Impairment loss of investment in subsidiary companies	0	0	0	351,053
Impairment of goodwill	90,862	0	0	0
Impairment loss of investment in quoted shares	494,600	0	0	0
Loss on disposal of investment in subsidiary companies	0	0	14,529,939	0
Reversal of impairment loss of investment in subsidiary companies no longer required	0	0	(14,529,942)	0
Unrealised gain in foreign exchange	(1,907,939)	0	(357,650)	0
Loss on disposal of an associated company	0	10,000	0	0
Loss on disposal of property, plant and equipment	961,155	2,666	0	0
Property, plant and equipment written off	0	143,953	0	0
Share of profit/(loss) of associated companies	(456,936)	208,780	0	0
Unrealised loss on foreign exchange	0	1,905,395	0	1,120,636
Waiver of debts	(100,000)	0	0	0
Interest income	(17,452)	(19,308)	0	(2,358)
Interest on bank borrowings	1,487,705	1,473,177	0	0
Interest on hire purchase	174,187	88,969	59,255	7,849
Interest on term loans	1,103,485	812,762	0	0
Operating profit/(loss) before working capital changes	4,530,060	27,420,414	(1,788,082)	(776,321)
Inventories	11,309,443	692,877	0	0
Receivables, deposits and prepayments	86,055,231	(104,482,789)	(2,024,244)	1,037,189
Payables	(69,699,408)	79,023,135	2,025,164	(2,152,923)
	32,195,326	2,653,637	(1,787,162)	(1,892,055)
Taxation paid	(444,913)	(178,517)	0	0
Taxation refunded	85,100	70,000	85,100	70,000
Net cash flow from operating activities	31,835,513	2,545,120	(1,702,062)	(1,822,055)

The annexed notes form part of the financial statements.

CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOW FROM INVESTING ACTIVITIES				
Interest received	57	2,534	0	2,358
Purchase of investment in an associated company	0	(100,000)	0	0
Purchase of property, plant and equipment (Note a)	(18,488,206)	(375,342)	0	(60,000)
Proceeds from disposal of investment in an associated company	0	90,000	0	0
Proceeds from disposal of investment in quoted shares	0	3,181,786	0	3,181,786
Proceeds from disposal of subsidiary companies	0	0	3	0
Proceeds from disposal of non-current asset held for sales	0	2,800,000	0	0
Proceeds from disposal of property, plant and equipment	3,656,508	145,457	0	0
Disposal of subsidiary companies (Note 7)	1,247,187	(17,640)	0	0
Net cash flow from investing activities	(13,584,454)	5,726,795	3	3,124,144
CASH FLOW FROM FINANCING ACTIVITIES				
Amount owing to Directors	(800,053)	(1,591,738)	0	0
Interest paid	(2,765,377)	(2,374,908)	(59,255)	(7,849)
Proceeds from bank borrowings	32,263,000	40,192,214	0	0
Repayment of bank borrowings	(31,005,147)	(43,166,589)	0	0
Repayment of hire purchase payables	(549,915)	(252,417)	(173,881)	(20,581)
Proceeds from long term loans	6,618,931	0	0	0
Repayment of long term loans	(1,190,480)	(595,240)	0	0
Repurchase of treasury shares	0	(49)	0	(49)
Net cash flow from financing activities	2,570,959	(7,788,727)	(233,136)	(28,479)
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,822,018	483,188	(1,935,195)	1,273,610
Effect of exchange difference	521,622	(21,716)	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(7,840,126)	(8,301,598)	1,966,701	693,091
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note b)	13,503,514	(7,840,126)	31,506	1,966,701
Represented by :				
(a) Purchase of property, plant and equipment:				
- financed by hire purchase arrangements	411,500	1,716,875	0	1,403,000
- financed by cash	18,488,206	375,342	0	60,000
- additions during the year (Note 5)	18,899,706	2,092,217	0	1,463,000
(b) Analysis of cash and cash equivalents:				
- cash and bank balances	24,830,827	3,102,632	31,506	1,966,701
- bank overdraft (Note 18)	(11,327,313)	(10,942,758)	0	0
	13,503,514	(7,840,126)	31,506	1,966,701

The annexed notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services.

The principal activities of the Group are investment holding, manufacturing and trading of cooling towers and spare parts, construct, own and operate a district cooling plant to produce and supply of chilled water and providing water treatment services.

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 registered office and principal place of business of the Company are located at Plot 20A Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 April 2009.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

(a) Standards that are effective

During the financial year, the Group and the Company have adopted the new and revised Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for accounting year beginning on or after 1 January 2008 as follows:

FRSs and amendments to FRSs

FRS 107:	Cash Flow Statements
FRS 112:	Income Taxes
FRS 118:	Revenue
Amendments to FRS 121:	The Effects of Changes in Foreign Exchange Rates - Net investments in a Foreign Operation
FRS 134:	Interim Financial Reporting
FRS 137:	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned new FRSs have not resulted in principal changes in accounting policies of the Group and the Company and does not have any material financial effect on the results of the Group and the Company for the current and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

2. BASIS OF PREPARATION (CONT'D)

- (b) Standards and Issues Committee ("IC") Interpretations issued by MASB that are not yet effective and have not been early adopted

The new standards and interpretations that are mandatory for the Group and the Company's financial year beginning on or after 1 January 2010, but which the Group and the Company has not early adopted, are as follows:

FRSs and IC	Effective for financial year beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC 9: Reassessment of Embedded Derivatives	1 January 2010
IC 10: Interim Financial Reporting and Impairment	1 January 2010

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year except as disclosed in Note 2.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation.

All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised loss are also eliminated unless cost cannot be recovered.

Minority interest represent the portion of profit and loss and net assets in subsidiary companies not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities share of changes in the subsidiary companies' equity since then.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.22.

The Group carried its buildings, apartments and flats at revalued amounts. These assets shall be revalued at a regular interval of at least once every 5 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 recognised in 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.

Freehold land and assets in progress are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows :

Buildings	2%
Flats	2%
Apartments	2% to 5%
District cooling plant	2% to 5%
Plant and machinery	10% to 20%
Moulds, tools and equipment	5% to 20%
Office equipment, furniture and fittings	8% to 20%
Motor vehicles	20%
Renovation	10%

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in the income statement. On disposal of revalued assets or crystallisation of deferred tax liabilities on revalued assets, the amount in revaluation reserve account relating to such assets are transferred to retained profits.

3.3 Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating lease (net of any incentives received from the lessor) are recognised in the income statement on the straight line basis over the period of the respective lease are 50 years.

The prepaid land leases were last revalued in 2004 using the open market value basis. The Directors have adopted the transitional provisions in FRS 117 Leases as allowed for by the Malaysian Accounting Standards Board to retain the unamortised amount as the surrogate carrying amount of prepaid land lease payments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Construction contract

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 the 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.

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.

3.5 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 the 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. When there is an indication of impairment in the value of the assets, the carrying amount of the investments 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 profits.

When there is an indication of impairment in the value of the assets, the carrying amount of the investment are assessed and written down immediately to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Investments in associated companies

An associated company is a non-subsiary 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 equity method of accounting based on the latest audited financial statements of the associated companies made up to 31 December 2008. 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.

When there is an indication of impairment in the value of the assets, the carrying amount of the investments are assessed and written down immediately to its recoverable amount.

3.7 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.

Investments in club memberships are stated at cost.

Where there is an indication of impairment in the value of the assets, the carrying amounts of the investments are assessed and written down immediately to its recoverable amount.

3.8 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Negative goodwill on consolidation is recognised in the income statements at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the units and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Inventories

Inventories comprising raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value.

Cost is determined principally on the first-in, first out basis. Cost of raw materials, spare and components, construction materials, trading goods and indirect material 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 overhead.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses to make the sale.

3.10 Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

3.11 Cash and cash equivalents

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

Fixed deposit with a licensed bank which is pledged as security for banking facilities is not included in cash and cash equivalents.

3.12 Equity instrument

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3.13 Treasury shares

When the Company reacquires its own equity share capital, the consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When the treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3.14 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Borrowings

Borrowings are recorded at the amount of the proceeds received net of transaction costs. Borrowing costs are recognised in the income statement as an expense in the financial year in which they are incurred.

