

Annual Report 2002

Infrastructure Outsourcing



District Cooling Systems



Design & Engineering Services



Industrial Manufacturing



LINEAR

LINEAR CORPORATION BERHAD (200607-W)

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Proxy form

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth (9th) Annual General Meeting of the Company will be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Monday, 30 June 2003 at 9.00 a.m. for the following purposes:-

Agenda

As Ordinary Business

1. To receive and adopt the audited accounts for the year ended 31 December 2002 together with the reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve the payment of Directors' Fees. (Resolution 2)
3. To re-elect the following Directors retiring by rotation pursuant to Article 95 of the Company's Articles of Association:
 - (i) Datuk Abdul Malek Bin Abdul Aziz (Resolution 3)
 - (ii) Choy Kah Yew (Resolution 4)
4. To re-elect Encik Ahmad Shalimin Bin Ahmad Shaffie, a Director who retires pursuant to Article 102 of the Company's Articles of Association. (Resolution 5)
5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

As Special Business

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

6. Ordinary Resolution

Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares. (Resolution 7)

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and they are hereby empowered to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the issued share capital of the Company for the time being, subject always to the approval of all the relevant authorities being obtained for such allotment and issue."
7. Ordinary Resolution

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature. (Resolution 8)



Notice Of Annual General Meeting (Cont'd)

"THAT approval be and is hereby given for the Company's subsidiary to enter into the recurrent related party transactions of a revenue or trading nature with related party as set out in Section 2.2 of the Circular to Shareholders dated 6 June 2003 provided that:-

- (a) the transactions are in the ordinary course of business and are transacted on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (b) the disclosure of a breakdown of the aggregate value of the transactions conducted during a financial year will be made in the annual report for the said financial year based on the type of recurrent transactions made and the names of the related parties involved in each transaction and their relationship with the Group.

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

- (a) the conclusion of the next annual general meeting of the Company to be held in 2004, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

8. Special Resolution

Proposed Amendment to the Memorandum of Association

(Resolution 9)

"THAT Clause III of the Memorandum of Association of the Company be amended by inserting the following new clause (44) immediately after clause (43) to read as:

(44) To lend and advance money or give credit to any person or company; to guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company; to secure or undertake in any way the repayment of money lent or advanced to or the liabilities incurred by any person or company; and otherwise to assist any person or company."

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



Notice Of Annual General Meeting (Cont'd)

By Order of the Board

TAY LI LI
MAICSA 7007996
Secretary

Penang
Date: 6 June 2003

Notes

1. A member eligible to attend and vote at the general meeting is entitled to appoint a proxy/proxies who may but need not be a member of the Company to vote in his / her stead. The provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportion of his / her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his / her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. An instrument appointing a proxy must be deposited at the Registered Office at 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
5. Explanatory Notes on Special Business:
 - (i) Ordinary Resolution 7, if passed, will give the Directors of the Company authority to issue shares up to an amount not exceeding 10% of the issued share capital of the Company at any time and at their absolute discretion without convening a General Meeting. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting of the Company.
 - (ii) Ordinary Resolution 8, if passed, will empower the subsidiary of the Company to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next annual general meeting.
 - (iii) Special Resolution 9 is to seek the shareholders' approval to amend Clause III of the Memorandum of Association of the Company to include Paragraph 12 of the Third Schedule of Companies Act, 1965 in relation to powers of Company.



Statement Accompanying Notice Of Annual General Meeting

Pursuant to paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange

1. The Directors standing for re-election at the 9th Annual General Meeting of the Company are Choy Kah Yew, Datuk Abdul Malek Bin Abdul Aziz and Ahmad Shalimin Bin Ahmad Shaffie. None of them has any shareholding in the Company.

In view of the existing service contract with the Managing Director, Mr. Lum Weng Loy, the requirement pursuant to Paragraph 7.28 of the Listing Requirements was not adhered to as such adherence would result in the Company being in breach of the service contract. However, pursuant to the Revamped Listing Requirements, the Company had amended its Articles of Association via the Extraordinary General Meeting held on 27 June 2001 to provide that the Managing Director must also rank for re-election by rotation. This requirement will be adhered to after the expiry of the service contract.

Further details of the Directors who are standing for re-election are set out in the Directors' Profile.

2. There were five Directors meetings held during the financial year ended 31 December 2002 and the attendance of Directors are as follows:

<i>Name of Director</i>	<i>Attendance</i>
Lum Weng Loy	5/5
Chin Kuet Lee	5/5
Choy Kah Yew	5/5
Datuk Abdul Malek Bin Abdul Aziz	4/5
Soh Yew Aun	5/5

3. The Ninth (9th) Annual General Meeting of the Company will be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Monday, 30 June 2003 at 9.00 a.m.

Corporate Information

Board Of Directors

Lum Weng Loy
(Chairman/Managing Director)

Chin Kuet Lee
(Executive Director)

Soh Yew Aun
(Executive Director)

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

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

Choy Kah Yew
(Non-Independent Non-Executive Director)

Company Secretary

Tay Li Li (MAICSA7007996)

Registered Office

20A, Jalan Perusahaan
Prai Industrial Estate 4
13600 Prai, Penang
Malaysia
Tel: (604) 507 8822
Fax: (604) 507 8359

Registrars

PFA Registration Services Sdn. Bhd.
Level 13, Uptown 1
1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: (603) 7725 4888
Fax : (603) 7722 2311

Head Office/Factory

20A, Jalan Perusahaan
Prai Industrial Estate 4
13600 Prai, Penang
Malaysia
Tel: (604) 507 8822
Fax: (604) 507 8359

Corporate Office

B-12-15, Block B, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Tel: (603) 2713 8999
Fax: (603) 2713 6999

Auditors

Deloitte KassimChan
Chartered Accountants
4th Floor, Wisma Wang
10350 Penang, Malaysia

Principal Bankers

HSBC Bank Malaysia Berhad
RHB Bank Berhad
Citibank Berhad
Malayan Banking Berhad
Southern Bank Berhad
Bumiputra Commerce Bank Berhad

Stock Exchange Listing

Main Board of Kuala Lumpur Stock Exchange
Stock Name : Linear
Stock Code : 9504



Chairman's Statement

Dear Shareholders

On behalf of the Board of Directors it gives me great pleasure to present to you the Annual Report and Accounts of Linear Corporation Berhad for the year ended 31 December 2002.

Operational Overview

Continuing from the depressed market scenario of 2001, the financial year 2002 saw only a marginal reprieve largely due to the continued global slowdown.

Unfavourable market conditions especially in the local commercial development and construction sector continued to suppress the demand of heating, ventilation and air-conditioning ("HVAC") products.

Despite these bleak overtures, the Group's cooling tower business continues to dominate the local and regional markets. The Group also managed to secure more than RM30 million in business from SCB Developments Berhad ("SCB") - a member of the Boustead Group and developer of the Mutiara Damansara Township located in the prestigious neighbourhood of Damansara.

Together with SCB, Linear will design, build and operate an ice thermal storage district cooling facility for "The Curve", Mutiara Damansara's premier shopping precinct.

On the corporate front, the proposed acquisition of LETC and Times Engineering Group - two established companies whose principal activity is in the provision of electrical, mechanical and civil engineering services has been duly approved by the relevant authorities.

As previously expressed, the acquisition of LETC and Times Engineering Group will act as a conduit to our manufacturing services and consolidate our offerings paving the way for Linear to provide an integration of products and services.

In accordance with the acquisition, a rights issue and employee share option scheme ("ESOS") exercise was proposed and has since met with the approval of the authorities.

The proceeds from the rights issue will facilitate the acquisition of LETC and Times Engineering Group as well as provide funding for the various district cooling projects.

Financial Review

Over the financial year 2002, the Group consolidated its efforts and even through depressed market conditions, pressed ahead to chalk a commendable increase in revenue from RM29.8 million in the financial year 2001 to RM37 million in the financial year 2002, ringing in an increase of 24.2%.

Group profits for financial year 2002 however marginally declined 1.38% from RM3.92 million to RM3.86 million. This marginal decrease in profits are attributed primarily to a depressed development and construction sector - resulting in lower demand and competitive pricing for HVAC products.

Market conditions were made even more difficult when raw material and consumable prices continued to be volatile due to the global uncertainties. Capped by competitive price cuts due to the low demand, the market succumbed to sacrificing margins as a means to weather out the storm.



Chairman's Statement (Cont'd)

On a positive note however, shareholders' value continued toward a steady climb with net tangible assets per share gaining 5.3% to RM1.79 from RM1.70 in the last financial year.

Strong earnings by the Company's ICT associates flag-shipped by Unified Communications ("UC") once again helped boost the Group's performance - contributing significantly to the Group's coffers.

With its financial track record, UC is poised to propose a flotation of its shares ("IPO") on the Singapore Stock Exchange in the near future.

Business Developments

The negative effects of the global downturn continued to be felt throughout 2002.

The RM72 million contract for the construction, development and operations of the region's largest ice thermal storage district cooling facility in Bandar Perda is progressing albeit at a slower pace.

Site clearance, earth works and soil investigations have been duly completed and operations should be on stream by Mid 2004 facilitating the northern regions premier shopping mall and several government and quasi government buildings.

In addition, the Group had recently secured more than RM30 million in contracts to design, build and operate an ice thermal storage district cooling facility in collaboration with SCB Developments Berhad.

The district cooling facilities will contribute a constant revenue stream to the Group in the coming years.

The Group has also intensified its efforts in the Asian region and expects to secure several similar projects in the near future.

Research & Development

Through research and development, the Group will continue to develop innovative new products with the potential to capture leading market positions.

Linear's line of cooling towers will continue to be re-engineered for improved performance and better cost to stay ahead of the competition.

In line with its aim to improve operational efficiencies, the Group was recently awarded the ISO 9002 certification for its role and capabilities in manufacturing and operations.

The award, which was accorded in record time, is a testament to the Group's continuing efforts to maintain operational "best practices" at all times.

Prospects

Apart from the on-going pursuit of district cooling projects locally and regionally, the proposed acquisition of LETC and Times Engineering Group ("TES") will pave the way for Linear to participate in the lucrative infrastructure outsourcing and refrigeration industry in Thailand.



Chairman's Statement (Cont'd)

Established in Thailand in 1996, TES will act as a "spring board" for the Group to penetrate into the more liberal infrastructure development business in Thailand, offering district cooling and infrastructure outsourcing as "specialised services".

The Company believes that Thailand is poised to provide great potential for all its current products and services as evidenced by the impressive growth of TES in the country.

In addition, the Company's entry into the business friendly Thai market will be relatively easier and can be realised in a shorter term owing to the established reputation of TES in Thailand's civil engineering industry.

Corporate Governance

On behalf of the Board of Directors, the Group would like to express its full support of the Malaysian Code on Corporate Governance. During the year, the Group had initiated various measures in compliance of the Code and will continue to strengthen its efforts in the coming year.

Acknowledgement

On behalf of the management team and staff of the Group, I would like to take this opportunity to welcome En. Ahmad Shalimin to the Board of Linear Corporation Berhad.

En. Ahmad Shalimin is the Executive Chairman of the Bintang Group of Companies and President of the Association of Malaysian Hauliers.

With this appointment, En. Ahmad Shalimin brings to the Board, a diverse array of experience and expertise primarily in the services and retailing sector. He will assume the role of Independent Non-Executive Director in the Group.

Lastly, to all shareholders, management team and staff of Linear Corporation Berhad and its associates who have contributed significantly toward the Group, I thank you for your hard work and contribution and hope you keep the faith and confidence in these challenging times.

Thank you.

Lum Weng Loy
Chairman & Managing Director

Directors' Profile

LUM WENG LOY, aged 37, Malaysian

(Chairman/Managing Director)

Non-Independent Executive Director

Lum Weng Loy, appointed to the Board on 29 June 2000, is spearheading the management of the Group through his role as the Group Chairman and Managing Director.

