

LINEAR CORPORATION BERHAD (288687-W)

Head Office & Factory

20A, Jalan Perusahaan, Prai Industrial Estate 4
13600 Prai, Penang, Malaysia

www.linear.com.my



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth (10th) 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 Wednesday, 23 June 2004 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the audited financial statements for the financial year ended 31 December 2003 together with the reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees for the financial year ended 31 December 2003. **(Resolution 2)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 95 of the Company's Articles of Association:
 - (i) Chin Kuet Lee **(Resolution 3)**
 - (ii) Soh Yew Aun **(Resolution 4)**
4. To re-elect Dato' Lee Kam Sun, 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)

"THAT subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company's subsidiary to enter into the recurrent related party transactions of a revenue or trading nature with related party as set out in Section 2.2 of the Circular to Shareholders dated 1 June 2004 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:-

- (i) the conclusion of the next annual general meeting of the Company to be held in 2005, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next 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
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

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

Notice of Annual General Meeting (Cont'd)

8. Ordinary Resolution:-

Proposed Share Buy-back

(Resolution 9)

"THAT, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and all other relevant applicable laws, regulations and guidelines and the approvals of all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors from time to time through Bursa Malaysia as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company and the amount allocated for the Proposed Share Buy-Back shall not exceed the Company's audited retained profit and/or share premium account;

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

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

- (i) the conclusion of the next AGM of the Company to be held in 2005, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

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

AND THAT the Directors be authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may deem fit and expedient in the interest of the Company to give effect to the Proposed Share Buy-Back as may be agreed or allowed by the relevant authorities."

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

BY ORDER OF THE BOARD

TAY LI LI

MAICSA 7007996

Secretary

Penang

1 June 2004

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 general meeting, will expire at the conclusion of the next annual general meeting.
 - (iii) Ordinary Resolution 9, if passed, will empower the Company to purchase up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next annual general meeting.

Statement Accompanying Notice of Annual General Meeting Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors standing for re-election at the 10th Annual General Meeting of the Company are Mr Chin Kuet Lee, Mr Soh Yew Aun and Dato' Lee Kam Sun. Further details of these Directors are set out in Directors' Profile and Shareholders Information - Directors' shareholdings.

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.

2. There were seven Directors' meetings held during the financial year ended 31 December 2003 and the attendance of Directors are as follows:

Name of Director	Attendance
Lum Weng Loy	6/7
Chin Kuet Lee	6/7
Soh Yew Aun	6/7
Dato' Lee Kam Sun	1/1
Datuk Abdul Malek Bin Abdul Aziz	7/7
Ahmad Shalimin Bin Ahmad Shaffie	5/5

3. The Tenth (10th) 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 Wednesday, 23 June 2004 at 9.00 a.m.

BOARD OF DIRECTORS

Lum Weng Loy (*Chairman/Managing Director*)

Chin Kuet Lee (*Executive Director*)

Soh Yew Aun (*Executive Director*)

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

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

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

COMPANY SECRETARY

Tay Li Li
(MAICSA 7007996)

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

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

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia
Securities Berhad
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 31st December 2003.

OPERATIONAL OVERVIEW

The financial year 2003 saw an overall improvement in economic optimism in the world market and this boost was well received as a reprieve to the previous financial years 2001 and 2002.

Still in its infancy stage, this economic optimism was only marginally felt in the local commercial development and construction sector, which was largely oversold. Compounding this, the region was drastically hit by the outbreak of Severe Acute Respiratory Syndrome (SARS).

With market forces in the heating, ventilation and air-conditioning (HVAC) industry influenced by these factors, margins from the production of HVAC equipment which forms the mainstay of our revenue continued to be depressed.

Nevertheless we strived harder in this very competitive sector and through our perseverance managed to improve our HVAC equipment manufacturing and trading revenues from RM36 million in the financial year 2002 to RM38 million in financial year 2003.

Much of our profit margins however were taken up by the rising cost of raw materials and the prolonged over-hang in the commercial development and construction sector took its toll on a cross section of the HVAC industry resulting in some of our upstream customers failing in their debts to us and our stocks moving more slowly.

As a result of this and to maintain prudent standards of accounting, we have made provisions for doubtful debts and slow moving stocks that will improve our financial resilience in the future.

Over and above these bleak overtures we are pleased to announce the completion of various corporate exercises undertaken to raise funds for the district cooling projects we have embarked on as well as to complete the acquisition of LETC Engineering Sdn. Bhd. (LETC) & Times Engineering Systems Co. Ltd. (TES).

Together, both LETC and TES have contributed RM11.7 million in revenue to the Group chalking a profit before tax of RM2.2 million for the year.

In addition, these corporate exercises have also increased our capital to over RM75 million from RM57 million previously.

LETC's expertise in engineering services provides us the comfort and cost efficiency to project manage both our existing district cooling projects. The success of these projects will provide us the necessary platform to source and venture into various other HVAC projects in the region.