3.16 Hire purchase

Property, plant and equipment acquired under hire purchase arrangement are capitalised in the financial statements and the corresponding obligation is treated as liability. Interest is allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liability.

These property, plant and equipment are depreciated in accordance with the depreciation policy of the Group.

3.17 Provisions

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3.18 Income tax

Income tax on the profit or loss for the financial year comprise of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

3.19 Foreign currency conversion

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

Transaction 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 statement as they arise.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Contingent liabilities

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

3.21 Revenue recognition

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

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised on the time proportion basis takes into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Rental income from investment properties is recognised on the straight-line basis over the term of the relevant lease.

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

Management fee and other operating income are recognised on an accrual basis.

3.22 Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of their assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belong to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of unit on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Impairment of assets (cont'd)

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as revaluation increase.

3.23 Financial instruments

Financial instruments are recognised on the balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

3.24 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group's contribution to defined contribution plans, known as Employees' Provident Fund ("EPF") are recognised in the income statement in the financial year to which they relate.

(iii) Employees equity compensation benefits

The Company has an Employee's Share Option Scheme whereby options to subscribe for ordinary shares in the Company were granted by the Company to eligible employees, including Directors of the Group.

Prior to 1 January 2006, no compensation expenses was recognised in income statements for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

3.25 Research and development expenditure

Research and development expenditure is recognised in the income statement as an expense when it is incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are in respect of the impairment of goodwill.

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. PROPERTY, PLANT AND EQUIPMENT

Group	At 1 January RM	Additions RM	Disposals of subsidiary companies RM	Disposals RM	At 31 December RM
Cost unless stated otherwise					
2008					
At 2004 valuation					
Buildings	15,000,000	0	0	(4,250,000)	10,750,000
Flats	395,000	0	0	0	395,000
Apartments	1,567,928	0	(1,377,928)	0	190,000
At cost					
Freehold land	2,182,130	0	(105,365)	0	2,076,765
Buildings	75,447	11,900	0	(16,360)	70,987
District cooling plant	24,023,327	18,169,619	0	0	42,192,946
Plant and machinery	10,567,380	4,400	0	(5,571,321)	5,000,459
Moulds, tools and equipment	5,226,331	53,223	0	0	5,279,554
Office equipment, furniture and fittings	2,596,696	49,130	(430,761)	0	2,215,065
Motor vehicles	3,933,976	528,034	(250,714)	(3,700)	4,207,596
Renovation	362,950	83,400	(89,618)	0	356,732
Assets in progress	95,731	0	(95,731)	0	0
	66,026,896	18,899,706	(2,350,117)	(9,841,381)	72,735,104

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	At 1 January RM	Current charge RM	Disposals of subsidiary companies RM	Disposals RM	At 31 December RM
Accumulated depreciation					
2008					
At 2004 valuation					
Buildings	900,000	257,500	0	(297,500)	860,000
Flats	23,700	7,900	0	0	31,600
Apartments	263,141	3,800	(251,741)	0	15,200
At cost					
Buildings	3,503	1,484	0	(934)	4,053
District cooling plant	1,821,780	1,099,845	0	0	2,921,625
Plant and machinery	9,010,941	187,624	0	(4,922,077)	4,276,488
Moulds, tools and equipment	5,067,690	45,867	0	0	5,113,557
Office equipment, furniture and fittings	2,151,539	141,299	(392,163)	0	1,900,675
Motor vehicles	2,010,780	641,974	(211,633)	(3,207)	2,437,914
Renovation	246,405	40,230	(71,514)	0	215,121
	21,499,479	2,427,523	(927,051)	(5,223,718)	17,776,233

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	At 1 January RM	Reclassification RM	Additions RM	Disposals of subsidiary company RM	Disposals RM	Translation reserve RM	At 31 December RM
Cost unless stated otherwise							
2007							
At 2004 valuation							
Buildings	15,000,000	0	0	0	0	0	15,000,000
Flats	395,000	0	0	0	0	0	395,000
Apartments	1,560,332	0	0	0	0	7,596	1,567,928
At cost							
Freehold land	2,085,600	96,050	0	0	0	480	2,182,130
Buildings	54,185 0	0	40,521	0	(19,259)	0	75,447
District cooling plant	24,116,377	(96,050)	3,000	0	0	0	24,023,327
Plant and machinery	11,147,850	0	345,256	(925,726)	0	0	10,567,380
Moulds, tools and equipment	5,434,531	0	108,874	(36,732)	(280,342)	0	5,226,331
Office equipment, furniture and fittings	2,561,600	0	117,408	0	(83,431)	1,119	2,596,696
Motor vehicles	2,507,647	0	1,463,000	(37,400)	0	729	3,933,976
Renovation	423,158	0	14,158	0	(74,366)	0	362,950
Assets in progress	95,295	0	0	0	0	436	95,731
	65,381,575	0	2,092,217	(999,858)	(457,398)	10,360	66,026,896

Group	At 1 January RM	Reclassification RM	Current Charge RM	Disposals of subsidiary company RM	Disposals RM	Translation reserve RM	At 31 December RM
Accumulated depreciation							
2007							
At 2004 valuation							
Buildings	600,000	0	300,000	0	0	0	900,000
Flats	15,800	0	7,900	0	0	0	23,700
Apartments	173,857	0	88,181	0	0	1,103	263,141
At cost							
Buildings	2,039	0	1,464	0	0	0	3,503
District cooling plant	904,168	0	917,612	0	0	0	1,821,780
Plant and machinery	8,894,697	0	698,268	(582,024)	0	0	9,010,941
Moulds, tools and equipment	5,094,287	0	74,179	(14,782)	(85,994)	0	5,067,690
Office equipment, furniture and fittings	1,992,278	0	201,570	0	(42,968)	659	2,151,539
Motor vehicles	1,591,242	0	456,691	(37,398)	0	245	2,010,780
Renovation	243,341	0	39,425	0	(36,361)	0	246,405
	19,511,709	0	2,785,290	(634,204)	(165,323)	2,007	21,499,479

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Net book value	Group	
	2008 RM	2007 RM
At 2004 valuation		
Buildings	9,890,000	14,100,000
Flats	363,400	371,300
Apartments	174,800	1,304,787
At cost		
Freehold land	2,076,765	2,182,130
Buildings	66,934	71,944
District cooling plant	39,271,321	22,201,547
Plant and machinery	723,971	1,556,439
Moulds, tools and equipment	165,997	158,641
Office equipment, furniture and fittings	314,390	445,157
Motor vehicles	1,769,682	1,923,196
Renovation	141,611	116,545
Assets in progress	0	95,731
	<hr/>	<hr/>
	54,958,871	44,527,417

Company

2008

	Motor vehicle RM
At cost	
At 1 January/31 December 2008	<hr/> 1,463,000
Accumulated depreciation	
At 1 January 2008	73,150
Current charge	292,600
	<hr/>
At 31 December 2008	365,750
	<hr/>
Net book value	
At 31 December 2008	<hr/> 1,097,250

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company

2007

	Motor vehicle RM
At cost	
At 1 January 2007	0
Additions	1,463,000
At 31 December 2007	1,463,000
Accumulated depreciation	
At 1 January 2007	0
Current charge	73,150
At 31 December 2007	73,150
Net book value	
At 31 December 2007	1,389,850

Certain property, plant and equipment of the Group with net book value amounting to RM41,800,825 (2007: RM24,732,260) have been pledged to banks for banking facilities granted to a subsidiary company as referred to in Note 18.

The strata titles of the flats and apartments have not yet been issued to the subsidiary companies by the relevant authority.