He is a trained and qualified Public Accountant. He undergone his articleship in one of the top four international accounting firms. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

He is an entrepreneur with extensive wealth of experience in corporate affairs and financial management gained over the past 16 years of experience as a merchant banker and as head of the corporate finance division of a few public listed companies.

JERRY CHIN KUET LEE, aged 46, Malaysian

(Executive Director)

Non-Independent Executive Director

Chin Kuet Lee, appointed to the Board on 29 June 2000, is a trained engineer, holding first class degree in Electronic Engineering from Lancaster, United Kingdom and a holder of Master of Business Administration from Pepperdine University in United States of America.

He has over 20 years of international working experience in high technology arena holding position ranging from managerial to chief executive officer in multinational companies such as Shell U.K., Hitachi, Hewlett Packard and LH Research. He was also actively involved in investment banking in California, U.S.A. specialising in areas of technology ventures, technical due diligence and private equity funding for about 9 years.

He currently holds several directorships including CEO of Photonics Venture Capital Sdn Bhd, a venture capital management company.

CHOY KAH YEOW, aged 33, Malaysian

(Non-Independent Non-Executive Director)

Choy Kah Yew, appointed to the Board on 20 June 2000 is a Certified Public Accountant by training and has undergone articleship in one of the top four international accounting firms. He is currently a member of the Malaysian Institute of Certified Public Accountant and Malaysian Institute of Accountants.

He has over 10 years working experience in accounting and corporate finance. He also sits on the Board of Taiping Super Berhad and several private limited companies.



Directors' Profile (Cont'd)



SOH YEW AUN, aged 45, Malaysian

(Executive Director)

Soh Yew Aun was appointed to the Board on 29 January 1994 and became an Executive Director on 10 January 2003. He graduated in 1980 with a Bachelor of Social Science (Hons) Degree majoring in Economics from University Sains Malaysia. In 1981, he joined a leading local bank as a Senior Operations Officer. During his career with the bank, he held various positions including Head of Credit Department of Penang Branch. In 1990, he joined Denko Industrial Corporation Berhad, a company listed on the Second Board of the Kuala Lumpur Stock Exchange as its Corporate Planning Manager till 1991. He also sits on the board of Fourseasons (Malaysia) Berhad and several private limited companies.



DATUK ABDUL MALEK BIN ABDUL AZIZ, aged 66, Malaysian

(Independent Non-Executive Director)

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



AHMAD SHALIMIN BIN AHMAD SHAFFIE, aged 34, Malaysian

(Independent Non-Executive Director)

Ahmad Shalimin Bin Ahmad Shaffie was appointed to the Board on 31 March 2003. He graduated from the School of Public Administration & Law, University Teknologi Mara in 1990. He had held various managerial positions in diverse industries including securities dealing, services and retailing prior to his present involvement in the logistics industry, serving as the Executive Chairman of Bintang Group of Companies. He was formerly a director of Denko Industrial Corporation Berhad and Lankhorst Berhad.

He is presently the President of Association of Malaysian Hauliers and a member of the Malaysia Indonesia Business Council and Malaysia Entrepreneurs Council.



Other Information

- (a) Other than the following, none of the directors are involved in any board committees:-
- | | | | |
|------|----------------------------------|---|---|
| i) | Datuk Abdul Malek Bin Abdul Aziz | - | Chairman of Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee |
| ii) | Ahmad Shalimin Bin Ahmad Shaffie | - | Member of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee |
| iii) | Lum Weng Loy | - | Member of Remuneration Committee |
| iv) | Choy Kah Yew | - | Member of Audit Committee |
- (b) There are no family relationships among the Directors and/or substantial shareholders of the Company.
- (c) None of the Directors has any conflict of interest with the Company.
- (d) None of the Directors has convicted any offences within the past 10 years other than traffic offences.
- (e) Material Contracts or Contract relating to loans.
There were no material contracts or contracts relating to loans with the Company and its subsidiaries involving Directors and Major Shareholders.



Directors' Responsibility Statement

Pursuant to paragraph 15.27(a) of the Listing Requirements of the Kuala Lumpur Stock Exchange

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

The Directors are satisfied that in preparing the financial statements of the Company and the Group for financial year ended 31 December 2002, the Group has used the appropriate accounting policies and applied them consistently. The Directors also consider that relevant approved accounting standards have been followed in the preparation of these financial statements.

Statement Of Corporate Governance

The Board of Directors is committed to ensuring a high standard of corporate governance. Sets out below are the manner in which the Company has applied the principles and best practices of Corporate Governance within the Group throughout the financial year ended 31 December 2002.

Board of Directors

The Company is led by an experienced Board who are principally responsible for developing strategic plans, overseeing and ensuring proper conduct of the operation and affairs of the Group. All Directors bring a mix characteristics of professions, skill and experience from diverse background of business, information technology, finance, public services and haulage and logistics. A brief write-up on each Director is set out in the Directors' Profile.

Board Meetings

Board Meetings are normally held quarterly, with additional meetings convened as and when necessary. Notice of meetings and board papers are given to the directors prior to the meetings and the agenda are being discussed and approved by the Board members present thereat unanimously. All Board members are free to discuss on the matters and bring judgement to bear on issues of strategy, performance and resources and standard of conduct.

To facilitate the smooth transaction of business within the Company, the Board has successfully delegated some of its duties by setting up board committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

Board Balance

The Board consists of 6 members; 3 Executive Directors and 3 Non-Executive Directors, of which 2 are Independent Directors.

The Executive Directors are generally responsible for making and implementing strategic plans and policies for the Group and overseeing the conduct of the Group whilst Non-Executive Directors are persons of calibre playing a significant role in exercising independent and unbiased judgement through their knowledge and experience from other business sectors.

Supply of Information

Prior to the board meetings, the board members were given agenda and board papers containing information relevant to the business of the meeting for informed decision making and proper judgement. The Board papers include financial reports, operation, corporate, regulatory, business development and minutes of meetings.

All Directors may obtained independent professional advice and have access to the advice and services of the Company Secretary and all staff of the Company

Statement Of Corporate Governance (Cont'd)

Appointment to the Board

The Board has established a Nomination Committee consisting of two (2) members who are Independent Non-Executive Directors. The Committee is responsible for proposing new nominees for the board appointment and assessing directors on an on-going basis.

A Nomination Committee meeting was held on 31 March 2003 to recommend the appointment of a new director. On the same date, the Board had appointed Encik Ahmad Shalimin Bin Ahmad Shaffie as a member of the Nomination Committee in place of Mr Soh Yew Aun. The members of the Nomination Committee now consists of:-

Datuk Abdul Malek Bin AbdulAziz – Chairman

Ahmad Shalimin Bin Ahmad Shaffie

Re-election

In accordance with the Company's Articles of Association, all Directors appointed by the Board to fill a casual vacancy are subject to re-election by shareholders at the Annual General Meeting subsequent to their appointment. The Articles also provide that at least one third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting.

Directors' Remuneration

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

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

On 31 March 2003, the Board appointed Encik Ahmad Shalimin Bin Ahmad Shaffie as a new member to the Remuneration Committee in place of Mr Soh Yew Aun. The Remuneration Committee now comprises of the following members:-

Datuk Abdul Malek Bin Abdul Aziz – Chairman

Ahmad Shalimin Bin Ahmad Shaffie

Lum Weng Loy



Statement Of Corporate Governance (Cont'd)

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2002 is as follows:-

<i>RM '</i>	<i>Salary and other emoluments</i>	<i>Fees</i>
Executive	470,234	-
Non-Executive	-	24,000

The number of Directors of the Company whose total remuneration falls into the following bands is as follows:-

<i>Range of Remuneration (RM)</i>	<i>Executive</i>	<i>Non- Executive</i>
50,000 and below	1	2
50,001 - 100,000	-	-
100,001 - 150,000	-	-
150,001 - 200,000	-	-
200,001 - 250,000	1	-
250,000 - 300,000	1	-

Relationship With Shareholders

The Company recognizes the importance of effective communication with its shareholders and to provide opportunity to encourage participation by them.

Annual reports, announcements, financial results, circular to shareholders are primarily some of the modes of reporting to the shareholders on the business activities, financial performance and major development of the Group. General Meetings give all shareholders an opportunity for direct access to their board.

In recognition of the wide spread location of its shareholders, the Company will always serve as much notice as possible of its general meetings subject to any minimum notice period required. Such notice will also be published in at least one newspaper of national circulation to provide wider dissemination to encourage shareholder participation.

The Company has also established a website at www.linear.com.my for which the shareholders can access for information.



Statement Of Corporate Governance (Cont'd)



Accountability & Audit

Financial Reporting

In presenting the annual financial statements and quarterly results to shareholders, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

Internal Control

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

The internal auditor will review the internal control procedures and practices to ensure effective function of the internal control.

The Board will continue with its ongoing review of the key commercial and financial risks facing the group together with other general risks such as those relating to compliance with laws and regulations.

Relationship with Auditors

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

Audit Committee Report

Membership

Members of the Audit Committee are as follows: -

Chairman

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

Members

- Ahmad Shalimin Bin Ahmad Shaffie (appointed on 31 March 2003)
(Independent Non-Executive Director)
- Choy Kah Yew
(Non-Independent Non-Executive Director)

Mr Soh Yew Aun served on the Audit Committee during the financial year until his resignation as a member on 31 March 2003.

Terms Of Reference

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

Composition

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

At least one member of the Committee must be:-

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

The member of the Audit Committee shall elect a Chairman from among themselves who shall be an independent director.

Quorum

A Quorum shall be two (2) members.



Audit Committee Report (Cont'd)

Authority

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

Duties & Functions

- To review the quarterly results and annual financial statements before presenting to the Board.
- To consider the appointment of external auditors, audit fees and any questions of resignation or removal.
- To review the audit plan and audit report of the external auditors and internal auditor.
- To keep under review the effectiveness of internal control systems and the adequacy of the scope, functions and resources of the internal auditor.
- To review the internal audit programme, consider major findings of internal audit investigations and ensure appropriate actions undertaken by management on the recommendation of the internal audit function.
- To ensure co-ordination of the Company officials with the external auditors.
- To review any transaction, procedure or course of conduct that raises questions of management integrity.
- To consider any related party transaction that may arise within the Company or Group



Meetings And Summary Of Activities

The Audit Committee met five times during the financial year ended 31 December 2002 and details of attendance are as follows:

Datuk Abdul Malek Bin Abdul Aziz	4/5
Soh Yew Aun	5/5
Choy Kah Yew	5/5

The Audit Committee carried out its duties in accordance with its terms of reference. The quarterly results and annual financial statements are reviewed by the Audit Committee before recommended to the Board for approval. The Audit Committee reported to the Board on issues and concerns arising from the quarterly results and annual financial statements and made necessary recommendations. The Audit Committee had discussed the audit planning and various issues of audit findings and recommendations with the external auditors. The Audit Committee also reviewed issues of accounting policies, assessed the coverage of internal and external audits and ensures the adherence of review procedures for recurrent related party transactions.



Audit Committee Report (Cont'd)



Internal Audit Functions

The Audit Committee is supported by an Internal Auditor which the latter provide the Committee with independent and objective reports on the state of internal control. During the financial year, the Internal Auditor carried out the following activities:-

- Formulated and agreed with the Audit Committee on the audit plan and scope of work.
- Reviewed compliance with internal policies, procedures and standards as well as assessed the adequacy and effectiveness of the Groups internal control system.
- Carried out special reviews requested by the management.



Statement Of Internal Control

Introduction

Pursuant to paragraph 15.27(b) of the Kuala Lumpur Stock Exchange Listing Requirements, the Board of Directors is required to include in the annual report a statement about the state of internal control of the listed issuer as a Group. Set up below outlines the nature and scope of the internal control of the Group during the year.