FINANCIAL REVIEW

Over the financial year 2003, the Group consolidated its efforts through lacklustre market conditions and pressed ahead in a "quantity" based strategic push to chalk up a commendable increase in revenue from RM37.0 million in the financial year 2002 to RM50.7 million currently, ringing in an increase of 37%.

However, the Group recorded a loss of RM1.3 million as against a profit of RM3.7 million gained in the last financial year. This loss is attributed primarily to provisions made toward the diminution in value of investments, allowance for doubtful debts and allowance for slow moving stocks - all of which culminated to

RM6.9 million. These provisions are necessary to reflect the value and strength of the Group and will augur well for the Group in the near future.

Recognising the bearish HVAC market sentiments, we put in place strategies to improve our production and sales capacity - increasing production volume on our products and distributing them to an even wider market range.

Given time we are confident the implementation of these strategies will see greater improvement in our production and sales levels.

BUSINESS DEVELOPMENTS

Due to the increasing cost of raw materials, a sluggish commercial development market and strong competition, margins on the Group's products continue to be suppressed.

In order to improve its bottom line contribution, the Group has consolidated its expenses and embarked on a series of cost cutting measures by imposing stringent controls that serve to tighten and trim its expenditure.

With these controls, we are hopeful the competitive ante of the Group will increase and importantly record more positive results.

Having entered into a joint venture agreement with Mutiara Rini Sdn. Bhd., a wholly owned subsidiary of main board listed Boustead Properties Berhad to jointly own a district cooling plant, the Group had on August 13th, 2003, been awarded a RM33.2 million contract to design, build and operate the plant which provides air-conditioning services to "The Curve" - Mutiara Rini's 2.4 million sq. ft. shopping and entertainment complex.

Scheduled to be handed over by end 2004, the district cooling plant will be the first commercially driven plant in the country by a private company and will provide comfort cooling to The Curve's occupants and visitors.

The Group's district cooling plant in the 456-acre Bandar Perda township is also progressing smoothly with the acquisition of 1.85 acres of land in September 2003 to house the regions largest ice thermal storage facility. Phase One of the plant serving the commercial precinct is scheduled for completion in 2005.

CORPORATE DEVELOPMENTS

As mentioned earlier, the acquisitions of LETC and TES were completed during the year under review namely in October 2003. An integral part of these acquisitions was the successful completion of the rights issue together with free warrants that raised some RM17.2 million for the Company.

On the same note, I am pleased to place on record that the said rights issue was oversubscribed by 33.6%.

Another eventful mark in our corporate development, although only formally recorded after the end of our financial year, is the divestment of our interest in Unified Communications group pursuant to its listing on the Singapore Stock Exchange on February 19th, 2004.

This strategic divestment resulted in the Group chalking net proceeds of RM34.9 million with gains of RM28.0 million to the Company and RM14.0 million to the Group - yielding a cash return of over 500% of the original investment cost of RM6.9 million. More significantly this achievement was accomplished over a period of less than 3½ years.

Fresh from the successful divestment of Unified Communications, the Group is continuing to unlock its ICT investments and is actively pursuing the proposed listing of The Media Shoppe (TMS). TMS had in April 2004, submitted to the relevant authorities its proposed listing on to the MESDAQ market of Bursa Malaysia Securities Berhad.

TMS, a 26% owned associate company of the Group is a MSC status company and is principally involved in the development and provision of proprietary Internet based solutions namely tmsINTRANET, tmsSEED, tmsSYNDICATOR and the award winning tmsPUBLISHER.

Chairman's Statement (Cont'd)

RESEARCH & DEVELOPMENT

Having established itself in the manufacturing of HVAC products over the last 20 years, the Group is in a position to expand its knowledge and expertise in all facets of the HVAC value chain with the aim of developing fresh innovations.

One such area of potential is the development of renewable energy products.

Having spent over a year in research and development, the Group is pleased that its efforts have been fruitful with growing market interest in "Ecogen" - the Group's renewable energy hot water heater. Available in two product variants, Ecogen works in the reverse of the refrigeration process - absorbing heat from the environment or a source to heat water.

Given the marketing potential of these products the Group will continue its initiatives with the aim of realising full potential.

In addition, the Group is continuing in its efforts to re-engineer and improve its current batch of products with the aim of improving their performance and cost as a means of keeping ahead of the competition.

PROSPECTS

The Group is confident of the feasibility of district cooling as it presents the Group a favourable income from the sale of high end HVAC equipment, the provision of engineering services and project management expertise.

In addition, the Group is also well poised to harness steady income streams from the supply of chilled water stemming from its ownership of district cooling plants.

We are now extending our focus on district cooling in the region and hope to secure more large-scale projects in the near future.

Over and above the prospects expected from district cooling, the Group is also actively involved in the marketing of Ecogen.