Included in the above property, plant and equipment of the Group and of the Company are assets acquired under hire purchase arrangements as follows :-

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Net book value				
Motor vehicles	1,769,680	1,865,169	1,097,250	1,389,850
Plant and machinery	0	231,447	0	0
	1,769,680	2,096,616	1,097,250	1,389,850

The buildings, flats and apartments of the Group were revalued by the Directors in 2004 based on a valuation exercise carried out by independent firms of professional valuers, using the 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 THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Group	
	2008 RM	2007 RM
Cost	9,438,264	15,916,469
Less: Accumulated depreciation	(2,764,456)	(4,110,638)
Carrying amount	6,673,808	11,805,831

6. PREPAID LAND LEASE PAYMENTS

	Group	
	2008 RM	2007 RM
At 1 January	4,230,000	4,320,000
Amortisation for the year	(90,000)	(90,000)
At 31 December	4,140,000	4,230,000
Analysed as:		
Short term leasehold land	4,140,000	4,230,000

The unexpired lease period of the short leasehold land is 44 years.

The leasehold land of the Group were revalued by the Directors in 2004 based on a valuation exercise carried out by independent firms of professional valuers, using the open market value on existing use basis.

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2008 RM	2007 RM
Unquoted shares		
At cost	25,032,937	37,578,233
Less: Accumulated impairment loss	(23,301,926)	(35,847,222)
At 1999 valuation	1,731,011	1,731,011
	32,099,016	32,099,016
	33,830,027	33,830,027

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Place of incorporation	Effective interest		Principal activities
		2008	2007	
Linear Cooling Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacture and trading of cooling towers, designing and building of district cooling system plant
Linear Water Treatment Sdn. Bhd.	Malaysia	100%	100%	Providing water treatment services
Linear District Cooling (GCC) Sdn. Bhd. (formerly known as Linear Ice Solutions Sdn. Bhd.)	Malaysia	100%	100%	Dormant
Linear-TES Sdn. Bhd. (formerly known as Linear Ventures Sdn. Bhd.)	Malaysia	100%	100%	Investment holding
PrimeAce Holdings Sdn. Bhd.	Malaysia	100%	100%	Investment holding
District Cooling Systems Sdn. Bhd.	Malaysia	100%	100%	Construct, own and operate a district cooling plant to produce and supply of chilled water
Imux (Asia) Limited	Labuan	100%	100%	Dormant
BAC Cooling Technology Sdn. Bhd.	Malaysia	70%	70%	Manufacture and trading of cooling towers
PrimeAce Venture Limited	British Virgin Island	65%	65%	Investment holding in ICT related services
Linear Water Tank Sdn. Bhd.	Malaysia	100%	100%	Sales and distributor of and dealer in water tank, however, the company had ceased operation and became dormant since year 2005
Linear Composites Sdn. Bhd.	Malaysia	100%	100%	Investment holding
LETC Engineering Sdn. Bhd.	Malaysia	0%	70%	Providing mechanical and engineering services, however, the company had ceased operations and became dormant since year 2006

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Place of incorporation	Effective interest		Principal activities
		2008	2007	
Linear Cooling Technology Sdn. Bhd.	Malaysia	100%	100%	Trading of cooling towers
Linear Towerline (M) Sdn. Bhd. (formerly known as Nihon Spindle (M) Sdn.Bhd.)	Malaysia	100%	100%	Trading of cooling towers and cooling tower spare parts
Linear Cooling Industries Pte. Ltd. *	Singapore	0%	100%	The company had been struck off from the register of Accounting and Corporate Regulatory Authority of Singapore
Times Engineering Systems Co. Ltd. *	Thailand	0%	70%	Providing mechanical and engineering services and construction, however, the company had ceased operations and became dormant since year 2006
Held by Times Engineering Systems Co. Ltd.				
Linear TES Co. Ltd. ^ *	Thailand	0%	43.75%	Investment holding
Held by PrimeAce Venture Limited				
Unified Systems Pte. Ltd. *	Singapore	70%	70%	Providing computer programming, consultancy and other computer related services
Held by Linear Cooling Industries Sdn. Bhd.				
Ko Lim BAC Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Held by Linear Composites Sdn. Bhd.				
Linear Composites Marketing Sdn. Bhd.	Malaysia	100%	100%	Sale and distributor of and dealer of fibreglass, reinforce plastics, however, the company had ceased operation and became dormant since year 2005
Held by PrimeAce Venture Limited				
Idea-Hub.Com Limited *	Hong Kong	51%	51%	Investment holding and providing ICT related services

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

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

Disposal of subsidiary companies

On 4 January 2008, the Group disposed of its 70% equity interest in Times Engineering Systems Co. Ltd. for a total cash sale consideration of RM1.00.

On 7 January 2008, the Group disposed of its 43.75% equity interest in Linear TES Co. Ltd. for a total cash sale consideration of RM1.00.

On 26 December 2008, the Group disposed of its 70% equity interest in LETC Engineering Sdn. Bhd. for a total cash sale consideration of RM1.00.

The effect of the disposal on the financial results of the Group for the year was as follows:

	2008 RM
Loss for the year	75,211

The effect of the disposal on the financial position of the Group as at 31 December 2008 was as follows:

	RM
Property, plant and equipment	1,423,066
Receivables, deposits and prepayments	276,419
Cash and bank balances	8,775
Payables	(9,077,512)
Taxation	(180,767)
Hire purchase payables	(218,835)
Bank overdraft	(1,255,959)
Deferred taxation	(19,000)
Translation reserve	33,966
Net assets disposed of	(9,009,847)
Total disposal proceeds	(3)
Gain on disposal to the Group	(9,009,850)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

	2008 RM
Disposal proceeds settled by:	
Cash	3
<hr/>	
Cash flow arising from disposal:	
Cash consideration, representing cash inflow of the Group	3
Less: Cash and cash equivalents of the subsidiary company disposed of	1,247,184
<hr/>	
Net cash flow of the Group	1,247,187

8. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 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 dividend received	(521,740)	(978,676)	0	0
<hr/>				
	4,308,260	3,851,324	4,830,000	4,830,000

The summarised audited financial information of associate companies, Boustead Linear Corporation Sdn. Bhd. and Borneo Pacific Linear Sdn. Bhd. are as follows:

	Group	
	2008 RM	2007 RM
Total assets	28,245,540	30,192,680
Total liabilities	18,122,999	20,560,535
Revenue	12,278,886	9,608,198
Profit/(Loss) for the year	512,282	(521,950)

Associated companies	Place of incorporation	Effective interest		Principal activities
		2008	2007	
Boustead Linear Corporation Sdn. Bhd.	Malaysia	40%	40%	Construct, own and operate a district cooling plant to produce and supply of chilled water
Borneo Pacific Linear Sdn. Bhd.	Malaysia	30%	30%	Retail of cooling technology products and parts, and provision of related services

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

9. OTHER INVESTMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Quoted shares in Malaysia, at cost	4,528,118	9,638,125	31	31
Less: Accumulated impairment losses	(3,316,420)	(7,931,827)	(20)	(20)
	1,211,698	1,706,298	11	11
Unquoted shares in Malaysia, at cost	0	11,960,000	0	0
Less: Accumulated impairment losses	0	(11,960,000)	0	0
	0	0	0	0
Investment in club memberships, at cost	96,475	96,475	0	0
	1,308,173	1,802,773	11	11
At market value				
Quoted shares in Malaysia	1,212,647	2,276,292	6	13
Investment in club membership	90,000	160,500	0	0

10. GOODWILL ON CONSOLIDATION

	Group	
	2008 RM	2007 RM
At 1 January	90,862	2,198,337
Impairment of goodwill	(90,862)	0
Over amortisation of goodwill in prior years	0	147,385
Disposal of a subsidiary company	0	(2,254,860)
At 31 December	0	90,862

11. DEFERRED TAX ASSETS

	Group	
	2008 RM	2007 RM
At 1 January	0	206,000
Recognised in the income statement (Note 26)	0	(226,700)
Underprovision in respect of prior years	0	20,700
At 31 December	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

11. DEFERRED TAX ASSETS (CONT'D)

The estimated amount of net deferred tax assets calculated at applicable tax rate which have not been recognised in the financial statements, are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Allowance for slow moving inventories	77,500	67,500	0	0
Property, plant and equipment	718,200	432,490	(7,800)	(7,600)
Unabsorbed tax losses	2,129,500	1,986,700	228,700	228,700
Other temporary differences	54,300	97,910	0	0
	<u>2,979,500</u>	<u>2,584,600</u>	<u>220,900</u>	<u>221,100</u>

12. INVENTORIES

	Group	
	2008 RM	2007 RM
Raw materials	1,232,584	6,197,453
Spare and components	1,809,710	1,746,820
Indirect materials	21,076	19,445
Work-in-progress	142,266	3,990,465
Finished goods	3,014,032	5,634,928
	<u>6,219,668</u>	<u>17,589,111</u>

The cost of inventories of the Group recognised as an expense during the year was RM37,646,844 (2007: RM68,039,026).