Board Responsibility

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. However, it should be noted that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

System Of Internal Control

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

- The Group has set out the policies and procedures with respect to authorization limits and approving authority for its operating and capital expenditure to ensure clear accountabilities and control procedures are in place.
- The Group has a well defined organizational structure by means of organization charts and segregated job functions and responsibilities are communicated to all levels.
- The Group management teams meet quarterly to review and monitor the financial results and forecasts of the Group, and review the actual performance against the operating plans and annual budget.
- The Group's management team and internal auditors also reviewed regularly on the internal control policies and procedure to ensure adequate controls are in place.
- The Audit Committee and the Board of Directors reviewed the financial results quarterly.



Statement Of Internal Control (Cont'd)

Risk Management

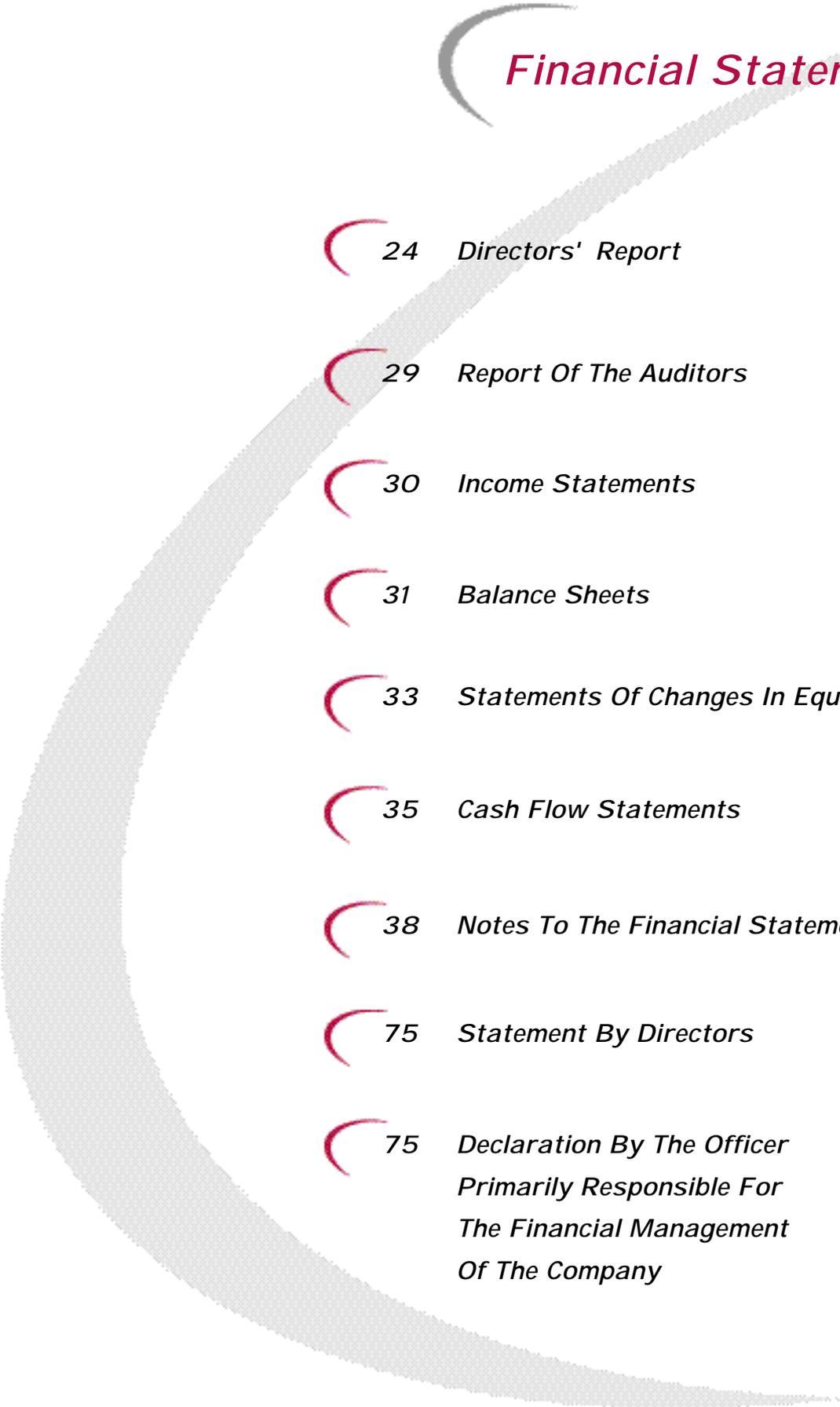
During the financial year under review, a risk management framework has been established. The framework included activities such as identifying, evaluating and managing significant risks faced by the Group. Reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the Group's system of internal controls.

Internal Audit

An in-house Internal Auditor supports the Audit Committee by providing reasonable independent assurance on the adequacy of the Group's state of internal control on a quarterly basis.

Acknowledgement By Board

The Board pleased to report that there were no material losses incurred during the current financial year as a result of weakness in internal control. The Board affirms its responsibility to continue to take measures to strengthen the control environment.



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*75 Declaration By The Officer
Primarily Responsible For
The Financial Management
Of The Company*

Directors' Report

The directors of LINEAR CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2002.

Principal Activities

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 12 to the Financial Statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

Result Of Operations

	<u>The Group</u>	<u>The Company</u>
	RM	RM
Profit after tax	3,865,032	87,118
Minority interests	(246,273)	-
Net profit after tax and minority interests for the year	<u>3,618,759</u>	<u>87,118</u>

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

Dividends

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

Reserves & 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 & Debentures

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

Share Options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.



Directors' Report (Cont'd)



Other Financial Information

Before the income statements and balance sheets 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 have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- (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 would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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
- (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 and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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 Company and of the Group to meet their obligations as and when they fall due.

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

Directors' Report (Cont'd)

Significant Events During The Financial Year

A summary of the significant events which occurred during the financial year is set out as follows:

Completed Events

- (i) On January 3, 2002, the Company acquired 50% equity interest in Aseania Linear District Cooling System Sdn. Berhad (Aseania Linear) for a cash consideration of RM1
- (ii) On February 25, 2002, The Media Shoppe Sdn. Bhd. (TMS), an associated company of the Company increased its issued and paid-up capital, hence, the equity interest of the Company in TMS was diluted from 31.2% to 23.4%.
- (iii) On May 29, 2002, a wholly owned subsidiary, Imux (Asia) Limited was incorporated in the Federal Territory of Labuan with an authorised capital of USD10,000 equivalent to approximately RM38,000
- (iv) On July 23, 2002, the Company acquired 100% equity interest in Linear Ventures Sdn. Bhd. for a cash consideration of RM351,053 and
- (v) On December 12, 2002, Aseania Linear increase its issued and fully paid-up capital from RM2 to RM5 The Company invested additional RM2 in Aseania Linear and the equity interest of the Company in Aseania was increased from 50% to 60%.

Events Pending Approvals And Completion

- (a) On April 1, 2002, the Board of Directors of the Company have proposed the followings:
 - (i) A proposed rights issue of 17,249,443 new ordinary shares of RM1 each together with 17,249,443 free detachable warrants on the basis of one new ordinary share of RM1 each in the Company plus one rights warrant for every three existing shares held;
 - (ii) A proposed acquisition of 70% of the enlarged share capital of LETC Engineering Sdn. Bhd. (LETC) comprising 1,400,000 ordinary shares of RM1 each in LETC for a purchase consideration of RM9,062,000;
 - (iii) A proposed acquisition of 70% equity interest comprising 2,800,000 ordinary shares of THB10 each in Times Engineering Systems Co. Ltd. for a purchase consideration of RM5,390,000; and
 - (iv) A proposed employees' share option scheme for the eligible employees and executive directors of Linear Corporation Berhad and its subsidiary companies.
- (b) On July 31, 2002, the Company entered into a conditional share sale agreement with AWC Solutions Berhad to dispose its remaining 40% equity interest in M&C Engineering and Trading Sdn. Bhd. comprising 800,000 ordinary shares of RM1.00 each for a total consideration of RM11,934,000.

Significant Events Subsequent To The Balance Sheet Date

Significant events subsequent to the balance sheet date is disclosed in Note 32 to the Financial Statements.

Directors' Report (Cont'd)

Directors

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

- Lum Weng Loy
- Chin Kuet Lee
- Choy Kah Yew
- Datuk Abdul Malek Bin Abdul Aziz
- Soh Yew Aun
- Ahmad Shalimin Bin Ahmad Shaffie (appointed on March 31, 2003)

Directors' Interest

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

No. of ordinary shares of RM1 each

<u>Shares in the Company</u>	<u>Balance as of 11.2002</u>	<u>Bought</u>	<u>Sold</u>	<u>Balance as of 31.12.2002</u>
<i>Direct interest</i>				
Soh Yew Aun	25,001	-	-	25,001
Lum Weng Loy	-	5,000	-	5,000
<i>Indirect interest</i>				
Lum Weng Loy	10,008,000	-	-	10,008,000
Chin Kuet Lee	10,008,000	-	-	10,008,000

No. of ordinary shares of USD1 each

<u>Shares in a subsidiary company, PrimeAce Venture Limited</u>	<u>Balance as of 11.2002</u>	<u>Bought</u>	<u>Sold</u>	<u>Balance as of 31.12.2002</u>
<i>Direct interest</i>				
Lum Weng Loy	980,001	-	-	980,001
Chin Kuet Lee	980,001	-	-	980,001

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

None of the other directors as of December 31, 2002 held shares in the Company or in related companies during the financial year.



Directors' Report (Cont'd)



Directors' Benefits

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares, or debentures of, the Company or any other body corporate.



Auditors

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

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

LUM WENG LOY

CHIN KUET LEE

Penang,
April 28, 2003



Report Of The Auditors

We have audited the accompanying balance sheets as of December 31, 2002 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2002 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies incorporated in Malaysia of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies, Nihon Spindle (M) Sdn. Bhd., Linear Cooling Industries Pte. Ltd., BAC Cooling Technology Pte. Ltd. and Unified Systems Pte. Ltd., of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

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

DELOITTE KASSIMCHAN

AF 0080
Chartered Accountants

LEE CHENG HEOH

2225/04/04 (J)
Partner
Penang,
April 28, 2003

Income Statements

For The Year Ended December 31, 2002

	<u>Notes</u>	<u>The Group</u>		<u>The Company</u>	
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		RM	RM	RM	RM
Revenue	4	37,024,200	29,808,659	265,000	68,000
Other operating income		605,872	681,356	-	2,822,849
Changes in inventories of finished goods and work-in-progress		542,136	926,528	-	-
Purchase of trading goods		(314,287)	(495,609)	-	-
Raw materials and consumables used		(22,321,466)	(14,300,123)	-	-
Staff costs	5	(4,900,752)	(4,862,260)	(24,000)	(24,000)
Depreciation of property, plant and equipment		(2,655,304)	(2,575,543)	-	-
Write-off/ amortisation of goodwill on consolidation		(303,446)	(316,618)	-	-
Other operating expenses		<u>(7,113,188)</u>	<u>(8,464,283)</u>	<u>(117,882)</u>	<u>(259,399)</u>
Profit from operations	6	563,765	402,107	123,118	2,607,450
Finance costs		(1,126,953)	(697,492)	-	-
Share of profits of associated companies		<u>4,768,540</u>	<u>5,086,336</u>	<u>-</u>	<u>-</u>
Profit before tax	7	4,205,352	4,790,951	123,118	2,607,450
Income tax expense	8				
The Company and its subsidiary companies		59,667	(262,662)	(36,000)	-
Share of tax of associated companies		(399,987)	(609,056)	-	-
		<u>(340,320)</u>	<u>(871,718)</u>	<u>(36,000)</u>	<u>-</u>
Profit after tax		3,865,032	3,919,233	87,118	2,607,450
Minority interests		<u>(246,273)</u>	<u>(219,779)</u>	<u>-</u>	<u>-</u>
Net profit after tax and minority interest for the year		<u>3,618,759</u>	<u>3,699,454</u>	<u>87,118</u>	<u>2,607,450</u>
Earnings per ordinary share	9	<u>7 sen</u>	<u>7 sen</u>		