With Linear as original equipment manufacturer, an Ecogen product had since May 2004, been packaged with air-conditioners made by one of the world's largest air-condition manufacturers and retailed to the local market. Given its appeal, the Group is confident of Ecogen's potential.

CORPORATE GOVERNANCE

On behalf of the Board of Directors, the Group has and will continue to initiate various measures in compliance of the Malaysian Code of Corporate Governance 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 YBhg. Dato' Lee Kam Sun to the Board of Linear Corporation Berhad.

Dato' Lee is the Executive Director of both LETC and TES and serves as non-executive director on the Board of Linear Corporation Berhad.

With his appointment, Dato' Lee brings to the Board, a diverse array of expertise particularly in the engineering and construction sector. His sound knowledge, experience and advice will bring invaluable benefit to the Group primarily in the areas of project management and construction cost savings.

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 contribution and hope we continue to scale greater heights.

Thank you.

LUM WENG LOY

Chairman & Managing Director

May 24th, 2004

LUM WENG LOY | AGED 38, MALAYSIAN

(Chairman/Managing Director) Non-Independent Executive Director

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

Having undertaken his articleship in one of the top four international accounting firms, Lum has been a trained and qualified Chartered Accountant since 1991. He is also a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Lum is an entrepreneur with extensive experience in corporate affairs and financial management gained over the past 17 years as a merchant banker and as head of the corporate finance division of a few public listed companies.

JERRY CHIN KUET LEE | AGED 47, MALAYSIAN

(Executive Director) Non-Independent Executive Director

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

He has over 23 years of international working experience in the 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.

SOH YEW AUN | AGED 46, MALAYSIAN

(Executive Director) Non-Independent Executive Director

Soh Yew Aun was appointed to the Board of Linear on 29 January 1994 and became an Executive Director on 10 January 2003. He graduated in 1980 with a Bachelor of Social Science (Hons) Degree majoring in Economics from University Sains Malaysia. 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, Penang Branch. In 1990, he joined Denko Industrial Corporation Berhad, a company listed on the Second Board of Bursa Malaysia Securities Berhad as its Corporate Planning Manager till 1991. He also sits on the board of Welli Multi Corporation Berhad (formerly known as Fourseason (Malaysia) Berhad) and several private limited companies.

Directors' Profile (Cont'd)

DATO' LEE KAM SUN | AGED 45, MALAYSIAN

Non-Independent Non-Executive Director

Dato' Lee Kam Sun was appointed to the Board of Linear on 7 November 2003. Dato' Lee is the Chief Executive Officer and the founder of LETC Engineering Sdn Bhd, a 70%-owned subsidiary of the Company. He is a successful entrepreneur and has more than 25 years of experience in electrical and mechanical engineering. In 1992, he founded Watford and under his leadership, he has spearheaded Watford into one of the leading suppliers of electrical construction materials for hazardous locations. In 1995, he diversified his investment into Thailand and co-founded Times Engineering Systems Co. Ltd., another 70%-owned subsidiary of the Company, which is actively involved in providing electrical, mechanical and general civil engineering services in Thailand.

DATUK ABDUL MALEK BIN ABDUL AZIZ | AGED 67, MALAYSIAN

Independent Non-Executive Director

Datuk Abdul Malek Bin Abdul Aziz was appointed to the Board of Linear 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 35, MALAYSIAN

Independent Non-Executive Director

Ahmad Shalimin Bin Ahmad Shaffie was appointed to the Board of Linear on 31 March 2003. He graduated from the School of Public Administration & Law, Universiti Teknologi Mara in 1990. He had held various managerial positions in diverse industries including securities dealing, services and retailing prior to his 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:-
- a) Datuk Abdul Malek Bin Abdul Aziz
 - Chairman of Audit Committee
 - Chairman of Remuneration Committee
 - Chairman of Nomination Committee
 - Member of Employees' Share Option Scheme Committee
 - b) Ahmad Shalimin Bin Ahmad Shaffie
 - Member of Audit Committee
 - Member of Remuneration Committee
 - Member of Nomination Committee
 - c) Lum Weng Loy
 - Member of Remuneration Committee
 - Member of Audit Committee
 - Chairman of Employees' Share Option Scheme Committee
 - d) Chin Kuet Lee
 - Member of Employees' Share Option Scheme Committee
- (b) There are no family relationships among the Directors and/or substantial shareholders of the Company.
- (c) None of the Directors has any conflict of interest with the Company.
- (d) None of the Directors has been convicted of any offences within the past 10 years other than traffic offences (if any).

Directors' Responsibility Statement

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

The Companies Act, 1965 (the "Act") and Listing Requirements of Bursa Malaysia Securities Berhad require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flows of the Company and the Group for the financial year, in accordance with the applicable 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 2003, the Directors' have made judgement and estimates that are prudent and reasonable and adopted the appropriate accounting policies and applied them consistently. The Directors also consider that relevant approved accounting standards have been followed in the preparation of these financial statements.