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	28,904,408	122,096,839	0	0
Less: Allowance for doubtful debts	(1,093,452)	(8,927,974)	0	0
	<u>27,810,956</u>	<u>113,168,865</u>	<u>0</u>	<u>0</u>
Non-trade receivables	19,984,447	13,263,139	16,356,956	13,118,242
Less: Allowance for doubtful debts	(6,050,329)	(713,077)	(5,669,864)	(5,669,864)
	<u>13,934,118</u>	<u>12,550,062</u>	<u>10,687,092</u>	<u>7,448,378</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amount owing by associated companies	1,224	1,224	1,224	1,224
Less: Allowance for doubtful debts	(1,224)	(1,224)	(1,224)	(1,224)
	0	0	0	0
Amount owing by subsidiary companies	0	0	30,112,295	31,132,604
Deposits	93,592	138,862	770	770
Prepayments	391,027	4,422,918	42,524	17,460
	42,229,693	130,280,707	40,842,681	38,599,212

The credit terms of trade receivables given by the Group vary from 30 days to 180 days (2007: 30 to 180 days).

The amount owing by subsidiary companies is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

The currency exposure profile of trade and non-trade receivables is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	15,794,033	24,401,457	30,757,874	31,072,605
United States Dollars	23,152,641	77,456,036	10,041,513	7,508,377
Pound Sterling	0	23,586,990	0	0
Singapore Dollars	2,797,005	0	0	0
Thai Baht	0	273,049	0	0
Euro	1,395	1,395	0	0
	41,745,074	125,718,927	40,799,387	38,580,982

14. DEPOSITS WITH A LICENSED BANK

The deposits are placed with and pledged to a local licensed bank for banking facilities granted to the Group.

The annual effective interest rates of deposits at the balance sheet date are as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Deposits with a licensed bank	3.70	3.70	0	0

The deposits of the Group are maturing in January 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

15. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	314,534	3,082,880	31,506	1,966,701
United States Dollars	24,516,293	8,492	0	0
Thai Baht	0	8,441	0	0
Euro	0	2,819	0	0
	24,830,827	3,102,632	31,506	1,966,701

16. SHARE CAPITAL

	Group/Company	
	2008 RM	2007 RM
Authorised		
500,000,000 ordinary shares of RM1 each	500,000,000	500,000,000
Issued and fully paid		
75,104,777 ordinary shares of RM1 each	75,104,777	75,104,777

At an Annual General Meeting held on 23 June 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 30 June 2008.

As at 31 December 2008, out of the total 75,104,777 issued and paid-up share capital, 2,949,700 (2007: 2,949,700) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 72,155,077 (2007: 72,155,077) ordinary shares of RM1 each.

Warrants

On 25 September 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 24 September 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. The exercise period of the warrants expired on 24 September 2008 and all of the remaining unexercised warrants have lapse and became null and void on the expiry date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

16. SHARE CAPITAL (CONT'D)

Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") which became effective on 14 August 2003 for a period of 5 years was extended for another 5 years up to 13 August 2013 during the financial year.

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 of the performance, seniority and length of service of the eligible employee in the Group subject to the following:
 - (i) the number of share 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 under 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

16. SHARE CAPITAL (CONT'D)

Date of offer	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				Balance as at 31-12-2008
		Balance as at 01-01-2008	Granted	Exercised	Cancelled	
25 August 2003	1.16	1,604,000	0	0	(206,000)	1,398,000

17. OTHER RESERVES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Capital redemption reserve	301,000	301,000	301,000	301,000
Revaluation reserve	1,475,370	1,596,870	19,030,494	19,030,494
Share premium	1,439,631	1,439,631	1,439,631	1,439,631
Translation reserve	280,221	246,255	0	0
	3,496,222	3,583,756	20,771,125	20,771,125

The capital redemption reserve was created in year 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.

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

18. BANK BORROWINGS

	Group	
	2008 RM	2007 RM
Short Term Borrowings		
Unsecured		
Bank overdraft	11,327,313	9,129,975
Bankers' acceptance	10,980,885	9,505,399
Trust receipt	20,945	238,578
Balance carried forward	22,329,143	18,873,952

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

18. BANK BORROWINGS (CONT'D)

	2008 RM	Group 2007 RM
Balance brought forward	22,329,143	18,873,952
Secured		
Bank overdraft	0	1,812,783
Term loans	2,349,506	1,000,000
	24,678,649	21,686,735
Long Term Borrowings		
Secured		
Term loans	12,483,705	8,404,760
Total Borrowings		
Unsecured		
Bank overdraft	11,327,313	9,129,975
Bankers' acceptance	10,980,885	9,505,399
Trust receipt	20,945	238,578
	22,329,143	18,873,952
Secured		
Bank overdraft	0	1,812,783
Term loans	14,833,211	9,404,760
	14,833,211	11,217,543
	37,162,354	30,091,495

The bank borrowings are represented as follows:-

Not later than 1 year	24,678,649	21,686,735
Later than 1 year and not later than 2 years	2,550,840	736,031
Later than 2 years and not later than 3 years	2,769,427	799,103
Later than 3 years and not later than 4 years	2,493,381	867,580
Later than 4 years and not later than 5 years	1,083,664	941,925
Later than 5 years	3,586,393	5,060,121
	37,162,354	30,091,495

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

18. BANK BORROWINGS (CONT'D)

The annual effective interest rates are as follows:

	Group	
	2008	2007
	%	%
Bank overdraft	7.75 - 8.75	7.75 - 8.75
Bankers' acceptance	4.43 - 6.99	3.62 - 6.85
Term loans	8.21	7.50
Trust receipt	8.75	6.00 - 6.65

The unsecured bank borrowings are covered by the following :

- (a) negative pledge on all assets of certain subsidiary companies, both present and future;
- (b) corporate guarantee from the Company;
- (c) blanket counter indemnity;
- (d) general security agreement relating to goods;
- (e) trade financing general agreement;
- (f) blanket deed of assignment of contract proceeds; and
- (g) Deposits with a licensed bank (Note 14);

The secured term loans are covered by the following :

- (a) A legal charge over a subsidiary company's freehold land and district cooling plant;
- (b) Debenture on all current and future assets of a subsidiary company; and
- (c) Corporate guarantee from the Company.

The bankers' acceptance and trust receipt are maturing within January 2009 to April 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

19. HIRE PURCHASE PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Representing hire purchase liabilities				
- current	544,808	751,940	183,111	173,881
- non-current	1,594,776	1,744,894	1,025,427	1,208,538
	2,139,584	2,496,834	1,208,538	1,382,419
Hire purchase liabilities:				
Minimum hire purchase repayments				
- not later than 1 year	645,182	875,874	233,136	233,136
- later than 1 year but not later than 5 years	1,515,055	1,555,511	932,544	932,544
- later than 5 years	250,348	437,720	204,584	437,720
	2,410,585	2,869,105	1,370,264	1,603,400
Future finance charges on hire purchase	(271,001)	(372,271)	(161,726)	(220,981)
Present value of hire purchase liabilities	2,139,584	2,496,834	1,208,538	1,382,419
Present value of hire purchase liabilities				
- not later than 1 year	544,808	751,940	183,111	173,881
- later than 1 year but not later than 5 years	1,349,324	1,324,182	824,747	787,826
- later than 5 years	245,452	420,712	200,680	420,712
	2,139,584	2,496,834	1,208,538	1,382,419

The hire purchase payables bear interest at the rate of 2.33% to 6.01%. (2007: 2.33% to 4.25%) per annum.

The 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.