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

Balance Sheets

As Of December 31, 2002

	<u>Notes</u>	<u>The Group</u>		<u>The Company</u>	
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		RM	RM	RM	RM
<i>As Of December 31, 2002</i>					
<i>Property, plant and equipment</i>	10	32,623,622	33,927,018	-	-
<i>Goodwill on consolidation</i>	11	5,379,888	5,578,168	-	-
<i>Investments in subsidiary companies</i>	12	-	-	55,459,303	55,108,243
<i>Investments in associated companies</i>	13	38,357,148	34,182,942	5,554,647	5,554,647
<i>Other investments</i>	14	13,860,000	13,860,000	-	-
<i>Amount owing by subsidiary companies</i>	15	-	-	17,972,211	18,689,831
<i>Current assets</i>					
Inventories	16	17,476,619	15,684,165	-	-
Trade receivables	17&18	18,175,261	9,841,672	-	-
Other receivables and prepaid expenses	18&19	11,225,803	2,969,851	1,274,687	706,169
Tax recoverable		2,058,611	1,936,460	64,358	351,525
Amount owing by associated companies	20	174,024	-	174,024	-
Short-term deposits with licensed banks		-	1,185,136	-	-
Cash and bank balances		351,694	1,284,290	1,162	5,539
Total Current Assets		49,462,012	32,901,574	1,514,231	1,063,233
<i>Current liabilities</i>					
Trade payables	18&21	7,245,193	3,586,120	-	-
Other payables and accrued expenses	18&22	2,265,049	1,675,221	84,500	87,180
Bank borrowings	23	18,651,495	6,662,725	-	-
Amount owing to directors	24	142,235	136,165	-	-
Hire-purchase payables	25	220,726	283,779	-	-
Long-term loan – current portion	26	1,000,000	1,000,000	-	-
Tax liabilities		4,920	190,412	-	-
Total Current Liabilities		29,529,618	13,534,422	84,500	87,180
<i>Net current assets</i>		19,932,394	19,367,152	1,429,731	976,053
		<u>110,153,052</u>	<u>106,915,280</u>	<u>80,415,892</u>	<u>80,328,774</u>



Balance Sheets (Cont'd)

As Of December 31, 2002

	<u>Notes</u>	<u>The Group</u>		<u>The Company</u>	
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		RM	RM	RM	RM
<i>Share capital</i>	27	51,748,333	51,748,333	51,748,333	51,748,333
<i>Reserves</i>	28	46,110,242	42,370,732	28,587,059	28,499,941
<i>Shareholders' equity</i>		97,858,575	94,119,065	80,335,392	80,248,274
<i>Minority interests</i>		9,715,996	9,549,346	-	-
<i>Long-term & deferred liabilities</i>					
Amount owing to a subsidiary company	29	-	-	80,500	80,500
Hire-purchase payables	25	754,681	303,969	-	-
Long-term loan	26	1,000,000	2,000,000	-	-
Deferred tax liabilities	30	823,800	942,900	-	-
		2,578,481	3,246,869	80,500	80,500
		<u>110,153,052</u>	<u>106,915,280</u>	<u>80,415,892</u>	<u>80,328,774</u>

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



Statements Of Changes In Equity

For The Year Ended December 31, 2002

<i>The Group</i>	<i>Share Capital</i>	<i>Capital Redemption Reserve</i>	<i>Revaluation Reserve</i>	<i>Translation Reserve</i>	<i>Retained Profit</i>	<i>Total</i>
	RM	RM	RM	RM	RM	RM
Balance as of January 1, 2001	51,748,333	301,000	6,654,309	229,247	31,451,191	90,384,080
Net profit after tax and minority interests for the year	-	-	-	-	3,699,454	3,699,454
Transfer of revaluation and translation reserves to retained profit upon disposal of subsidiary companies	-	-	(179,995)	(137,548)	317,543	-
Translation difference in: Subsidiary companies	-	-	-	751	-	751
Associated companies	-	-	-	34,780	-	34,780
Net gains and losses not recognised in the income statements	-	-	(179,995)	(102,017)	317,543	35,531
Balance as of December 31, 2001	51,748,333	301,000	6,474,314	27,230	35,468,188	94,119,065
Net profit after tax and minority interests for the year	-	-	-	-	3,618,759	3,618,759
Translation difference in: Subsidiary companies	-	-	-	(4,527)	-	(4,527)
Associated companies	-	-	-	125,278	-	125,278
Net gains not recognised in the income statements	-	-	-	120,751	-	120,751
Balance as of December 31, 2002	<u>51,748,333</u>	<u>301,000</u>	<u>6,474,314</u>	<u>247,981</u>	<u>39,086,947</u>	<u>97,858,575</u>

Statements Of Changes In Equity (Cont'd)

For The Year Ended December 31, 2002

<i>The Company</i>	<u>Share Capital</u>	<u>Capital Redemption Reserve</u>	<u>Revaluation Reserve</u>	<u>Retained Profit</u>	<u>Total</u>
	RM	RM	RM	RM	RM
Balance as of January 1, 2001	51,748,333	301,000	17,258,094	8,333,397	77,640,824
Net profit after tax for the year	-	-	-	2,607,450	2,607,450
Net gains and losses not recognised in the income statements: Transfer of revaluation deficit from retained profit upon disposal of subsidiary companies	-	-	1,772,400	(1,772,400)	-
Balance as of December 31, 2001	51,748,333	301,000	19,030,494	9,168,447	80,248,274
Net profit after tax for the year	-	-	-	87,118	87,118
Balance as of December 31, 2002	<u>51,748,333</u>	<u>301,000</u>	<u>19,030,494</u>	<u>9,255,565</u>	<u>80,335,392</u>

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



Cash Flow Statements

For The Year Ended December 31, 2002

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
<i>Cash Flows From Operating Activities</i>				
Profit before tax	4,205,352	4,790,951	123,118	2,607,450
Adjustments for :				
Depreciation of property, plant and equipment	2,655,304	2,575,543	-	-
Interest expenses	1,073,567	659,024	-	-
Write off / amortisation of goodwill on consolidation	303,446	316,618	-	-
Bad debts written off	9,884	-	-	-
Share of results in associated companies	(4,768,540)	(5,086,336)	-	-
Gain on disposal of property, plant and equipment	(37,846)	(3,200)	-	-
Interest income	(12,796)	(43,270)	-	-
Dividend income	-	-	(240,000)	-
Intangible assets written off	-	3,739	-	-
Gain on disposal of investment in subsidiary companies	-	(145,844)	-	(2,822,849)
Operating profit / (loss) before working capital changes	3,428,371	3,067,225	(116,882)	(215,399)
(Increase) / decrease in:				
Inventories	(1,792,454)	(467,204)	-	-
Trade receivables	(8,343,473)	217,965	-	-
Other receivables and prepaid expenses	(8,005,952)	(2,063,743)	(568,518)	4,195,051
Increase / (decrease) in:				
Trade payables	3,659,073	155,903	-	-
Other payables and accrued expenses	582,633	154,365	(2,680)	19,180
Amount owing to directors	6,070	(31,499)	-	-
Cash (used for) / generated from operations	(10,465,732)	1,033,012	(688,080)	3,998,832



Cash Flow Statements (Cont'd)

For The Year Ended December 31, 2002

	Notes	<u>The Group</u>		<u>The Company</u>	
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		RM	RM	RM	RM
Tax refunded		318,367	-	318,367	-
Tax paid		(618,514)	(1,047,517)	-	(31,793)
Net cash (used for) / generated from operating activities		(10,765,879)	(14,505)	(369,713)	3,967,039
Cash Flows From Investing Activities					
Proceeds from disposal of property, plant and equipment		1,060,991	3,200	-	-
Interest received		12,796	43,270	-	-
Purchase of property, plant and equipment	10	(1,419,053)	(1,481,904)	-	-
Acquisition of subsidiary companies, net of cash acquired	31	(347,970)	(15,300)	-	-
Increase in amount owing by associated companies		(1,224)	-	(1,224)	-
Decrease / (increase) in amount owing by subsidiary companies		-	-	717,620	(8,888,036)
Purchase of investments in subsidiary companies		-	-	(351,060)	(8,895)
Proceed from disposal of investments in subsidiary companies, net of cash disposed	31	-	2,212,089	-	4,960,001
Purchase of investments in associated companies		-	(8,342,615)	-	(30,000)
Net cash (used for) generated from investing activities		(694,460)	(7,581,260)	365,336	(3,966,930)

Cash Flow Statements (Cont'd)

For The Year Ended December 31, 2002

	Notes	<u>The Group</u>		<u>The Company</u>	
		<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
		RM	RM	RM	RM
Cash Flows From Financing Activities					
Increase in bank borrowings		9,877,534	2,458,861	-	-
Proceeds from issuance of shares from minority shareholder of a subsidiary company	1	-	-	-	-
Interest paid		(1,073,567)	(659,024)	-	-
Repayment of long term loan		(1,000,000)	-	-	-
Repayment of hire-purchase		(568,341)	(278,669)	-	-
Proceeds from long term loan		-	3,000,000	-	-
Fixed deposits released from security value		-	320,000	-	-
Decrease in amount owing to a subsidiary company		-	-	-	(3,750)
Net cash generated from / used for financing activities		<u>7,235,627</u>	<u>4,841,168</u>	<u>-</u>	<u>(3,750)</u>
Net Decrease In Cash And Cash Equivalents		(4,224,712)	(2,754,597)	(4,377)	(3,641)
Cash And Cash Equivalents At Beginning Of Year		387,167	3,118,247	5,539	9,180
Effect of exchange differences		(4,256)	23,517	-	-
		<u>382,911</u>	<u>3,141,764</u>	<u>5,539</u>	<u>9,180</u>
Cash And Cash Equivalents At End Of Year	31	<u>(3,841,801)</u>	<u>387,167</u>	<u>1,162</u>	<u>5,539</u>

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

Notes To The Financial Statements

December 31, 2002

1. *Principal Activities*

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are as stated in Note 12. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

2. *Basis Of Preparation Of Financial Statements*

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

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on April 28, 2003.

3. *Significant Accounting Policies*

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All significant intercompany balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Subsidiary companies are those companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

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

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal. The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds from the disposal and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the Group's income statement.

The difference between the consideration paid for shares in the subsidiary companies and the value of attributable net assets acquired at the date of acquisition is included in the consolidated balance sheet as goodwill arising on consolidation. Goodwill arising on consolidation is either written off to the consolidated income statement or amortised on a straight-line basis over twenty five years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Revenue and Revenue Recognition

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

Notes To The Financial Statements (Cont'd)

Revenue and Revenue Recognition (Cont'd)

Sales revenue are recognised upon delivery of products and when the risks and rewards of ownership have passed. Dividend income is recognised when the shareholder's right to receive payments is established. Other revenue are recognised on an accrual basis.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing on the transaction dates and, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. Gains or losses arising from foreign currency conversions are taken up in the income statements.

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

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

The closing rate per unit of Ringgit Malaysia used in the translation of foreign incorporated subsidiary and associated companies financial statements are as follows:

<i>Currency</i>	<u>2002</u>	<u>2001</u>
	<i>RM</i>	<i>RM</i>
Singapore Dollar	2.1887	2.0534
Hong Kong Dollar	0.4926	0.4936
US Dollar	3.8000	3.8000

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

Difference in exchange arising from the translation of the opening net investments in foreign subsidiary and associated companies, and from the translation of the results of those companies at the average exchange rate, are taken to translation reserve account.

Income Tax

The tax effects of transactions are generally recognised, using the liability method, when such transactions enter into the determination of net income regardless of when they are recognised for tax purposes. However, where timing differences give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

Research and Development Costs

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

Notes To The Financial Statements (Cont'd)

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment is computed on the straight-line method based on the estimated useful lives of the various property, plant and equipment at the following annual rates:

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

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

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in the carrying amount is charged to 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.

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

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.