Statement on Corporate Governance

The Board of Directors is committed to ensuring a high standard of corporate governance. Set out below is 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 2003.

BOARD OF DIRECTORS

The Company is led by an experienced Board of Directors principally responsible in the areas of strategic planning and ensuring the proper conduct of operations and affairs of the Group. The Board of Directors contribute a wealth of experience gained from their respective fields namely information technology, finance, public service, haulage, logistics and engineering. A brief write-up of each Director is set out under the Directors' Profile.

All Directors have completed their Mandatory Accreditation Programme (MAP) as prescribed by Bursa Malaysia Securities Berhad. The MAP highlights the significant developments affecting the regulatory culture of public listed companies to ensure Directors are knowledgeable of the governing rules and requirements to discharge their duties effectively.

BOARD MEETINGS

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

To facilitate the smooth transaction of business within the Company, the Board has successfully delegated some of its duties to board committees, such as the Audit Committee, Remuneration Committee, Nomination Committee and Employees' Share Option 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 while Non-Executive Directors play a significant role in exercising independent and unbiased judgement based their knowledge and experience.

SUPPLY OF INFORMATION

Prior to board meetings, board members are furnished with the agenda of the meeting and board papers relevant to facilitate informed decision making and sound judgement during the meeting. The board papers include minutes of previous meetings, reports and papers for consideration in relation to financial, operations, corporate, regulatory, business developments and all matters significant to the smooth running of the company.

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.

APPOINTMENT TO THE BOARD

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

Datuk Abdul Malek Bin Abdul Aziz - Chairman
Ahmad Shalimin Bin Ahmad Shaffie

A Nomination Committee meeting was held on 7 November 2003 for the nomination for appointment of Dato' Lee Kam Sun to the Board. Dato' Lee Kam Sun was appointed as a Non-Independent Non-Executive Director on 7 November 2003.

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 provides 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 to establish 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.

The Remuneration Committee comprises of the following members:-

Datuk Abdul Malek Bin Abdul Aziz - Chairman
Ahmad Shalimin Bin Ahmad Shaffie
Lum Weng Loy

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2003 is as follows:-

RM '000	Salary and other emoluments	Fees
Executive	657,060	-
Non-Executive	-	24,000

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

Range of remuneration (RM)	Executive	Non-Executive
50,000 and below	-	2
50,001 - 100,000	-	-
100,001 - 150,000	1	-
150,001 - 200,000	-	-
200,001 - 250,000	-	-
250,001 - 300,000	2	-

RELATIONSHIP WITH SHAREHOLDERS

The Company recognizes the importance of effective communications 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.

ACCOUNTABILITY AND 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.

Statement on Corporate Governance (Cont'd)

Internal Control

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

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

The Board has continued 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.

MEMBERSHIP

Members of the Audit Committee are as follows:-

Chairman

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

Members

Lum Weng Loy
(Chairman/Managing Director)

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

TERMS OF REFERENCE

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

Composition

The Audit Committee shall be appointed by the Board of Directors from amongst their number and shall 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. No alternate director shall be appointed as a member of the Audit Committee.

Quorum

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

Authority

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

Duties & Functions

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

Audit Committee Report (Cont'd)

Duties & Functions (Cont'd)

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

MEETINGS AND SUMMARY OF ACTIVITIES

The Audit Committee met five times during the financial year ended 31 December 2003 and details of attendance are as follows:

Datuk Abdul Malek Bin Abdul Aziz	5/5
Ahmad Shalimin Bin Ahmad Shaffie	4/4
Lum Weng Loy	2/2

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 recommending 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 discussed with internal auditor the internal audit report which highlight the audit issues, recommendations and management responses and ensures the adherence of review procedures for recurrent related party transactions.

INTERNAL AUDIT

The Group has an internal audit function whose primary responsibility is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

During the said period, the internal auditors met to formulate their terms of reference, duties and responsibilities, which include the review and evaluation of the control environment existing within the Group and carried out special reviews requested by the management.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders investments and the Group's assets. The Board of Directors is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Company's operations. This Statement on Internal Control has been prepared in accordance with the Guidance for Directors of Public Listed Companies issued by the KLSE Task Force on Internal Control.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROLS

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

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

SYSTEM OF INTERNAL CONTROL

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

- Quarterly financial reports are supplied to the Audit Committee and the Board for review and if necessary corrective actions to be taken.
- Accounting records are kept in an orderly, reliable, accessible manner and in compliance with the relevant approved applicable accounting standards and provisions of the Companies Act, 1965.
- Regular training and development programs which are being attended by the employees with the objective of enhancing their knowledge and competency.
- A clearly defined lines of accountability and responsibility, which sets out the decisions that need to be taken and the appropriate approving authority at various levels of management.
- Delegation of authority including authorisation limits at various levels of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.
- Internal procedures and policies are clearly documented and reviewed and revised periodically to meet changing business and operational reporting needs.
- The Management meet every month to discuss business and operational matters including potential risks and control issues.