20. DEFERRED TAX LIABILITIES

	Group	
	2008 RM	2007 RM
At 1 January	2,147,664	1,893,412
Recognised in the income statement (Note 26):		
- property, plant and equipment	93,988	1,420,900
- adjustment resulting from reduction in tax rate	(12,300)	29,600
Disposal of subsidiary companies	(19,000)	0
Overprovision in respect of prior year	(72,564)	(1,155,500)
Effect of changes in accounting policy	0	0
Annual crystallisation of deferred tax on revaluation surplus	(40,688)	(40,748)
At 31 December	2,097,100	2,147,664

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

20. DEFERRED TAX LIABILITIES (CONT'D)

	Group	
	2008 RM	2007 RM
Subject to income tax:		
Deferred tax liabilities		
Property, plant and equipment	1,218,200	1,785,900
Revaluation surplus	1,790,300	1,833,664
Trade payables	482,300	266,700
Offsetting	(1,393,700)	(1,738,600)
Deferred tax liabilities (after offsetting)	2,097,100	2,147,664
Deferred tax assets (before offsetting)		
Allowance for slow moving inventories	352,000	366,000
Unabsorbed capital allowances	751,700	884,100
Property, plant and equipment	12,900	0
Trade receivables	277,100	384,300
Other temporary differences	0	104,200
Offsetting	(1,393,700)	(1,738,600)
Deferred tax assets (after offsetting)	0	0

A deferred tax income of RM40,688 (2007: RM40,748) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statement. 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 RM114,487 (2007: RM114,643) was transferred from revaluation reserve of the Group to retained profits.

21. PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	3,792,366	85,537,504	0	0
Non-trade payables	5,734,192	2,498,120	0	0
Amount owing to subsidiary companies	0	0	27,021,558	25,149,423
Amount owing to Directors	0	800,053	0	0
Accruals	5,790,443	1,885,375	310,233	157,204
Deposits received	78,604	228,927	0	0
Project deposit received	0	3,000,000	0	0
	15,395,605	93,949,979	27,331,791	25,306,627

The credit terms of trade payables given to the Group vary from 30 days to 90 days (2007: 30 to 90 days).

The amount owing to subsidiary companies is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

The amount owing to Directors was unsecured, interest free and had no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

21. PAYABLES (CONT'D)

The currency exposure profile of payables is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	15,004,439	20,635,604	27,331,791	25,306,627
Pound Sterling	0	16,558,292	0	0
United States Dollars	391,166	52,501,908	0	0
Japanese Yen	0	5,157	0	0
Thai Baht	0	4,238,267	0	0
Euro	0	10,751	0	0
	15,395,605	93,949,979	27,331,791	25,306,627

22. REVENUE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Sales of manufacturing goods	28,486,186	23,525,411	0	0
Sales of trading goods	22,931,512	131,150,985	0	0
Contract revenue	0	2,549,109	0	0
Management fee	0	0	78,600	267,100
Others	1,281,622	1,009,852	0	0
	52,699,320	158,235,357	78,600	267,100

23. STAFF COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Staff costs	5,222,019	6,477,120	1,350,801	1,578,611

Included in staff costs are contributions to a defined contribution plan as follows:

Defined contribution plan	449,866	738,137	110,932	137,384
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Included in staff costs are Executive Directors' remuneration as follows:

Executive Directors' remuneration:

- Directors' fee	30,000	22,000	30,000	22,000
- other emoluments	630,000	565,052	510,000	445,052
- defined contribution plan	46,800	41,400	32,400	27,000
	706,800	628,452	572,400	494,052

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

24. FINANCE COSTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Bank discounting and financing charges	29,452	88,731	0	0
Interest on bank borrowings	1,487,705	1,473,177	0	0
Interest on hire purchase	174,187	88,969	59,255	7,849
Interest on late payment	2,415	5,089	0	0
Interest on term loans	1,103,485	812,762	0	0
	2,797,244	2,468,728	59,255	7,849

25. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit/(Loss) before tax is arrived at after charging:				
Allowance for doubtful debts	892,333	5,778,688	0	5,669,864
Allowance for slow moving inventories	60,000	0	0	0
Audit fee				
- current year	98,950	104,888	36,000	30,000
Bad debts written off	3,416,562	8,518,765	138,425	5,536,139
Directors' remunerations				
- fee	30,000	22,000	30,000	22,000
- other emoluments	676,800	606,452	542,400	472,052
Impairment of goodwill	90,862	0	0	0
Impairment loss of investment in quoted shares	494,600	0	0	0
Impairment loss of investment in subsidiary companies	0	0	0	351,053
Loss on disposal of investment in subsidiary companies	0	0	14,529,939	0
Loss on disposal of an associated company	0	10,000	0	0
Loss on disposal of property, plant and equipment	961,155	2,666	0	0
Property, plant and equipment written off	0	143,953	0	0
Realised loss on foreign exchange	465,058	202,961	0	0
Rental of equipment	4,240	59,698	0	0
Rental of premises	496,331	499,367	0	30,468
Unrealised loss on foreign exchange	0	1,905,395	0	1,120,636
Profit/(Loss) before tax is arrived at after crediting :				
Allowance for doubtful debts no longer required	80,615	26,187	0	5,228
Gain on disposal of investment in quoted shares	0	856,738	0	856,738
Gain on disposal of subsidiary companies	9,009,850	13,033	0	0
Management fee	240,000	0	0	0
Over amortisation of goodwill in prior years	0	147,385	0	0
Interest income	17,452	19,308	0	2,358
Rental income	376,535	0	0	0
Reversal of impairment loss of investment in subsidiary companies no longer required	0	0	14,529,942	0
Unrealised gain in foreign exchange	1,907,939	0	357,650	0
Waiver of debts	100,000	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

26. TAX EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
The major components of the tax expense are:				
Current tax expense based on profit for the year	869,400	1,227,000	0	0
Overprovision of taxation in respect of prior years	(127,588)	(6,598)	(6,758)	0
	741,812	1,220,402	(6,758)	0
Deferred tax expense (Note 11 and 20):				
- relating to origination and reversal of temporary differences	93,988	1,420,900	0	0
- adjustment resulting from deduction in tax rate	(12,300)	29,600	0	0
- overprovision of deferred tax liabilities in respect of prior years	(72,564)	(949,500)	0	0
Annual crystallisation of deferred tax on revaluation surplus	(40,688)	(40,748)	0	0
	710,248	1,680,654	(6,758)	0

Reconciliation of tax expense/(income) and accounting profit/(loss):

Accounting profit/(loss) before taxation	4,904,440	6,664,620	(1,920,709)	(12,670,688)
Tax at the applicable tax rate of 26% (2007: 27%)	1,275,200	1,799,600	(499,400)	(3,421,100)
Tax effect of :				
- expenses not deductible for tax purposes	5,274,800	4,362,992	3,858,600	3,421,100
- income not subject to tax	(6,335,500)	(1,312,600)	(3,870,800)	0
- different tax rate of subsidiary companies	(21,300)	306,840	0	0
- tax savings from double deduction on promotion of export and marine insurance	(51,000)	(175,200)	0	0
- tax incentive granted to offshore company	(458,000)	(3,122,000)	0	0
Overprovision of taxation in respect of prior years	(127,588)	(6,598)	(6,758)	0
Deferred tax assets not recognised during the financial year	656,600	706,800	0	0
Overprovision of deferred tax liabilities in respect of prior year	(72,564)	(949,500)	0	0
Permanent loss not recognised during the financial year	516,500	70,320	511,600	0
Deferred tax expense resulting from reduction in tax rate	53,100	0	0	0
Tax expense/(income) for the year	710,248	1,680,654	(6,758)	0

Subject to agreement by the Inland Revenue Board, the Company has unabsorbed tax losses which may be utilised to offset against future taxable income of the Company as follows:

	Company	
	2008 RM	2007 RM
Unabsorbed tax losses	914,900	914,900

The Malaysian Budget 2008 introduced a single tier income tax system with effect from year of assessment 2008. Companies without Section 108 tax credit will automatically move to the new single tier dividend system on 1 January 2008 whilst companies with such tax credit are given an irrevocable option to switch to the new system during the transitional period of six years. All the companies will be in the new system on 1 January 2014. Under the new system, tax on profits of companies is a final tax and dividend distributed will be exempted from tax in the hands of shareholders. The Company does not have any Section 108 tax credit and thus it will be automatically moved to the new single tier dividend system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