Notes To The Financial Statements (Cont'd)

Investments in Subsidiary Companies

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

Investments in subsidiary companies shall be revalued at a regular interval of at least once in every 5 years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiary companies.

A net increase in the carrying amount arising from revaluation of investments is credited to the revaluation reserve account as revaluation surplus. Any net deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous net surplus held in the revaluation reserve account. A net decrease in the carrying amount arising from revaluation is charged to income statements. An increase in revaluation directly related to a previous net decrease in carrying amount that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

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

Investments in Associated Companies

An associated company is a non-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 the equity method of accounting based on the latest audited and/ or management financial statements of the associated companies made up to December 31, 2002. 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.

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

Other Investments

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



Notes To The Financial Statements (Cont'd)

Inventories

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

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

Receivables

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

Hire-Purchase

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

Provisions

Provisions are made when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation and when a reliable estimate of the amount can be made.

Cash & Cash Equivalents

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

Financial Instruments

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

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

Notes To The Financial Statements (Cont'd)

4. *Revenue*

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Sales of manufacturing goods	25,211,447	16,136,669	-	-
Sales of trading goods	10,898,826	11,806,248	-	-
Others	913,927	1,865,742	-	-
Gross dividend from associated company	-	-	240,000	-
Management fee	-	-	25,000	68,000
	<u>37,024,200</u>	<u>29,808,659</u>	<u>265,000</u>	<u>68,000</u>

5. *General Information*

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Number of directors and employees at end of year:				
Directors	20	14	5	5
Employees	<u>164</u>	<u>141</u>	<u>-</u>	<u>-</u>

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

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

6. *Profit From Operations*

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Continuing operations:				
Existing	608,513	778,249	123,118	2,607,450
New acquisitions	<u>(44,748)</u>	<u>(341,272)</u>	<u>-</u>	<u>-</u>
	563,765	436,977	123,118	2,607,450
Discontinued operations	<u>-</u>	<u>(34,870)</u>	<u>-</u>	<u>-</u>
	<u>563,765</u>	<u>402,107</u>	<u>123,118</u>	<u>2,607,450</u>



Notes To The Financial Statements (Cont'd)

7. Profit Before Tax

Profit before tax is arrived at:

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
After charging:				
Interest on:				
Bank borrowings	813,514	328,708	-	-
Long-term loan	208,333	275,000	-	-
Hire-purchase	51,720	55,316	-	-
Directors' remuneration:				
Provision for fees				
Directors of the company	24,000	24,000	24,000	24,000
Directors of subsidiary companies	-	-	-	-
Other emoluments				
Directors of the company	470,234	447,020	-	-
Directors of subsidiary companies	83,163	214,141	-	-
Rental of premises	455,950	541,440	-	-
Audit fee:				
Current	61,940	55,050	12,000	12,000
Under / (over) provision in prior year	950	(1,200)	-	2,000
Realised loss on foreign exchange	39,457	403	-	-
Hire of crane and machinery	28,690	24,420	-	-
Rental of office equipment	12,744	10,549	-	-
Research and development costs	10,728	21,000	-	-
Bad debts written off	9,884	-	-	-
Rental of motor vehicles	8,712	-	-	-
Intangible assets written off	-	3,739	-	-
Preliminary expenses written off	-	1,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
And crediting:				
Rental income	384,548	302,402	-	-
Gain on disposal of property, plant and equipment	37,846	3,200	-	-
Interest income	12,796	43,270	-	-
Gain on disposal of investment in subsidiary companies	-	145,844	-	2,822,849
Realised gain on foreign exchange	-	33,430	-	-
Rental of office equipment	-	153	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>



Notes To The Financial Statements (Cont'd)

8. Income Tax Expense

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Income tax expense consists of:				
Malaysian tax:				
Estimated tax payable:				
Current	58,890	304,000	36,000	-
Deferred tax liabilities (Note 30)	(119,100)	(24,500)	-	-
Overseas tax:				
Estimated tax payable:				
Under/ (over) provision in prior year	543	(16,838)	-	-
Share of income tax expense of associated companies	399,987	609,056	-	-
	<u>340,320</u>	<u>871,718</u>	<u>36,000</u>	<u>-</u>

The effective tax rate of the Company in 2002 is higher than the statutory income tax rate due mainly to certain expenses are not allowable as deduction for income tax purposes.

No provision for income tax expense for the Company was made in 2001 due mainly to the gain on disposal of investment in subsidiary companies was not taxable.

The effective tax rates of the Group in 2002 and 2001 are lower than the statutory income tax rate due mainly to one of its associated company was granted pioneer incentive for Multimedia Super Corridor status under the Promotion of Investment Act, 1986 for a period of five years from December 21, 2000 to December 20, 2005.

As of December 31, 2002, the approximate amount of carryforward tax losses and unabsorbed capital allowances of the Group and of the Company are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Carry forward tax losses	1,557,300	1,206,000	111,000	118,000
Unabsorbed capital allowance	1,520,000	845,000	-	-
	<u>3,077,300</u>	<u>2,051,000</u>	<u>111,000</u>	<u>118,000</u>

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

Notes To The Financial Statements (Cont'd)

9. Earnings Per Ordinary Share

The basic earnings per ordinary share is calculated based on the Group's net profit after tax and minority interests for the year of RM 3,618,759 (2001: RM3,699,454) over the number of ordinary shares in issue during the year of 51,748,333 (2001: 51,748,333) ordinary shares.

10. Property, Plant And Equipment

The Group

<u>Cost or Valuation</u>	<u>Beginning of year</u>	<u>Additions</u>	<u>Arising from disposals of subsidiary companies</u>	<u>Disposals</u>	<u>End of year</u>
	RM	RM	RM	RM	RM
2002					
At 1999 valuation					
Long leasehold land	5,000,000	-	-	-	5,000,000
Short leasehold land	1,950,000	-	-	-	1,950,000
Buildings	13,950,000	-	-	-	13,950,000
Flats	395,000	-	-	-	395,000
At cost					
Buildings	4,907,357	48,210	-	-	4,955,567
Plant and machinery	13,771,705	176,007	-	-	13,947,712
Moulds, tools and equipment	4,755,777	279,063	-	-	5,034,840
Office equipment, furniture and fittings	1,322,397	316,036	-	-	1,638,433
Motor vehicles	2,267,338	1,405,649	-	(990,545)	2,682,442
Apartments	438,395	-	-	(438,395)	-
Renovation	467,690	150,088	-	(10,133)	607,645
	<u>49,225,659</u>	<u>2,375,053</u>	<u>-</u>	<u>(1,439,073)</u>	<u>50,161,639</u>
2001	<u>52,362,297</u>	<u>1,557,704</u>	<u>(4,665,818)</u>	<u>(28,524)</u>	<u>49,225,659</u>

Notes To The Financial Statements (Cont'd)

<u>Accumulated Depreciation</u>	<u>Beginning of year</u>	<u>Charge for the year</u>	<u>Arising from disposals of subsidiary companies</u>	<u>Disposals</u>	<u>End of year</u>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
2002					
At 1999 valuation:					
Long leasehold land	333,333	100,000	-	-	433,333
Short leasehold land	130,000	39,000	-	-	169,000
Buildings	930,000	279,000	-	-	1,209,000
Flats	26,335	7,900	-	-	34,235
At cost					
Buildings	383,009	98,392	-	-	481,401
Plant and machinery	7,556,406	1,255,143	-	-	8,811,549
Moulds, tools and equipment	4,086,497	277,116	-	-	4,363,613
Office equipment, furniture and fittings	830,088	124,243	-	-	954,331
Motor vehicles	959,532	413,746	-	(396,581)	976,697
Apartments	17,536	-	-	(17,536)	-
Renovation	45,905	60,764	-	(1,811)	104,858
	<u>15,298,641</u>	<u>2,655,304</u>	<u>-</u>	<u>(415,928)</u>	<u>17,538,017</u>
2001	<u>14,604,576</u>	<u>2,575,543</u>	<u>(1,852,954)</u>	<u>(28,524)</u>	<u>15,298,641</u>

Notes To The Financial Statements (Cont'd)

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
<i>Net Book Value:</i>	RM	RM
At 1999 valuation:		
Long leasehold land	4,566,667	4,666,667
Short leasehold land	1,781,000	1,820,000
Buildings	12,741,000	13,020,000
Flats	360,765	368,665
<i>At cost:</i>		
Buildings	4,474,166	4,524,348
Plant and machinery	5,136,163	6,215,299
Moulds, tools and equipment	671,227	669,280
Office equipment, furniture and fittings	684,102	492,309
Motor vehicles	1,705,745	1,307,806
Apartments	-	420,859
Renovation	502,787	421,785
	<u>32,623,622</u>	<u>33,927,018</u>

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM2,375,053 (2001: RM1,557,704) of which RM956,000 (2001: RM75,800) was acquired by mean of hire-purchase with the balance of RM1,419,053 (2001: RM1,481,904) was paid by cash.

As of December 31, 2002, certain motor vehicles of the Group with a total carrying value of RM1,406,699 (2001: RM871,218) are acquired under hire-purchase arrangements of which instalments are still outstanding.

As of December 31, 2002, the unexpired lease period of the long leasehold land is 50 years and short leasehold land is 33 years.

The strata titles of the flats of the subsidiary company have not yet been issued by the relevant authority.

The leasehold land, buildings and flats were revalued in 1999 by an independent firm of professional valuers using open market value on existing use basis. The surplus arising from the revaluation has been credited to revaluation reserve account. The tax effects relating to the increase in the carrying values of the revalued property, plant and equipment are not disclosed or provided for as there is no intention to dispose of these assets in the foreseeable future.

Notes To The Financial Statements (Cont'd)

The historical cost of the leasehold land, buildings and flats of the Group which were revalued is as follows:

	<u>2002</u>	<u>2001</u>
	RM	RM
Cost	13,480,235	13,480,235
Accumulated depreciation	(2,913,569)	(2,643,964)
Net book value at end of year	<u>10,566,666</u>	<u>10,836,271</u>

11. *Goodwill On Consolidation*

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
<i>At cost:</i>		
At beginning of year	6,044,406	11,151,997
Goodwill on consolidation arising from the acquisitions of subsidiary companies	105,166	17,379
Reversal of goodwill on consolidation upon disposal of a subsidiary company	-	(5,124,970)
At end of year	<u>6,149,572</u>	<u>6,044,406</u>
Less: Amortisation of goodwill on consolidation		
At beginning of year	(466,238)	(1,618,928)
Write off/ amortisation during the year	(303,446)	(316,618)
Reversal of amortisation of goodwill on consolidation upon disposal of a subsidiary company	-	1,469,308
At end of year	<u>(769,684)</u>	<u>(466,238)</u>
	<u>5,379,888</u>	<u>5,578,168</u>

Notes To The Financial Statements (Cont'd)

Investments In Subsidiary Companies

	<u>The Company</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Unquoted shares		
• At 1999 valuation	32,099,016	32,099,016
• At cost	23,360,287	23,009,227
	<u>55,459,303</u>	<u>55,108,243</u>

The subsidiary companies are as follows:

<u>Direct Subsidiary Companies</u>	<u>Place of incorporation</u>	<u>Principal Activity</u>	<u>Percentage of Ownership</u>	
			<u>2002</u>	<u>2001</u>
Linear Cooling Industries Sdn. Bhd	Malaysia	Manufacture and trading of cooling towers	100%	100%
Linear Cooling Technology Sdn. Bhd.	Malaysia	Trading of cooling towers	100%	100%
Linear Water Tank. Sdn Bhd.	Malaysia	Trading of water tanks	100%	100%
Linear Water Treatment Sdn. Bhd.	Malaysia	Providing water treatment services	100%	100%
Nihon Spindle (M) Sdn. Bhd.	Malaysia	Trading of cooling towers	100%	100%
Linear Composites Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
PrimeAce Holdings Sdn. Bhd.	Malaysia	Investment holdings in information and communications technology (ICT) related services	100%	100%
Linear Cooling Industries Pte. Ltd.	Singapore	Dormant	100%	100%
Linear Ventures Sdn. Bhd.	Malaysia	Investment holdings	100%	-
Imux (Asia) Limited	Labuan	Dormant	100%	-



Notes To The Financial Statements (Cont'd)

<i><u>Direct Subsidiary Companies</u></i>	<i><u>Place of incorporation</u></i>	<i><u>Principal Activity</u></i>	<i><u>Percentage of Ownership</u></i>	
			<i><u>2002</u></i>	<i><u>2001</u></i>
BAC Cooling Technology Sdn. Bhd.	Malaysia	Manufacture and trading of cooling towers	70%	70%
PrimeAce Venture Limited	British Virgin Islands	Investment holdings in ICT related services	65%	65%
Aseania Linear District Cooling System Sdn. Bhd.	Malaysia	Dormant	60%	-
<i><u>Indirect Subsidiary Companies</u></i>				
Ko Lim BAC Sdn. Bhd.	Malaysia	Investment holdings in ICT related services	100%	100%
BAC Cooling Technology Pte. Ltd.	Singapore	Dormant	100%	100%
Linear Composites Marketing Sdn. Bhd.	Malaysia	Sale and distributor of and dealer of fibreglass reinforce plastics (FRP or GRP), composites and other compounds	75%	75%
Unified Systems Pte. Ltd.	Singapore	Providing computer programming, consultancy and other computer related services	70%	70%
Idea-Hub.Com Limited	Hong Kong	Investment holdings and providing ICT related services	51%	51%
Idea-Hub Dotcom Sdn. Bhd.	Malaysia	Dormant	51%	51%

Notes To The Financial Statements (Cont'd)

Investment in certain subsidiary companies were revalued in 1998 by the directors to the net tangible asset values of the subsidiaries. The revaluation was taken up in 1999 as approval was only obtained from the Securities Commission in 1999.