RISK MANAGEMENT

The Board has established a Risk Management Framework to monitor 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.

CONCLUSION

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

Additional Compliance Information

(a) Share Buybacks

During the financial year, the Company did not enter into any share buyback transactions.

(b) Options, Warrants or Convertible Securities

The Company's Employees' Share Option Scheme ("ESOS") became effective on 14 August 2003. 5,144,000 and 1,197,000 share options were granted to the eligible employees at RM1.16 and RM1.22 respectively.

During the financial year, a total of 102,000 ordinary shares pursuant to the ESOS were exercised.

The Company had during the financial year issued the following warrants:-

Warrant	Amount	Exercise period	Exercise price per share
Warrant 2003/2008	17,249,444	15/9/2003 - 24/9/2008	RM1.00

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

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

(d) Non-Audit fees

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

(e) Material Contracts or Contract Relating to Loans

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

(f) Profit Guarantee

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

(g) Utilisation of Proceeds

The status of utilisation of gross proceeds raised from the Rights Issue amounting to RM17,249,444 is as follows:-

	As per Abridged Prospectus RM'000	Utilisation as at the date of this report RM'000
Future expansion plan:		
Investment in district cooling projects	5,000	4,780
Part finance the Acquisition	6,052	6,052
Working Capital	5,497	5,481
Defraying expenses	700	700
	17,249	17,013

(g) Utilisation of Proceeds (Cont'd)

RM1 million out of the total proceeds received from sale of Unified Communications Group have been utilised for working capital purposes. The remaining funds are placed in fixed deposit at interest rate ranging from 2.75% to 3.0%.

(h) Revaluation policy

The Group's leasehold land and certain buildings are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where necessary.

(i) Variation in results

There were no material variation in the unaudited quarterly results previously announced from the audited financial statements for the year ended 31 December 2003.

(j) Sanctions and Penalties

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

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, 2003.

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.

RESULTS OF OPERATIONS

	THE GROUP RM	THE COMPANY RM
(Loss)/profit after tax	(3,181,264)	5,123,175
Minority interests	1,846,763	–
Net (loss)/profit after tax and minority interests for the year	(1,334,501)	5,123,175

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

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM51,748,333 to RM75,099,777 by way of:

- issues of 6,000,000 new ordinary shares of RM1 each at an issue price of RM1.40 per ordinary share.
- a rights issue of 17,249,444 new ordinary shares of RM1 each together with 17,249,444 free detachable warrants at an issue price of RM1 per ordinary share.
- issues of 102,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme (ESOS) of the Company at an exercise price of RM1.16 per ordinary share.

ISSUE OF SHARES AND DEBENTURES (Cont'd)

The resultant premium arising from the shares issued of RM2,416,320 was credited to the share premium account.

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

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

WARRANTS

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

EMPLOYEES' SHARE OPTION SCHEME

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

The principal features of the ESOS are as follows:

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

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

- (c) Any employee (including executive directors) of the Group shall be eligible to participate in the Scheme, if as at the offer date, the executive:
- (i) has attained the age of eighteen (18) years;
 - (ii) is employed full-time by and is on the payroll of a company within the Group (other than a company which is dormant); and
 - (iii) is under such categories and of such criteria that the Option Committee may from time to time decide.
- Any allocation under the ESOS to an executive director of the Group shall require prior approval from the Company's shareholders in a general meeting.
- (d) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as shown in the daily official list of the Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) for the five preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher.
- (e) The options granted may be exercised within a period of five years from the effective date of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing to the Company.
- (f) The new ordinary shares of RM1 each to be allocated upon any exercise of the ESOS will upon allotment rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.

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

Date of offer	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				
		Balance as of 1.1.2003	Granted	Exercised	Cancelled	Balance as of 31.12.2003
August 25, 2003	1.16	–	5,144,000	(102,000)	(283,000)	4,759,000
October 15, 2003	1.22	–	1,197,000	–	–	1,197,000

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

The list of the employees with number of options granted above 200,000 ordinary shares of RM1 each are as follows:

Date of offer	Name of Optionee	Option price RM	No. of options over ordinary shares of RM1 each		Balance
			Granted	Exercised	as of 31.12.2003
August 25, 2003	Wee June Cheong	1.16	230,000	–	230,000
August 25, 2003	Tan Lim Tneah Kooi	1.16	210,000	–	210,000
August 25, 2003	Goh Gee Keong	1.16	204,000	–	204,000
August 25, 2003	Lim Phang Leong	1.16	203,000	–	203,000
August 25, 2003	Yee Meow Chuan	1.16	200,000	–	200,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of employees who have been granted options below 200,000 ordinary shares of RM1 each.

Share options granted to the Company's directors are shown under directors' interest.

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 there are no known bad debts to be 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 require the writing off of 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.