27. BASIC EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company over the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Group	
	2008	2007
Profit attributable to ordinary equity holders of the Company (RM)	4,261,401	5,026,520
Weighted average number of ordinary shares in issue (units)	72,155,077	72,155,077
Basic earnings per share (sen)	5.91	6.97

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2008 RM	2007 RM
Management fee charged to subsidiary companies:		
- Linear Cooling Industries Sdn. Bhd.	76,000	264,800
- Linear Water Treatment Sdn. Bhd.	2,600	2,300
Rental charged by a subsidiary company:		
- Linear Towerline (M) Sdn. Bhd. (formerly known as Nihon Spindle (M) Sdn. Bhd.)	0	30,468
Facility maintenance charged to an associated company		
- Boustead Linear Corporation Sdn. Bhd.	0	770,200

The Directors of the Company are of the opinion that the related party transactions have been entered into in the normal course of business on an arm's length basis and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

29. CONTINGENT LIABILITY

	Company	
	2008 RM	2007 RM
Corporate guarantee extended to local banks for credit facility granted to and utilised by the subsidiary companies	37,162,354	29,260,072

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

30. SIGNIFICANT EVENTS

On 4 January 2008, the Group disposed of its entire issued and paid-up capital held in Times Engineering Systems Co. Ltd comprising 1,960,000 common stocks of Thai Bath 10 each for a total cash sale consideration of RM1.00.

On 7 January 2008, the Group disposed of its entire issued and paid-up capital held in Linear-TES Co. Ltd comprising 840,000 priority stocks of Thai Bath 10 each for a total cash sale consideration of RM1.00.

On 26 December 2008, the Group disposed of its entire issued and paid-up capital held in LETC Engineering Sdn. Bhd. comprising 1,400,000 ordinary shares of RM1.00 each for a total cash sale consideration of RM1.00.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to variety of financial risks, including foreign currency exchange 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 risk associated with financial instruments.

Foreign currency exchange 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.

Interest rate risk

The Group's exposures to changes in interest rate risk are related primarily to the Group's short term deposits with licensed banks and financing through bank overdraft, 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.

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.

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. Linear Cooling Industries Sdn. Bhd. has significant concentration of credit risk in 2 major customers.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

32. FINANCIAL INSTRUMENTS

Financial assets

The Group's and the Company's principal financial assets are investments, cash and bank balances, trade receivables, non-trade receivables, deposits, amount owing by subsidiary companies and deposits with a licensed bank.

The accounting policies applicable to the major financial assets are as disclosed in Note 3 to the financial statements.

Financial liabilities and equity instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments are recorded at the proceeds received.

Significant financial liabilities include trade payables, non-trade payables, accruals, deposits received, amount owing to subsidiary companies, bank borrowings and hire purchase payables.

Fair values

The carrying amounts of the Group's and the Company's cash and cash equivalents, investments, trade receivables, non-trade receivables, deposits, deposits with a licensed bank, trade payables, non-trade payables, accruals, deposits received, hire purchase payables and bank borrowings are assumed to approximate their fair values because of the short maturity of these instruments.

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

The financial assets and liabilities which is not carried at fair value on the balance sheets of the Group as at the end of the financial year is represented as follows:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 31 December 2008				
Financial assets:				
Other investment - quoted shares (Note 9)	1,211,698	1,212,647	11	6
Investment in club membership (Note 9)	96,475	90,000	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

32. FINANCIAL INSTRUMENTS (CONT'D)

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 31 December 2008				
Financial liabilities:				
Corporate guarantee	0	0	37,162,354	38,073,373
Hire purchase payables (Note 19)	2,139,584	2,292,474	1,208,538	1,296,532
Long term loan (Note 18)	14,833,211	15,744,230	0	0
At 31 December 2007				
Financial assets:				
Other investment - quoted shares (Note 9)	1,706,298	2,276,292	11	13
Investment in club membership (Note 9)	96,475	160,500	0	0
Financial liabilities:				
Corporate guarantee	0	0	29,260,072	29,831,099
Hire purchase payables (Note 19)	2,496,834	2,717,916	1,382,419	1,500,073
Long term loan (Note 18)	9,404,760	9,975,787	0	0

The fair values of investment in club memberships are estimated using current membership entrance fee.

The fair values of hire purchase payables and long term loans are estimated by discounting the expected future cash flows using the current interest rate for liabilities with similar risk profiles.

The fair value of contingent liabilities in respect of corporate guarantee given by the Company to certain local banks was determined based on the quotation from the bank on the amount required to settle the contingent obligations at the balance sheet date.

33. SEGMENTAL REPORTING

Business Segments

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

- Investment holding
- Manufacturing of cooling towers
- Engineering (includes designing and building district cooling system plants)
- Trading of cooling towers and solar panel
- Others (includes providing water treatment services, trading of water tank, composites and other compounds and information and communication technology (ICT) services)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

33. SEGMENTAL REPORTING (CONT'D)

2008	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Revenue							
External sales	0	23,464,348	5,054,894	22,931,512	1,248,566	0	52,699,320
Inter-segment sales	78,600	917,713	842,655	2,662,496	33,056	(4,534,520)	0
Total revenue	78,600	24,382,061	5,897,549	25,594,008	1,281,622	(4,534,520)	52,699,320
Results							
Segment results	4,140,865	(715,061)	(486,589)	3,966,829	338,704	0	7,244,748
Finance costs							(2,797,244)
Share of profit of associated companies							456,936
Profit before tax							4,904,440
Tax expense							(710,248)
Profit for the year							4,194,192
Other information							
Capital additions	0	729,637	18,169,619	450	0	0	18,899,706
Depreciation	405,580	835,338	1,148,945	30,726	6,934	0	2,427,523
Non-cash expenses other than depreciation and impairment loss	138,425	3,894,790	0	781,296	17,493	0	4,832,004
Assets							
Segment assets	16,098,615	52,403,698	43,487,060	21,426,669	758,711	0	134,174,753
Investment in associated companies	4,308,260	0	0	0	0	0	4,308,260
Income tax assets	2,382	0	0	149,583	16,871	0	168,836
Total assets	20,409,257	52,403,698	43,487,060	21,576,252	775,582	0	138,651,849
Liabilities							
Segment liabilities	536,811	5,484,294	8,971,555	116,370	286,575	0	15,395,605
Borrowings	1,359,110	21,096,501	16,846,327	0	0	0	39,301,938
Income tax liabilities	0	3,450,083	0	20,000	0	0	3,470,083
Total liabilities	1,895,921	30,030,878	25,817,882	136,370	286,575	0	58,167,626

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

33. SEGMENTAL REPORTING (CONT'D)

2007	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Revenue							
External sales	0	23,525,411	2,549,109	131,150,985	1,009,852	0	158,235,357
Inter-segment sales	267,100	12,789,445	0	0	141,230	(13,197,775)	0
Total revenue	267,100	36,314,856	2,549,109	131,150,985	1,151,082	(13,197,775)	158,235,357
Results							
Segment results	(12,647,916)	206,225	2,256,898	19,228,175	298,746	0	9,342,128
Finance costs							(2,468,728)
Share of loss of associated companies							(208,780)
Profit before tax							6,664,620
Tax expense							(1,680,654)
Profit for the year							4,983,966
Other information							
Capital additions	1,463,000	620,182	7,785	1,250	0	0	2,092,217
Depreciation of property, plant and equipment	249,882	1,390,338	1,103,557	31,628	9,885	0	2,785,290
Impairment loss of investment in a subsidiary company	351,053	0	0	0	0	0	351,053
Non-cash expenses other than depreciation and impairment loss	12,326,639	1,984,403	1,829,901	381,651	27,168	0	16,549,762
Assets							
Segment assets	15,901,943	56,079,108	30,435,039	99,035,990	641,548	0	202,093,628
Investment in associated companies	3,851,324	0	0	0	0	0	3,851,324
Income tax assets	76,721	0	0	153,586	0	0	230,307
Total assets	19,829,988	56,079,108	30,435,039	99,189,576	641,548	0	206,175,259
Liabilities							
Segment liabilities	384,422	7,859,086	9,240,814	76,229,948	235,709	0	93,949,979
Borrowings	1,584,939	18,311,053	12,692,337	0	0	0	32,588,329
Income tax liabilities	0	2,844,743	500,701	20,000	15,442	0	3,380,886
Total liabilities	1,969,361	29,014,882	22,433,852	76,249,948	251,151	0	129,919,194

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2008

33. 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.