In 2001, the Company disposed 25% of equity interest in M&C Engineering and Trading Sdn. Bhd. and 11% of equity interest in Linear IAP (M) Sdn. Bhd. Both companies ceased to be subsidiary companies and became associated companies to the Company.

During the financial year, the Company acquired two new subsidiary companies. The acquisitions were completed on January 3, 2002 and July 23, 2002 respectively.

In 2001, six subsidiary companies were acquired by the Company on March 16, 2001, May 28, 2001, June 6, 2001 and October 29, 2001 respectively.

The effect of these acquisitions on the financial results of the Group for the year is as follows:

Post-acquisition results of subsidiary companies acquired:

	<u>2002</u>	<u>2001</u>
	RM	RM
Revenue	-	948
Other operating expenses	(1,369)	(338,506)
Preliminary and pre-operating expenses written off	(43,379)	(3,739)
Loss before tax	(44,748)	(341,297)
Income tax expense	-	-
	(44,748)	(341,297)
Minority interest	17,352	25
Decrease in Group profit attributable to shareholders	<u>(27,396)</u>	<u>(341,272)</u>

The effects of the acquisitions and disposals of the subsidiary companies on the financial position of the Group are disclosed in Note 31.

Notes To The Financial Statements (Cont'd)

13. *Investments In Associated Companies*

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Unquoted shares – at cost	27,087,262	27,087,262	5,554,647	5,554,647
Share of post-acquisition results and reserves, net of dividends received	11,269,886	7,095,680	-	-
	<u>38,357,148</u>	<u>34,182,942</u>	<u>5,554,647</u>	<u>5,554,647</u>

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

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Share of net assets	19,057,273	13,042,877
Goodwill on acquisition	19,299,875	21,140,065
	<u>38,357,148</u>	<u>34,182,942</u>

Notes To The Financial Statements (Cont'd)

The associated companies are as follows:

<u>Associated Companies</u>	<u>Place of Incorporation</u>	<u>Principal Activity</u>	<u>Percentage of Ownership</u>	
			<u>2002</u>	<u>2001</u>
M&C Engineering and Trading Sdn. Bhd.	Malaysia	Installing and trading in air-conditioners and control valves	40%	40%
Linear IAP (M) Sdn. Bhd.	Malaysia	Dormant	40%	40%
Borneo Pacific Linear Sdn. Bhd.	Malaysia	Retail of cooling technology products and parts, and provision of related services	30%	30%
Unified Communications Sdn. Bhd.	Malaysia	Research and development software engineering, system integration, project management & maintenance and support of telecommunications industry	25%	25%
Unified Communications Pte. Ltd.	Singapore	Design and development of telecommunications software and trading of telecommunications products	25%	25%
The Media Shoppe Sdn. Bhd.	Malaysia	Research & development, marketing of computer software and provision of system networking support	23.4%	31.2%

Notes To The Financial Statements (Cont'd)

14. *Other Investments*

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Investment in unquoted shares - at cost	<u>13,860,000</u>	<u>13,860,000</u>

15. *Amount Owing By Subsidiary Companies*

The amount owing by subsidiary companies are as follows:

	<u>The Company</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
PrimeAce Holdings Sdn. Bhd.	6,915,610	6,915,610
Ko Lim BAC Sdn. Bhd.	6,000,000	6,000,000
Linear Cooling Industries Sdn. Bhd.	4,917,308	5,652,758
PrimeAce Venture Limited	86,270	86,270
Nihon Spindle (M) Sdn. Bhd.	26,000	16,500
Imux (Asia) Limited	8,562	-
Linear Cooling Technology Sdn. Bhd.	7,000	7,000
Linear Cooling Industries Pte. Ltd.	4,745	4,745
Linear Water Treatment Sdn. Bhd.	2,000	4,500
Linear Composites Marketing Sdn. Bhd.	1,748	1,224
Linear Composites Sdn. Bhd.	1,224	1,224
Linear Ventures Sdn. Bhd.	1,220	-
BAC Cooling Technology Sdn. Bhd.	524	-
	<u>17,972,211</u>	<u>18,689,831</u>

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

Notes To The Financial Statements (Cont'd)

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

	<u>The Company</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Management fee received/ receivable		
Nihon Spindle (M) Sdn. Bhd.	16,000	16,500
Linear Cooling Technology Sdn. Bhd.	7,000	7,000
Linear Water Treatment Sdn. Bhd.	2,000	2,500
Linear Cooling Industries Sdn. Bhd.	-	42,000
	-	42,000

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

16. Inventories

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
At cost:	RM	RM
Finished goods	4,881,669	4,634,684
Work-in-progress	2,460,816	2,165,665
Raw materials	7,863,291	7,530,514
Indirect materials	98,696	96,343
Trading goods	104,191	96,034
Spare and components	2,067,956	1,160,925
	17,476,619	15,684,165

Notes To The Financial Statements (Cont'd)

17. *Trade Receivables*

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Trade receivables	18,669,264	10,335,675
Less: Allowance for doubtful debts	(494,003)	(494,003)
	18,175,261	9,841,672

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods is 30 to 120 days (2001: 30 to 120 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM494,003 (2001: RM494,003).

18. *Related Party Transactions*

Included in the following accounts of the Group as of December 31, 2002 are amounts owing by / (to) related parties:

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Trade receivables:		
¹ Baltimore Aircoil Company	24,890	456,567
² Baltimore Aircoil (Aust)	355	355
³ Pilot Advanced System (M) Sdn. Bhd.	5,354	100,001
	30,599	556,923

Notes To The Financial Statements (Cont'd)

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Other receivables:		
³ Strategic Pte Ltd	26,315	24,688
Trade payables:		
¹ Baltimore Aircoil Company	2,009,729	285,676
² Baltimore Aircoil International n.v.	355,342	68,427
² Baltimore Aircoil (Aust)	15,024	5,287
³ Pilot Advanced System (M) Sdn. Bhd.	90,196	84,621
	<u>2,470,291</u>	<u>444,011</u>
Other payables:		
¹ Baltimore Aircoil Company	-	94,324
³ Pilot Advanced System (M) Sdn. Bhd.	8,199	-
	<u>8,199</u>	<u>94,324</u>

¹ A substantial shareholder of BAC Cooling Technology Sdn. Bhd.

² Subsidiary companies of a substantial shareholder of BAC Cooling Technology Sdn. Bhd.

³ A company in which a director of a subsidiary is also director of these companies.



Notes To The Financial Statements (Cont'd)

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

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
<i>With related parties</i>	RM	RM
Sales of finished goods		
Baltimore Aircoil Company	176,605	461,137
Purchase of finished goods		
Baltimore Aircoil Company	3,265,897	3,140,835
Baltimore Aircoil International n.v.	588,105	140,535
Baltimore Aircoil (Aust)	88,640	15,870
Royalty paid/payable		
Baltimore Aircoil Company	195,773	168,670
Services provided		
Pilot Advanced System (M) Sdn. Bhd.	-	100,001
	<u> </u>	<u> </u>

In 2001, a wholly owned subsidiary purchased a motor vehicle at a market value of RM46,000 from a director of the Company.

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

19. Other Receivables And Prepaid Expenses

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Other receivables	3,822,740	2,195,042	1,107,775	706,169
Prepaid expenses	6,857,384	280,291	166,912	-
Deposits	545,679	494,518	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>11,225,803</u>	<u>2,969,851</u>	<u>1,274,687</u>	<u>706,169</u>

Notes To The Financial Statements (Cont'd)

Other receivables of the Group and the Company in 2002 and 2001 comprise mainly progress payment for the acquisition of 51% equity interest in Quantum Water Heater Sdn. Bhd.

Included in prepaid expenses of the Group in 2002 arose mainly from the progress payment for the purchase of ice district cooling equipment and prepaid consultation and architecture fee for the projects. Prepaid expenses of the Group in 2001 comprise of prepaid consultation and architecture fee for the projects.

20. Amount Owing By Associated Companies

The amount owing by associated companies are as follows:

	<u>The Group & The Company</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
M & C Engineering and Trading Sdn. Bhd.	172,800	-
Borneo Pacific Linear Sdn. Bhd.	1,224	-
	<u>174,024</u>	<u>-</u>

The amount owing by Borneo Pacific Linear Sdn. Bhd. arose mainly from advances which are unsecured, interest free and have no fixed term of repayment. The amount owing by M & C Engineering and Trading Sdn. Bhd. arose mainly from dividend receivable.

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

	<u>The Company</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Gross dividend income from M & C Engineering and Trading Sdn. Bhd.	240,000	-
Purchase of raw materials M & C Engineering and Trading Sdn. Bhd.	-	2,324
Rental paid/ payable M & C Engineering and Trading Sdn. Bhd.	-	6,000

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



Notes To The Financial Statements (Cont'd)

21. Trade Payables

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases is 30 to 90 days (2001: 30 to 90 days).

22. Other Payables And Accrued Expenses

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Other payables	1,562,066	792,217	44,000	44,000
Accrued expenses	647,259	847,604	40,500	43,180
Deposits received	55,724	35,400	-	-
	<u>2,265,049</u>	<u>1,675,221</u>	<u>84,500</u>	<u>87,180</u>

Other payables comprise mainly amount outstanding for ongoing costs.

23. Bank Borrowings

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
Unsecured:	RM	RM
Bankers acceptance	11,958,000	3,080,466
Bank overdrafts	4,193,495	2,082,259
Revolving credit	2,500,000	1,500,000
	<u>18,651,495</u>	<u>6,662,725</u>

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

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

Notes To The Financial Statements (Cont'd)

The effective annual interest rates are as follows:

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	%	%
Bank overdrafts	7.40 - 8.40	7.40 - 8.40
Bankers acceptance	2.60 - 4.55	3.05 - 4.00
Revolving credit	5.15 - 7.90	7.90

24. Amount Owing To Directors

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

25. Hire-Purchase Payables

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Total outstanding	1,223,412	703,369
Less: Interest-in-suspense outstanding	(248,005)	(115,621)
Principal outstanding	975,407	587,748
Less: Amount due within 12 months	(220,726)	(283,779)
Non-current portion	<u>754,681</u>	<u>303,969</u>

The non-current portion is repayable as follows:

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Later than 1 year and not later than 2 years	172,485	241,910
Later than 2 years and not later than 5 years	448,337	62,059
Later than 5 years	133,859	-
	<u>754,681</u>	<u>303,969</u>

Notes To The Financial Statements (Cont'd)

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The average term for hire-purchase is about three to seven years. The effective borrowing rates range from 6.67% to 11.72% per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the financial institutions' charge over the assets under hire-purchase.