Directors' Report (Cont'd)

OTHER FINANCIAL INFORMATION (Cont'd)

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

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

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.

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

- (a) On January 9, 2003, the Company entered into joint venture agreement with Mutiara Rini Sdn. Berhad ("MRSB"), a wholly-owned subsidiary of a public listed company, SCB Development 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.
- (b) On June 27, 2003, the Company has completed the disposal of the Company's entire 40% equity interest in M&C Engineering & Trading Sdn. Bhd. for a total consideration of RM11,934,000 satisfied by 19,890,000 new ordinary shares of RM0.50 each in AWC Facility Solution Berhad (AWC) representing 8.7% equity interest in AWC at an issue price of RM0.60 per ordinary share.
- (c) On June 30, 2003, the Company's wholly owned subsidiary company, Linear Ventures Sdn. Bhd. had completed the acquisition of 59.5% equity interest in Quantum Water Heaters Sdn. Bhd.
- (d) On July 18, 2003, the Company had entered into a Share Sale Agreement with Aseania Industries Sdn. Bhd. ("Aseania") to acquire from Aseania its entire 40% equity interest representing 2 shares in Aseania Linear District Cooling System Sdn. Bhd. at total purchase consideration of RM2.
- (e) On July 25, 2003, the Company had entered into a Shareholders Agreement for the incorporation of Linear TES Co. Ltd. and share swap as part of the implementation process of the acquisition of Times Engineering Systems Co. Ltd.
- (f) On August 13, 2003, the Company announced that Linear Cooling Industries Sdn. Bhd. had been awarded a Design and Build Contract by Mutiara Rini Linear DCP Sdn. Bhd. to design, construct, test, commission and complete the District Cooling Plant for a total Contract Sum not exceeding RM33,285,000.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)**COMPLETED EVENTS (Cont'd)**

- (g) On August 16, 2003, the Company had received a letter of offer from Corringway Sdn. Bhd. to offer to purchase approximately 4.33% equity interest in AWC Facility Solutions Berhad comprising 9,892,549 ordinary shares of RM0.50 each for a cash consideration of RM4,946,275. The disposal was accepted and completed by the Company on August 18, 2003.
- (h) On September 30, 2003, the Company announced that Aseania Linear District Cooling System Sdn. Bhd. has entered into a Sale and Purchase Agreement with Aseania Development Sdn. Bhd. and Lembaga Kemajuan Wilayah Pulau Pinang for the acquisition of a parcel of land measuring approximately 1.85 acres in area or thereabout being part of Mukim 6 & 7, Seberang Perai Tengah, Pulau Pinang together with a district cooling building structure without equipment to be erected thereon for cash consideration of RM4,835,160.
- (i) On August 5, 2003, the Company announced that PrimeAce Holdings Sdn. Bhd., had entered into 9 separate conditional Share Sale Agreement to dispose approximately 16.22% of Unified Communications Holdings Pte. Ltd.'s shares for an aggregate cash consideration of SGD11,500,000. The disposal was completed by the Company on February 19, 2004.
- (j) On August 22, 2003, the Company announce that PrimeAce Holdings Sdn. Bhd. proposes to offer for sale of up to 8.78% of the share capital of Unified Communications Holdings Pte. Ltd. The disposal was completed by the Company on February 19, 2004.
- (k) On October 6, 2003, the Company had completed the following matters:
- i. rights issue of 17,249,444 new ordinary shares of RM1.00 each together with 17,249,444 free detachable warrants on the basis of one new ordinary share of RM1.00 each in the Company plus one rights warrant for every three existing shares held;
 - ii. acquisition of LETC Engineering Sdn. Bhd. ("LETC") 70% equity interest comprising 1,400,000 ordinary shares of RM1.00 each for a purchase consideration of RM9,062,000 satisfied by way of RM4,162,000 in cash and the issuance of 3,500,000 new shares at an issue price of RM1.40 per share; and
 - iii. acquisition of 70% equity interest in Times Engineering Systems Co. Ltd. ("TES") comprising 2,800,000 ordinary shares of Thai Baht 10.00 each for a purchase consideration of RM5,390,000 satisfied by way of RM1,890,000 in cash and the issuance of 2,500,000 new shares at an issue price of RM1.40 per share based on the following implementation structure:-
 - (1) 1,960,000 ordinary shares of Thai Baht 10.00 each, representing 49% equity interest in TES; and
 - (2) 839,993 preference shares of Thai Baht 10.00 each, representing 43.75% equity interest in Linear TES Co. Ltd., which holds 48% equity interest in TES.