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

	Sales revenue by geographical market	
	2008	2007
	RM	RM
Malaysia	15,023,484	32,307,531
Other Asia Pacific Countries	14,751,582	8,532,993
United Kingdom	22,911,918	116,601,602
Middle East	0	556,491
Others	12,336	236,740
	52,699,320	158,235,357

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.

	2008		2007	
	Carrying amount of segment assets	Capital additions	Carrying amount of segment assets	Capital additions
	RM	RM	RM	RM
Malaysia	136,490,437	18,899,706	204,013,847	2,092,217
Thailand	1,633,733	0	1,633,733	0
British Virgin Island	527,679	0	527,679	0
	138,651,849	18,899,706	206,175,259	2,092,217

LIST OF PROPERTIES

AS AT 31 DECEMBER 2008

Location	Title	Description/ existing use	Tenure	Land/ Built-up area	Age of building/ land (years)	NBV as at 31-12-2008 RM
Plot 20A, Jalan Perusahaan, Prai Industrial Estate 4 Prai, Penang	PT 458, HS(D) 37842 (formerly HS(D) 570), Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Head Office and Factory Building	Leasehold (60 years expiring on 11.5.2052)	6.42913 acres	15	14,030,000
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	Workers' quarters	Leasehold (99 years expiring on 22.4.2092)	689 square feet each	12	363,400
3A-F, Marina Crescent Condominium, Bt 5 1/2, Jalan Pantai, Si Rusa, Port Dickson, Negeri Sembilan	Lot 6100, PN 11176 (formerly PT 3088 HS(D) 13639), Mukim of Si Rusa, District of Port Dickson, Negeri Sembilan	Condo- minium	Leasehold (99 years expiring on 27.7.2094)	62 square meters	13	174,800
Mukim 6 & 7, Seberang Perai Tengah, Pulau Pinang	Mukim 6 & 7, Seberang Perai Tengah, Pulau Pinang	District cooling plant	Freehold land & building	1.85 acres	-	41,793,898
					Total	56,362,098

ANALYSIS OF SHAREHOLDINGS

AS AT 5 MAY 2009

SHARE CAPITAL

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 (1) vote per ordinary share
Number of shareholders	:	4,417

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Ordinary Shares	%
Less than 100	266	6.02	10,508	0.01
100 to 1,000	908	20.57	805,275	1.12
1,001 to 10,000	2,528	57.23	9,987,460	13.84
10,001 to 100,000	645	14.60	19,002,779	26.34
100,001 to less than 5 % of issued share capital	69	1.5	27,976,537	38.77
5% and above of issued share capital	1	0.02	14,372,518	19.92
Total	4,417	100.00	*72,155,077	*100.00

Note : * Excluding 2,949,700 shares bought back by the Company and held as treasury shares.

SUBSTANTIAL SHAREHOLDERS

As per the Register of Substantial Shareholders

Name	Shareholdings		#%
	Direct	Indirect	
Lum Weng Loy	1,201,600	14,372,518	21.50
Linear Holding Sdn Bhd	14,372,518	-	19.92
Alan Rajendram A/L Jeya Rajendram	-	14,372,518	19.92
Eswaramoorthy Pillay S/O Amuther	-	14,372,518	19.92

Notes :

¹ Indirect interest by virtue of shareholding in Linear Holding Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Excluding 2,949,700 shares bought back by the Company and held as treasury shares.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 5 MAY 2009

DIRECTORS' INTERESTS IN SHARES

In The Company

Name	Direct	Shareholdings		#%
		#	%	
Pervez Rustim Manecksha @ Paul Manecksha	-	-	100,000	0.14
Heinrich August Diehl	-	-	-	-
Kok Seng Loong	-	-	-	-
Alan Rajendram A/L Jeya Rajendram	-	-	² 14,372,518	19.92
Eswaramoorthy Pillay S/O Amuther	-	-	² 14,372,518	19.92
Mevin Nevis A/L AF Nevis	100,000	0.14	-	-

Notes :

¹ Indirect interest by virtue of shareholding in Manecksha Enterprises Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

² Indirect interest by virtue of shareholding in Linear Holding Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Excluding 2,949,700 shares bought back by the Company and held as treasury shares.

THIRTY (30) LARGEST ORDINARY SHAREHOLDERS

No.	Name of Shareholders	No. of Ordinary Shares	%
1.	Linear Holding Sdn Bhd	14,372,518	19.92
2.	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Lim Oon Cheng	2,822,000	3.91
3.	Ong Peng Chor	2,047,149	2.84
4.	Phrakash A/L Ratha Krishnan	1,610,300	2.23
5.	Citigroup Nominees (Asing) Sdn Bhd Exempt An For OCBC Securities Private Limited	1,574,200	2.18
6.	Ong Peng Nam	1,461,556	2.03
7.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Kee Ju-Hun	1,303,100	1.81
8.	Ong Soo Cheng	1,282,033	1.78
9.	Lum Weng Loy	1,201,600	1.66
10.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chua Eng Ho Waa @ Chua Eng Wah	1,084,800	1.50
11.	Tengku Rethwan Bin Tengku Mansor	1,000,000	1.38
12.	Mayban Nominees (Asing) Sdn Bhd Nomura Singapore Limited For Nihon Spindle Manufacturing Company Ltd	833,333	1.15
13.	Lee Teck Ong @ Lee Kok Chee	635,200	0.88

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 5 MAY 2009

THIRTY (30) LARGEST ORDINARY SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Ordinary Shares	%
14.	Koh Kah Wou	480,000	0.66
15.	Toh Yen Lynn	426,500	0.59
16.	M Ramakrishnan A/L Madhavan Nair	384,800	0.53
17.	HSBC Nominees (Asing) Sdn Bhd	362,800	0.50
18.	Ong Chin Kean	360,000	0.50
19.	Kee Ju-Hun	343,900	0.48
20.	Mohd Salleh Bin Hashim	335,000	0.46
21.	Amanda Alise Barnabas	326,900	0.45
22.	Ong Chin Hock	310,700	0.43
23.	Tan Ai Sim	298,900	0.41
24.	Tang Boon Heng	289,500	0.40
25.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Soon Ah Ba	250,000	0.35
26.	Kam Lai Yong	237,200	0.33
27.	Ratha Krishnan A/L Perumal	229,000	0.32
28.	Lee Teck Ong @ Lee Kok Chee	222,400	0.31
29.	Kee Ju-Ven	215,000	0.30
30.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chua Eng Kui	214,000	0.30
	Total	36,514,389	50.59

NOTICE OF 15TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FIFTEENTH ANNUAL GENERAL MEETING ("THE MEETING") OF LINEAR CORPORATION BERHAD ("THE COMPANY") WILL BE CONVENED AND HELD AT THE SEMINAR HALL, GROUND FLOOR, NO. 20A, JALAN PERUSAHAAN, PRAI INDUSTRIAL ESTATE 4, 13600 PRAI, PENANG, MALAYSIA ON MONDAY, 29 JUNE 2009 AT 2.30 P.M. TO TRANSACT THE FOLLOWING BUSINESSES :-

AGENDA

Ordinary Business

1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees totaling RM36,000.00 in respect of the financial year ended 31 December 2008.
3. To re-elect the following Directors who retire by rotation pursuant to Article 95 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election :-
 - 3.1 Eswaramoorthy Pillay S/O Amuther
 - 3.2 Pervez Rustim Manecksha @ Paul Manecksha
4. To appoint auditors of the Company and to authorise the Directors to fix their remuneration.