26. Long-Term Loan

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Unsecured:		
Outstanding amount	2,000,000	3,000,000
Less: Portion due within one year	(1,000,000)	(1,000,000)
Portion due after one year	<u>1,000,000</u>	<u>2,000,000</u>

The Group's long-term bank loan of RM3 million is repayable by 3 equal annual instalments of RM1,000,000 each commencing January 9, 2002.

The long-term bank loan is covered by a corporate guarantee from the Company and bears interest at a rate of 10% per annum.

27. Share Capital

	<u>The Group</u>	<u>The Company</u>
	<u>2002</u>	<u>2001</u>
	RM	RM
Authorised:		
100,000,000 shares of RM1 each	100,000,000	100,000,000
Issued and fully paid	<u>51,748,333</u>	<u>51,748,333</u>
51,748,333 ordinary shares of RM1 each	<u>51,748,333</u>	<u>51,748,333</u>



Notes To The Financial Statements (Cont'd)

28. Reserves

Reserves consist of the following:

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Non-distributable:				
Translation reserve	247,981	127,230	-	-
Capital redemption reserve	301,000	301,000	301,000	301,000
Revaluation reserve	6,474,314	6,474,314	19,030,494	19,030,494
	<u>7,023,295</u>	<u>6,902,544</u>	<u>19,331,494</u>	<u>19,331,494</u>
Distributable:				
Retained profit	39,086,947	35,468,188	9,255,565	9,168,447
	<u>46,110,242</u>	<u>42,370,732</u>	<u>28,587,059</u>	<u>28,499,941</u>

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

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

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

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

29. Amount Owing To A Subsidiary Company

The amount owing to a subsidiary company, Linear Water Tank Sdn. Bhd. arose mainly from advances which are unsecured and interest free. The subsidiary company has confirmed that it will not demand any repayment of the advances within the next twelve months from the financial year end.



Notes To The Financial Statements (Cont'd)

30. Deferred Tax Liabilities

	<u>The Group</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
At beginning of financial year	942,900	1,016,300
Transfer to income statements (Note 8)	(119,100)	(24,500)
Reversal of deferred tax liabilities upon disposal of a subsidiary company (Note 31)	-	(48,900)
At end of financial year	<u>823,800</u>	<u>942,900</u>
The deferred tax liabilities are in respect of the following:		
Tax effect of timing differences between tax capital allowances and depreciation of property, plant and equipment	(1,332,500)	(1,251,100)
Tax effect in respect of:		
Carry forward tax losses	9,500	-
Unabsorbed capital allowances	416,000	233,000
Other timing differences	83,200	75,200
	<u>(823,800)</u>	<u>(942,900)</u>

Notes To The Financial Statements (Cont'd)

As mentioned in Note 3, the tax effects of timing differences which give rise to net deferred tax assets are recognised generally on actual realisation. As of December 31, 2002, the amount of deferred taxation, calculated at applicable tax rate, which is not recognised in the financial statements, is as follows:

	<u>Deferred Tax Assets/ (Liabilities)</u>			
	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Tax effect of timing differences between tax capital allowances and depreciation of property, plant and equipment	(6,500)	(1,600)	-	-
Tax effect in respect of:				
Carry forward tax losses	426,400	378,600	31,000	33,000
Unabsorbed capital allowances	10,000	3,600	-	-
Other timing differences	79,000	79,000	7,000	7,000
	<u>508,900</u>	<u>459,600</u>	<u>38,000</u>	<u>40,000</u>

31. Cash & Cash Equivalents

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Short-term deposits with licensed banks	-	1,185,136	-	-
Cash and bank balances	351,694	1,284,290	1,162	5,539
Bank overdrafts	(4,193,495)	(2,082,259)	-	-
	<u>(3,841,801)</u>	<u>387,167</u>	<u>1,162</u>	<u>5,539</u>

In 2002, two subsidiary companies were acquired by the Company on January 3, 2002 and July 23, 2002 respectively.

In 2001, six subsidiary companies were acquired by the Company on March 16, 2001, May 28, 2001, June 6, 2001 and October 29, 2001 respectively.



Notes To The Financial Statements (Cont'd)

The effect of these acquisition on the financial position of the group as at year end is as follow:

	<i>Unaudited January 3, 2002 and July 23, 2002</i>	<i>Unaudited March 16, 2001, May 28, 2001, June 6, 2001 and October 29, 2001</i>
	RM	RM
Net assets acquired as at dates of acquisitions:		
Other receivables and prepaid expenses	250,000	-
Cash and bank balances	3,084	114
Other payables and accrued expenses	(7,195)	(600)
Minority interests	(1)	(25)
Amount owing to directors	-	(1,454)
	<hr/>	<hr/>
Share of net assets acquired	245,888	(1,965)
Goodwill on acquisition	105,166	17,379
	<hr/>	<hr/>
Total purchase consideration	351,054	15,414
Less: Cash and cash equivalents acquired	(3,084)	(114)
	<hr/>	<hr/>
Cash flow on acquisitions, net of cash and cash equivalents acquired	347,970	15,300
	<hr/> <hr/>	<hr/> <hr/>

In 2001, the Company disposed of two subsidiary companies on January 1, 2001 and November 30, 2001 respectively.

The effect of these disposals on the financial position of the Group at dates of disposals and as of December 31, 2001 is as follows:

	<i>Unaudited January 1, 2001, and November 30, 2001</i>
	RM
Net assets disposed as at dates of disposals	
Goodwill on consolidation	3,655,662
Property, plant and equipment	2,812,864
Inventories	3,975,204
Trade receivables	11,959,686
Other receivables and prepaid expenses	169,102

Notes To The Financial Statements (Cont'd)

	<i>Unaudited January 1, 2001 and November <u>30, 2001</u></i>
	RM
Fixed deposits	1,349,814
Cash and bank balances	1,398,098
Trade payables	(3,094,179)
Other payables and accrued expenses	(654,209)
Amount owing to holding company	(28,000)
Amount owing to director	(153,451)
Hire-purchase payables	(232,383)
Tax liabilities	(697,414)
Deferred tax liabilities	(48,900)
Minority interests	(7,272,015)
	<hr/>
	13,139,879
Less: Carrying amount of equity interest still held (as associated companies) at dates of disposals	(8,325,722)
	<hr/>
Net assets and goodwill disposed	4,814,157
Gain on disposals	145,844
	<hr/>
Net value of disposals	4,960,001
Less: Cash and cash equivalents	(2,747,912)
	<hr/>
Cash flow on disposals, net of cash and cash equivalents disposed	<u><u>2,212,089</u></u>



Notes To The Financial Statements (Cont'd)

32. *Subsequent Events*

Subsequent to December 31, 2002, the Company entered into a joint venture agreement with Mutiara Rini Sdn. Berhad ("MRSB"), a wholly-owned subsidiary of a public listed company, SCB Developments Berhad, to jointly construct, own and operate a district cooling plant via a joint venture company to provide air-conditioning services to new commercial buildings to be developed by MRSB.

33. *Contingent Liability - Unsecured*

As of December 31, 2002, the Company is contingently liable to an amount of RM20,651,495 (2001: RM9,662,725) in respect of corporate guarantees given to certain local banks on banking facilities granted to and utilised by the subsidiary companies.

As of December 31, 2002, the Company is contingently liable to an amount of RM1,425,000 (2001: RM325,000) in respect of corporate guarantee given to a local bank for banking facilities granted to and utilised by one of its associated company. The Company is also contingently liable to an amount of USD325,000 (equivalent to RM1,235,000) (2001: USD325,000) in respect of guarantee and indemnity given to a third party as security for the sale and supply of goods to one of its associated company.

34. *Capital Commitments*

As of December 31, 2002, the Group is committed to acquire 51% equity interest in Quantum Water Heater Sdn. Bhd. for an aggregate consideration of RM2,500,000. Out of the total consideration of RM2,500,000, RM2,305,000 has been paid and taken up in the financial statements as of December 31, 2002.

The Company has capital expenditure contracted but not provided for in the financial statements amounting to approximately RM98,000.

35. *Lease Commitments*

As of December 31, 2002, non-cancellable long-term lease commitments in respect of rental of premises and equipment are as follows:

	<u>2002</u>	<u>2001</u>
	RM	RM
Not later than 1 year	29,100	499,344
Later than 1 year and not later than 5 years	6,600	23,562
	<u>35,700</u>	<u>522,906</u>



Notes To The Financial Statements (Cont'd)

36. Financial Instruments

A. Financial Risk Management Objectives & Policies

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

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

i. Foreign Currency Risk

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

ii. Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's bank borrowings. The Group does not use derivative financial instruments to hedge its risk.

iii. Market Risk

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

iv. Credit Risk

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

v. Liquidity Risk

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

vi. Cash Flow Risk

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

B. Financial Assets

The Group's principal financial assets are short-term deposits with licensed banks, cash and bank balances, trade and other receivables, amount owing by associated companies and equity investments.

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

Notes To The Financial Statements (Cont'd)

C. Financial Liabilities & Equity Instruments

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

Significant financial liabilities include trade and other payables, bank borrowings, amount owing to directors, hire-purchase payables and long-term loan.

Bank borrowings and long-term loan are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received.

D. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

E. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2002 are as follows:

		<u>The Group</u>	
	<u>Note</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets			
Other investments in unquoted shares	14	13,860,000	*
Financial liabilities			
Long-term loan	26	<u>2,000,000</u>	<u>1,975,275</u>

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

The fair value of long-term loan is estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

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

37. Segmental Reporting

Business Segments

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

- Investment holdings
- Manufacturing of cooling towers
- Trading of cooling towers
- Others (includes providing water treatment services, trading of water tank, sales and distributor of and dealer of fibreglass reinforce plastics (FRP or GRP), composites and other compounds and information and communications technology (ICT) services)

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

Notes To The Financial Statements (Cont'd)

<u>The Group</u>	<u>Investment Holdings</u>	<u>Manufacturing</u>	<u>Trading</u>	<u>Others</u>	<u>Elimination</u>	<u>Consolidated</u>
2002	RM	RM	RM	RM	RM	RM
Revenue						
External sales	-	25,211,447	10,898,826	913,927	-	37,024,200
Inter-segment sales	265,000	14,856,250	21,400	1,810	(15,144,460)	-
Total revenue	<u>265,000</u>	<u>40,067,697</u>	<u>10,920,226</u>	<u>915,737</u>	<u>(15,144,460)</u>	<u>37,024,200</u>
Results						
Profit / (loss) from operations	97,587	1,749,736	17,203	(763,910)	(536,851)	563,765
Finance costs	-	(1,124,409)	-	(2,544)	-	(1,126,953)
Share of profits from associated companies	-	-	-	4,768,540	-	4,768,540
Profit / (loss) before tax	97,587	625,327	17,203	4,002,086	(536,851)	4,205,352
Income tax expense	(36,000)	107,000	(14,490)	(396,830)	-	(340,320)
Profit / (loss) after tax	<u>61,587</u>	<u>732,327</u>	<u>2,713</u>	<u>3,605,256</u>	<u>(536,851)</u>	<u>3,865,032</u>
Other Information						
Capital additions	-	2,164,608	-	210,445	-	2,375,053
Depreciation of property, plant and equipment	400	2,563,687	54,105	37,112	-	2,655,304
Amortisation of goodwill	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,976</u>	<u>303,446</u>
Consolidated Balance Sheet						
Assets						
Segment assets	97,638,361	77,243,312	6,330,070	1,077,356	(83,022,188)	99,266,911
Investment in associated companies	18,767,262	-	-	-	19,589,886	38,357,148
Income tax assets	<u>69,912</u>	<u>1,092,364</u>	<u>875,499</u>	<u>20,836</u>	<u>-</u>	<u>2,058,611</u>
Consolidated total assets	<u>116,475,535</u>	<u>78,335,676</u>	<u>7,205,569</u>	<u>1,098,192</u>	<u>(63,432,302)</u>	<u>139,682,670</u>
Liabilities						
Segment liabilities	14,085,509	37,451,178	2,212,546	2,072,589	(24,542,443)	31,279,379
Income tax liabilities	<u>-</u>	<u>823,000</u>	<u>800</u>	<u>4,920</u>	<u>-</u>	<u>828,720</u>
Consolidated total liabilities	<u>14,085,509</u>	<u>38,274,178</u>	<u>2,213,346</u>	<u>2,077,509</u>	<u>(24,542,443)</u>	<u>32,108,099</u>