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date is disclosed in Note 34 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	
Soh Yew Aun	
Datuk Abdul Malek Bin Abdul Aziz	
Ahmad Shalimin Bin Ahmad Shaffie	
Dato' Lee Kam Sun	(appointed on November 7, 2003)
Choy Kah Yew	(retired on June 30, 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:

Shares in the Company	No. of ordinary shares of RM1 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Direct interest:				
Lum Weng Loy	5,000	77,200	–	82,200
Soh Yew Aun	25,001	8,333	–	33,334
Datuk Abdul Malek Bin Abdul Aziz	–	85,000	–	85,000
Dato' Lee Kam Sun	–	6,000,000	–	6,000,000
Indirect interest:				
Lum Weng Loy	10,008,000	5,342,518	(110,000)	15,240,518
Chin Kuet Lee	10,008,000	4,474,518	(110,000)	14,372,518

Warrants in the Company	No. of warrants of RM1 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Granted	Sold	
Direct interest:				
Lum Weng Loy	–	437,600	–	437,600
Soh Yew Aun	–	8,333	–	8,333
Datuk Abdul Malek Bin Abdul Aziz	–	3,700	–	3,700
Dato' Lee Kam Sun	–	50,000	–	50,000

DIRECTORS' INTEREST (Cont'd)

Share options in the Company	No. of options over ordinary shares of RM1 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Granted	Exercised	
Lum Weng Loy	–	480,000	–	480,000
Chin Kuet Lee	–	480,000	–	480,000
Soh Yew Aun	–	400,000	–	400,000
Dato' Lee Kam Sun	–	250,000	–	250,000

Shares in a subsidiary company, PrimeAce Venture Limited	No. of ordinary shares of USD1 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Direct interest:				
Lum Weng Loy	980,001	–	–	980,001
Chin Kuet Lee	980,001	–	–	980,001

Shares in a subsidiary company, LETC Engineering Sdn. Bhd.	No. of ordinary shares of RM1 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Direct interest:				
Dato' Lee Kam Sun	700,000	–	(400,000)	300,000

Shares in a subsidiary company, Linear TES Co. Ltd.	No. of ordinary shares of THB10 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Dato' Lee Kam Sun				
Direct interest	–	1	–	1
Indirect interest	–	419,993	–	419,993

Shares in a subsidiary company, Times Engineering Systems Co. Ltd.	No. of ordinary shares of THB10 each			Balance as of 31.12.2003
	Balance as of 1.1.2003	Bought	Sold	
Dato' Lee Kam Sun				
Direct interest	880,000	–	(880,000)	–
Indirect interest	–	1,919,993	–	1,919,993

Directors' Report (Cont'd)

DIRECTORS' INTEREST (Cont'd)

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, 2003 held shares in the Company or in related companies during the financial year.

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 in, or debentures of, the Company or any other body corporate other than in conjunction with the rights issue of 17,249,444 new ordinary shares of RM1 each together with 17,249,444 free detachable warrants to the existing shareholders on September 25, 2003 and the options over 5,956,000 ordinary shares of RM1 each granted by the Company to its eligible employees and certain directors pursuant to the Company's ESOS.

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, 2004

Report of the Auditors to the Members of Linear Corporation Berhad (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2003 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, 2003 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, of which we have not acted as auditors, as mentioned under Note 12 to the financial statements being financial statements that have been included in the consolidated financial statements.

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

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

DELOITTE KASSIMCHAN

AF 0080

Chartered Accountants

LEE CHENG HEOH

2225/04/06 (J)

Partner

Penang,

April 28, 2004

Income Statements

for the year ended December 31, 2003

	Note(s)	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	4	50,722,761	37,024,200	19,000	265,000
Other operating income		3,779,489	605,872	6,241,644	–
Changes in inventories of finished goods and work-in-progress		(37,222)	542,136	–	–
Purchase of trading goods		(279,384)	(314,287)	–	–
Raw materials and consumables used		(27,052,946)	(22,321,466)	–	–
Staff costs	5	(6,058,002)	(4,900,752)	(24,000)	(24,000)
Depreciation of property, plant and equipment		(2,864,905)	(2,655,304)	–	–
Write-off/amortisation of goodwill on consolidation		(426,574)	(303,446)	–	–
Contract cost recognised		(8,523,443)	–	–	–
Other operating expenses		(15,359,578)	(7,113,188)	(1,113,469)	(117,882)
(Loss)/profit from operations	6	(6,099,804)	563,765	5,123,175	123,118
Finance costs		(1,942,515)	(1,126,953)	–	–
Share of profit of associated companies		4,957,728	4,768,540	–	–
(Loss)/profit before tax	7	(3,084,591)	4,205,352	5,123,175	123,118
Income tax expense	8				
The Company and its subsidiary companies		158,311	115,871	–	(36,000)
Share of tax of associated companies		(254,984)	(399,987)	–	–
		(96,673)	(284,116)	–	(36,000)
(Loss)/profit after tax		(3,181,264)	3,921,236	5,123,175	87,118
Minority interests		1,846,763	(246,273)	–	–
Net (loss)/profit after tax and minority interests for the year		(1,334,501)	3,674,963	5,123,175	87,118
(Loss)/earnings per ordinary share					
Basic	9	(2.19 sen)	6.60 sen		