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

One (1) notice of nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed in the Company's Annual Report 2008, has been received by the Company to nominate Messrs Wong Liu & Partners (AF No. 0182) as Auditors of the Company in place of the retiring Auditors, Messrs UHY Diong (AF No. 1411), and to propose the following ordinary resolution for approval by shareholders of the Company :-

"That Messrs Wong Liu & Partners (AF No. 0182) be hereby appointed as auditors of the Company in place of the retiring auditors, Messrs UHY Diong (AF No. 1411), and to shall hold office until the conclusion of the next annual general meeting of the Company; And That the Directors be hereby authorised to fix their remuneration."

Ordinary Resolution 5

Special Business

To consider, and if thought fit, to pass the following resolutions :-

5. **Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions**

"That subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given for the Company and its subsidiaries ("the Group") to enter into the recurrent related party transactions, as detailed in section 2.4 of the Circular to Shareholders dated 5 June 2009 accompanying the Company's Annual Report 2008 ("the Circular"), which are of revenue in nature and which are transacted within and/or are necessary for the day-to-day operations of the Group and which are carried out on terms no more favourable to the related parties than those generally available to the public or non-related parties and are not to the detriment of the minority shareholders of the Company ("the Shareholders' Mandate").

Ordinary Resolution 6

NOTICE OF 15TH ANNUAL GENERAL MEETING (CONT'D)

And That the Shareholders' Mandate shall continue to be in force until :-

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

That the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholders' Mandate;

And That the estimates given of the recurrent related party transactions specified in section 2.4 of the Circular being provisional in nature, the Directors and/or any of them, be and are hereby authorised to agree to the actual amount or amounts thereof provided that such amount or amounts comply with the procedures set out in section 2.6 of the Circular.

6. Proposed Renewal of Authorisation for the Company to Purchase its Own Shares

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 agreement(s), arrangement(s) and guarantee(s) with any party(ies) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any condition(s), modification(s), revaluation(s), variation(s) and/or amendment(s) 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 2,949,700 ordinary shares already purchased and retained as treasury shares as at 5 June 2009 ;
- (ii) the amount allocated for the Proposed Share Buy-Back shall not exceed the Company's audited retained profit and /or share premium account ;

Ordinary Resolution 7

NOTICE OF 15TH 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, 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 purchaser(s) by the Company before the aforesaid expiry date."

7. Authority For Directors To Allot And Issue Ordinary Shares

"**That** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals, rules and regulations of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue new ordinary shares in the share capital of the Company at any time, from time to time, at such price(s) and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (other than as a bonus or rights issue or pursuant to the Company's Employees' Share Option Scheme) provided that the aggregate number of new ordinary shares to be allotted and issued pursuant to this resolution shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such new ordinary shares and in any one (1) financial year ; **And That** such authority shall remain in force until the conclusion of the next annual general meeting of the Company.

Ordinary Resolution 8

BY ORDER OF THE BOARD
Ng Wai Peng (MAICSA 7014112)
Secretary

Penang, Malaysia
5 June 2009

NOTICE OF 15TH ANNUAL GENERAL MEETING (CONT'D)

NOTES

1. Appointment of Proxy

A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149 (1) (b) of the Companies Act, 1965 shall not apply.

The Form of Proxy must be deposited at the Company's Registered Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

2. Statement accompanying the Notice of 15th Annual General Meeting

Additional information as required under Appendix 8A pursuant to Paragraph 8.28 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") is set out in the Statement Accompanying The Notice of 15th Annual General Meeting.

3. Explanatory Notes on Special Businesses

- a) Ordinary Resolution 6, if passed, will allow the Company and its subsidiaries ("the Group") to enter into recurrent related party transactions ("Shareholders' Mandate") pursuant to paragraph 10.09 (1) of the Listing Requirements of Bursa Securities. The details of the Shareholders' Mandate are set out in the Circular to Shareholders dated 5 June 2009.
- b) Ordinary Resolution 7, if passed, will allow the Company to buy back its own shares up to 10% of the issued and paid-up share capital of the Company ("Share Buy-Back"). This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next annual general meeting of the Company. Further details on the Share Buy-Back are set out in the Share Buy-Back Statement dated 5 June 2009.
- c) Ordinary Resolution 8, if passed, will allow the Board of Directors to allot and issue new ordinary shares up to ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such new ordinary shares in any one (1) financial year, for such purposes and upon such terms as the Directors consider would be in the best interest of the Company (other than as a bonus or rights issue or pursuant to the Company's Employees' Share Option Scheme). This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next annual general meeting of the Company.

STATEMENT ACCOMPANYING

THE NOTICE OF 15TH ANNUAL GENERAL MEETING

Details of Interest of Directors Standing For Re-Election At The Fifteenth Annual General Meeting

Name of Director	No. of Shares held in the Company as at 5 May 2009			
	Direct	%	Indirect	%
Eswaramoorthy Pillay S/O Amuther	-	-	14,372,518	19.92
Pervez Rustim Manecksha @ Paul Manecksha	-	-	100,000	0.14

None of the above Directors has any direct interest in the Company's subsidiaries. The Directors' interests, if any, in the subsidiaries are to the extent that the Company has an interest, pursuant to Section 6A of the Companies Act, 1965.

The profile and details of the Directors standing for re-election are outlined in pages 5 and 6 of this annual report.

NOTICE OF NOMINATION OF AUDITORS

Date : 19 May 2009

The Board of Directors
Linear Corporation Berhad
No. 20A, Jalan Perusahaan
Prai Industrial Estate 4
13600 Prai, Penang
Malaysia

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being the registered holder of 1,610,300 ordinary shares of RM1.00 each and fully paid-up, representing 2.23% of the issued and paid-up share capital of Linear Corporation Berhad, hereby give notice pursuant to Section 172 (11) of the Companies Act, 1965 of my nomination of Messrs Wong Liu & Partners (AF No. 0182) or appointment as auditors of Linear Corporation Berhad for the financial year ending 31 December 2009, in place of the retiring auditors, Messrs UHY Diong (AF No. 1411).

Therefore, I propose that the following ordinary resolution be tabled for consideration at the forthcoming annual general meeting of Linear Corporation Berhad :-

“That Messrs Wong Liu & Partners (AF No. 0182) be hereby appointed as auditors of the Company in place of the retiring auditors, Messrs UHY Diong (AF No. 1411) and to shall hold office until the conclusion of the next annual general meeting of the Company; And That the Directors be hereby authorised to fix their remuneration.”

Yours sincerely,

Phrakash A/L Ratha Krishnan

PROXY FORM

I/We _____

of _____

being a member / members of LINEAR CORPORATION BERHAD ("the Company") hereby appoint _____

of _____

or failing whom _____

of _____

/ the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the Fifteenth Annual General Meeting of the Company ("the Meeting") to be held at the Seminar Hall, Ground Floor, No. 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia on Monday, 29 June 2009 at 2.30 p.m., and at any adjournment thereof.

I / We direct my / our proxy to vote (see Note 4 herein) for or against the resolutions to be proposed at the Meeting as indicated hereunder :-

Resolution		For	Against
1	To receive the audited financial statements		
2	To approve directors' fees		
3	To re-elect Eswaramoorthy Pillay S/O Amuther		
4	To re-elect Pervez Rustim Manecksha @ Paul Manecksha		
5	To appoint auditors		
6	To renew shareholders' mandate for recurrent related party transactions		
7	To renew authority for share buy-back		
8	To authorise directors to allot and issue ordinary shares		

Dated this _____ day of _____ 2009.

No. of Shares Held

Signature/ common seal of shareholder

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company and Sections 149 (1) (a) and (b) of the Companies Act, 1965 shall not apply.
2. This Form of Proxy, in the case of an individual, must be signed by the appointor or by his attorney duly authorised in writing and in the case of a body corporate, it must be given under its common seal or signed on its behalf by an attorney or officer of the body corporate duly authorised in writing.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 100 shares held by the member.
4. Please indicate with an "X" in the appropriate column as to how you wish your proxy to vote "For" or "Against" each resolution. If this Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
5. This Form of Proxy must be deposited at the Company's Registered Office, No. 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

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Affix Postage
Stamp
Here

The Company Secretary

LINEAR CORPORATION BERHAD (288687-W)

No. 20A, Jalan Perusahaan

Prai Industrial Estate 4

13600 Prai

Penang

Malaysia

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