

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
	<u>66,026,896</u>	<u>18,899,706</u>	<u>(2,350,117)</u>	<u>(9,841,381)</u>	<u>72,735,104</u>

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
	<u>21,499,479</u>	<u>2,427,523</u>	<u>(927,051)</u>	<u>(5,223,718)</u>	<u>17,776,233</u>

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At	Reclassification	Additions	Disposals of subsidiary company	Disposals	Translation reserve	At
	1 January						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	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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value	Group	
	2008	2007
	RM	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
	<u>54,958,871</u>	<u>44,527,417</u>

Company

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

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

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	2007	2008	2007
	RM	RM	RM	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
	<u>1,769,680</u>	<u>2,096,616</u>	<u>1,097,250</u>	<u>1,389,850</u>

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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

6. PREPAID LAND LEASE PAYMENTS

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

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

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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Name of subsidiary companies	Place of incorporation	Effective interest		Principal activities
		2008	2007	
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
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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Name of subsidiary companies	Place of incorporation	Effective interest		Principal activities
		2008	2007	
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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

- ^ 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	<u><u>75,211</u></u>

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	<u>(9,009,847)</u>
Total disposal proceeds	<u>(3)</u>
Gain on disposal to the Group	<u><u>(9,009,850)</u></u>

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

	2008 RM
Disposal proceeds settled by:	
Cash	3
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
Net cash flow of the Group	1,247,187

8. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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
	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	2007
	RM	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

8. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Associated companies	Place of incorporation	Effective interest		Principal activities
		2008	2007	
Borneo Pacific Linear Sdn. Bhd.	Malaysia	30%	30%	Retail of cooling technology products and parts, and provision of related services

9. OTHER INVESTMENTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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)
	<u>1,211,698</u>	<u>1,706,298</u>	<u>11</u>	<u>11</u>
Unquoted shares in Malaysia, at cost	0	11,960,000	0	0
Less: Accumulated impairment losses	0	(11,960,000)	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Investment in club memberships, at cost	96,475	96,475	0	0
	<u>1,308,173</u>	<u>1,802,773</u>	<u>11</u>	<u>11</u>
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
	<u>90,000</u>	<u>160,500</u>	<u>0</u>	<u>0</u>

10. GOODWILL ON CONSOLIDATION

	Group	
	2008	2007
	RM	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	<u>0</u>	<u>90,862</u>

11. DEFERRED TAX ASSETS

	Group	
	2008	2007
	RM	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	<u>0</u>	<u>0</u>

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	2007	2008	2007
	RM	RM	RM	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	2007
	RM	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	2007	2008	2007
	RM	RM	RM	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>
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)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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
	<u>42,229,693</u>	<u>130,280,707</u>	<u>40,842,681</u>	<u>38,599,212</u>

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.

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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
	<u>41,745,074</u>	<u>125,718,927</u>	<u>40,799,387</u>	<u>38,580,982</u>

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	<u>3.70</u>	<u>3.70</u>	<u>0</u>	<u>0</u>

The deposits of the Group are maturing in January 2009.

15. CASH AND BANK BALANCES

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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
	<u>24,830,827</u>	<u>3,102,632</u>	<u>31,506</u>	<u>1,966,701</u>

16. SHARE CAPITAL

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

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.

16. SHARE CAPITAL (CONTINUED)

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 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.

16. SHARE CAPITAL (CONTINUED)

- (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.

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	2007	2008	2007
	RM	RM	RM	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
	<u>3,496,222</u>	<u>3,583,756</u>	<u>20,771,125</u>	<u>20,771,125</u>

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	2007
	RM	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
	<u>22,329,143</u>	<u>18,873,952</u>
Secured		
Bank overdraft	0	1,812,783
Term loans	2,349,506	1,000,000
	<u>24,678,649</u>	<u>21,686,735</u>
Long Term Borrowings		
Secured		
Term loans	12,483,705	8,404,760
	<u>12,483,705</u>	<u>8,404,760</u>
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
	<u>22,329,143</u>	<u>18,873,952</u>
Secured		
Bank overdraft	0	1,812,783
Term loans	14,833,211	9,404,760
	<u>14,833,211</u>	<u>11,217,543</u>
	<u>37,162,354</u>	<u>30,091,495</u>

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
	<u>37,162,354</u>	<u>30,091,495</u>

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

18. BANK BORROWINGS (CONTINUED)

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.

19. HIRE PURCHASE PAYABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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
	<u>2,139,584</u>	<u>2,496,834</u>	<u>1,208,538</u>	<u>1,382,419</u>
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
	<u>2,410,585</u>	<u>2,869,105</u>	<u>1,370,264</u>	<u>1,603,400</u>
Future finance charges on hire purchase	(271,001)	(372,271)	(161,726)	(220,981)
Present value of hire purchase liabilities	<u>2,139,584</u>	<u>2,496,834</u>	<u>1,208,538</u>	<u>1,382,419</u>
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
	<u>2,139,584</u>	<u>2,496,834</u>	<u>1,208,538</u>	<u>1,382,419</u>

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	2007
	RM	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	<u>2,097,100</u>	<u>2,147,664</u>
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)	<u>2,097,100</u>	<u>2,147,664</u>
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)	<u>0</u>	<u>0</u>

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
	<u>15,395,605</u>	<u>93,949,979</u>	<u>27,331,791</u>	<u>25,306,627</u>

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.

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
	<u>15,395,605</u>	<u>93,949,979</u>	<u>27,331,791</u>	<u>25,306,627</u>

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
	<u>52,699,320</u>	<u>158,235,357</u>	<u>78,600</u>	<u>267,100</u>

23. STAFF COSTS

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

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

Defined contribution plan	<u>449,866</u>	<u>738,137</u>	<u>110,932</u>	<u>137,384</u>
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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
	<u>706,800</u>	<u>628,452</u>	<u>572,400</u>	<u>494,052</u>

24. FINANCE COSTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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
	<u>2,797,244</u>	<u>2,468,728</u>	<u>59,255</u>	<u>7,849</u>

25. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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
	<u>64</u>			

25. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
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

26. TAX EXPENSE

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	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

26. TAX EXPENSE (CONTINUED)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
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

26. TAX EXPENSE (CONTINUED)

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	2007
	RM	RM
Unabsorbed tax losses	<u>914,900</u>	<u>914,900</u>

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.

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)	<u>5.91</u>	<u>6.97</u>

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2008	2007
	RM	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
	<u>78,600</u>	<u>267,100</u>
Rental charged by a subsidiary company:		
- Linear Towerline (M) Sdn. Bhd. (formerly known as Nihon Spindle (M) Sdn. Bhd.)	0	30,468
	<u>0</u>	<u>30,468</u>
Facility maintenance charged to an associated company		
- Boustead Linear Corporation Sdn. Bhd.	0	770,200
	<u>0</u>	<u>770,200</u>

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

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.