Notes To The Financial Statements (Cont'd)

	<i>Investment Holdings</i>	<i>Manufacturing</i>	<i>Trading</i>	<i>Others</i>	<i>Elimination</i>	<i>Consolidated</i>
2001	RM	RM	RM	RM	RM	RM
Revenue						
External sales	-	16,136,669	11,806,248	1,865,742	-	29,808,659
Inter-segment sales	68,000	14,623,578	-	-	(14,691,578)	-
Total revenue	68,000	30,760,247	11,806,248	1,865,742	(14,691,578)	29,808,659
Results						
Profit / (loss) from operations	2,359,714	1,788,481	36,137	(922,798)	(2,859,427)	402,107
Finance costs	-	(690,205)	(814)	(1,484)	(4,989)	(697,492)
Share of profits from associated companies	-	-	-	5,086,336	-	5,086,336
Profit / (loss) before tax	2,359,714	1,098,276	35,323	4,162,054	(2,864,416)	4,790,951
Income tax expense	-	(258,000)	(14,800)	(598,918)	-	(871,718)
Profit / (loss) after tax	2,359,714	840,276	20,523	3,563,136	(2,864,416)	3,919,233
Other Information						
Capital additions	-	1,323,820	92,000	85,361	56,523	1,557,704
Depreciation of property, plant and equipment	400	2,473,858	66,706	13,081	21,498	2,575,543
Amortisation of goodwill	4,470	-	-	-	312,148	316,618
Consolidated Balance Sheet						
Assets						
Segment assets	99,298,442	60,865,756	5,432,241	1,366,837	(82,632,976)	84,330,300
Investment in associated companies	16,482,626	-	-	-	17,700,316	34,182,942
Income tax assets	357,079	818,352	761,029	-	-	1,936,460
Consolidated total assets	116,138,147	61,684,108	6,193,270	1,366,837	(64,932,660)	120,449,702
Liabilities						
Segment liabilities	14,055,594	21,242,169	1,197,560	1,557,864	(22,405,208)	15,647,979
Income tax liabilities	-	1,112,768	6,200	14,344	-	1,133,312
Consolidated total liabilities	14,055,594	22,354,937	1,203,760	1,572,208	(22,405,208)	16,781,291

Notes To The Financial Statements (Cont'd)

Geographical segments

The Group's manufacturing and trading of cooling towers is located in Malaysia, whereas investment activity is located in Malaysia and British Virgin Islands.

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

	<u>Sales Revenue By Geographical Market</u>	
	<u>2002</u>	<u>2001</u>
	RM	RM
Malaysia	19,057,405	15,167,336
Other Asian Countries	17,966,795	14,641,323
	<u>37,024,200</u>	<u>29,808,659</u>

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.

	<u>Carrying amount of segment assets</u>		<u>Capital additions</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM
Malaysia	117,289,836	98,123,719	2,180,296	1,557,704
British Virgin Islands	22,217,543	22,317,719	-	-
Singapore	175,291	8,264	194,757	-
	<u>139,682,670</u>	<u>120,449,702</u>	<u>2,375,053</u>	<u>1,557,704</u>



Statement By Directors

Statement By Directors

The directors of LINEAR CORPORATION BERHAD state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2002 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

LUM WENG LOY

CHIN KUET LEE

Penang,
April 28, 2003



Declaration By The Officer Primarily Responsible For The Financial Management Of The Company

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

Subscribed and solemnly declared
by the abovenamed OOI CHUAN GUAN at
GEORGETOWN in the State of PENANG
on April 28, 2003

Before me,
GOVINDASAMYA/L G.MUTTUSAMY, PJM.
COMMISSIONER FOR OATHS

Shareholders Information

Analysis Of Shareholdings As At 5 May 2003

Authorised Share Capital	:	RM100,000,000
Issued and Paid-up Share Capital	:	RM51,748,333
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote for every share
No. of Shareholders	:	5,073

Distribution Of Shareholdings

<u>Size of Shareholdings</u>	<u>No. of Shareholders</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Less than 1,000	249	4.91	119,519	0.23
1,000 - 10,000	4,356	85.87	11,978,888	23.15
10,001 - 100,000	431	8.49	11,395,573	22.02
100,001 to less than 5% of issued shares	36	0.71	18,245,351	35.26
5% and above of issued shares	1	0.02	10,008,000	19.34
	<u>5,073</u>	<u>100.00</u>	<u>51,748,333</u>	<u>100.00</u>



Shareholders Information (Cont'd)

Thirty Largest Shareholders

	<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Percentage</u>
1.	Cytech Strategic Sdn Bhd	10,008,000	19.34
2.	Ong Peng Nam	2,451,717	4.74
3.	Ong Peng Chor	2,302,212	4.45
4.	Ong Soo Cheng	1,558,775	3.01
5.	Amanah Raya Berhad Qualifier : Amtotal Return	1,196,000	2.31
6.	Eduxcel.com Sdn Bhd	1,030,000	1.99
7.	Tengku Rethwan Bin Tengku Mansor	1,000,000	1.93
8.	JB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Low Bok Tek	1,000,000	1.93
9.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Goh Teck Chai	1,000,000	1.93
10.	Mayban Nominees (Asing) Sdn Bhd Qualifier : Nomura Singapore Limited for Nihon Spindle Manufacturing Company Ltd	833,333	1.61
11.	Francis Foo See Yuan	600,000	1.16
12.	Tan Ah Huat @ Tan Say Huat	574,051	1.11
13.	HSBC Nominees (Tempatan) Sdn Bhd Qualifier : HSBC (M) Trustee Bhd for AM Cumulative Growth	572,000	1.11
14.	Amanah Raya Berhad Qualifier : AMIttikal	388,000	0.75
15.	Chan Kin Hua	315,000	0.61
16.	Lembaga Tabung Haji	300,000	0.58
17.	RHB Capital Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Kuek Eng Mong	290,000	0.56



Shareholders Information (Cont'd)

	<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Percentage</u>
18.	AM Nominees (Tempatan) Sdn Bhd Qualifier : Tabung Amanah Warisan Negeri Johor	211,000	0.41
19.	HDM Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Chean Seng Hong	193,000	0.37
20.	JB Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Ang Siew Lan	180,000	0.35
21.	AM Nominees (Tempatan) Sdn Bhd Qualifier : Malaysia & Nippon Insurans Berhad	169,000	0.33
22.	PFM Capital Sdn Bhd	168,000	0.32
23.	Wong Kon Hin	147,900	0.29
24.	Lee Hoo Leng	146,000	0.28
25.	Ong Chin Kean	143,000	0.28
26.	Mayban Nominees (Tempatan) Sdn Bhd Qualifier : Pledged Securities Account for Yeap Gek @ Yeap Poh Chim	131,000	0.25
27.	Pon Kam Bong @ Pon Chew Chong	128,000	0.25
28.	Chu Lan @ Ban Chooi Lan	128,000	0.25
29.	BBMB Securities Sdn Bhd Qualifier : Ivt for BBMB Securities Sdn Bhd (Account 1)	122,000	0.24
30.	Ooi Hock Seng	117,684	0.23
		<u>27,403,672</u>	<u>52.97</u>

Shareholders Information (Cont'd)

List Of Substantial Shareholders (Excluding Bare Trustees)

<i>Name of Shareholders</i>	<i>Direct No. of Shares</i>	<i>%</i>	<i>Indirect No. of Shares</i>	<i>%</i>
Cytech Strategic Sdn Bhd	10,008,000	19.34	-	-
Lum Weng Loy	5,000	0.01	10,008,000*	19.34
Chin Kuet Lee	-	-	10,008,000*	19.34

* By virtue of their shareholdings in Cytech Strategic Sdn Bhd

Directors' Shareholdings

<i>Name of Directors</i>	<i>Direct No. of Shares</i>	<i>%</i>	<i>Indirect No. of Shares</i>	<i>%</i>
Lum Weng Loy	5,000	0.01	10,008,000*	19.34
Chin Kuet Lee	-	-	10,008,000*	19.34
Choy Kah Yew	-	-	-	-
Datuk Abdul Malek Bin Abdul Aziz	-	-	-	-
Soh Yew Aun	25,001	0.05	-	-
Ahmad Shalimin Bin Ahmad Shaffie	-	-	-	-

* By virtue of their shareholdings in Cytech Strategic Sdn Bhd

List Of Major Properties

<i>Location</i>	<i>Particulars of Title</i>	<i>Tenure</i>	<i>Land Area</i>	<i>Description</i>	<i>Age of building (Years)</i>	<i>Net Book Value (RM)</i>
1062, Jln Perusahaan Prai Industrial Estate 4 Prai, Penang	H.S.(D) 570 Mukim 6 Province Wellesley Central Penang	Leasehold (60 years - expiring on 2052)	6.42913 acres	Corporate Office and Factory Building	10	15,578,306
1062A, Jln Perusahaan Prai Industrial Estate 4 Prai, Penang	H.S.(D) 596 Mukim 6 Province Wellesley Central Penang	Leasehold (60 years - expiring on 2052)	4.83278 acres	Factory Building	5	4,417,906
Plot 245, Prai Industrial Estate 2 Prai, Penang	H.S.(D) 119 Mukim 1 Province Wellesley Central Penang	Leasehold (60 years - expiring on 2035)	2.5 acres	Factory Building	22	3,566,621
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	H.S.(D) 'HBM 3 P.T. No. 2974 MK 11, SPT	Leasehold (99 years - expiring on 22.4.2092)	700 sq ft each	Workers Quaters	7	360,765

* Year of last revaluation - 1999

NO. OF SHARES HELD

Proxy Form

I/We,
(Full Name in Block Letters)

of
(Address)

being a member/members of LINEAR CORPORATION BERHAD hereby appoint.....

.....
(Full Name in Block Letters)

of
(Address)

or failing him/her
(Full Name in Block Letters)

of
(Address)

or failing him/her, the Chairman of the meeting, as my/our proxy, to vote for me/us on my/our behalf at the Ninth (9th) Annual General Meeting of the Company to be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Monday, 30 June 2003 at 9.00 a.m. and at any adjournment thereof in the manner indicated below.

	Resolution	For	Against
1.	To receive and adopt the Audited Accounts for the year ended 31 December 2002, together with the Reports of the Directors and Auditors thereon		
2.	To approve the payment of Director's fees		
3.	To re-elect Datin Abdul Malek Bin Abdul Aziz		
4.	To re-elect Choy Kah Yew		
5.	To re-elect Encik Ahmad Shalimin Bin Ahmad Shaffie		
6.	To re-appoint Messrs Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9.	Proposed Amendment to the Memorandum of Association		

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

Signed this day of 2003

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

Notes

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

Fold along this line (1)

Affix
Stamp
Here

The Company Secretary
LINEAR CORPORATION BERHAD
20A, Jalan Perusahaan
Prai Industrial Estate 4
13600 Prai, Penang
Malaysia

Fold along this line (2)

LINEAR CORPORATION BERHAD (288687-W)

Head Office & Factory
20A, Jalan Perusahaan, Prai Industrial Estate 4,
13600 Prai, Penang, Malaysia.

www.linear.com.my