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

Balance Sheets
as of December 31, 2003

	Note(s)	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
PROPERTY, PLANT AND EQUIPMENT	10	41,021,939	32,623,622	-	-
GOODWILL ON CONSOLIDATION	11	14,760,640	5,379,888	-	-
INVESTMENTS IN SUBSIDIARY COMPANIES	12	-	-	69,989,247	55,459,303
INVESTMENTS IN ASSOCIATED COMPANIES	13	34,409,562	38,357,148	30,004	5,554,647
OTHER INVESTMENTS	14	15,482,671	13,860,000	6,341,071	-
AMOUNT OWING BY SUBSIDIARY COMPANIES	15	-	-	30,565,888	17,972,211
CURRENT ASSETS					
Inventories	16	21,683,127	17,476,619	-	-
Trade receivables	17,18	47,433,872	18,175,261	-	-
Other receivables and prepaid expenses	18,19	8,490,216	11,225,803	48,267	1,274,687
Tax recoverable		1,989,749	2,058,611	32,565	64,358
Amount owing by associated companies	20	124,365	174,024	1,224	174,024
Short-term deposits with licensed banks	33	1,451,867	-	1,004,967	-
Cash and bank balances		4,084,174	351,694	2,334,481	1,162
Total Current Assets		85,257,370	49,462,012	3,421,504	1,514,231
CURRENT LIABILITIES					
Trade payables	18,21	13,413,499	7,245,193	-	-
Amount owing to contract customers	22	472,618	-	-	-
Other payables and accrued expenses	18,23	5,928,000	2,265,049	98,872	84,500
Bank borrowings	24	33,682,319	18,651,495	-	-
Amount owing to directors	25	886,187	142,235	-	-
Hire-purchase payables	26	346,119	220,726	-	-
Long-term loans - current portion	27	1,370,739	1,000,000	-	-
Tax liabilities		1,146,110	4,920	-	-
Total Current Liabilities		57,245,591	29,529,618	98,872	84,500
NET CURRENT ASSETS		28,011,779	19,932,394	3,322,632	1,429,731
		133,686,591	110,153,052	110,248,842	80,415,892

Balance Sheets (Cont'd)

	Note(s)	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
SHARE CAPITAL	28	75,099,777	51,748,333	75,099,777	51,748,333
RESERVES	29	43,880,916	43,654,097	35,149,065	28,587,059
SHAREHOLDERS' EQUITY		118,980,693	95,402,430	110,248,842	80,335,392
MINORITY INTERESTS		10,949,117	9,715,996	-	-
LONG-TERM AND DEFERRED LIABILITIES					
Amount owing to a subsidiary company	30	-	-	-	80,500
Hire-purchase payables	26	1,044,814	754,681	-	-
Long-term loans	27	305,126	1,000,000	-	-
Deferred tax liabilities	31	2,406,841	3,279,945	-	-
		3,756,781	5,034,626	-	80,500
		133,686,591	110,153,052	110,248,842	80,415,892

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

Statements of Changes in Equity
for the year ended December 31, 2003

THE GROUP	Share Capital RM	Share Premium RM	Capital Redemption Reserve RM	Revaluation Reserve RM	Translation Reserve RM	Retained Profit RM	Total RM
Balance as of January 1, 2002							
As previously stated	51,748,333	-	301,000	6,474,314	127,230	35,468,188	94,119,065
Prior year adjustments (Note 32)	-	-	-	(3,576,037)	-	1,063,688	(2,512,349)
Restated balances	51,748,333	-	301,000	2,898,277	127,230	36,531,876	91,606,716
Translation difference in:							
Subsidiary companies	-	-	-	-	(4,527)	-	(4,527)
Associated companies	-	-	-	-	125,278	-	125,278
Realisation of revaluation surplus	-	-	-	(144,524)	-	144,524	-
Net gains/(losses) not recognised in the income statements	-	-	-	(144,524)	120,751	144,524	120,751
Net profit after tax and minority interests for the year	-	-	-	-	-	3,674,963	3,674,963
Balance as of December 31, 2002							
As previously stated	51,748,333	-	301,000	6,474,314	247,981	39,086,947	97,858,575
Prior year adjustments (Note 32)	-	-	-	(3,720,561)	-	1,264,416	(2,456,145)
Restated balances	51,748,333	-	301,000	2,753,753	247,981	40,351,363	95,402,430

Statements of Changes in Equity (Cont'd)

THE GROUP	Capital						Total RM
	Share Capital RM	Share Premium RM	Redemption Reserve RM	Revaluation Reserve RM	Translation Reserve RM	Retained Profit RM	
Allotment of 6,000,000 new ordinary shares of RM1 each at RM1.40 per share	6,000,000	2,400,000	-	-	-	-	8,400,000
Rights issue of 17,249,444 new ordinary shares of RM1 each at par	17,249,444	-	-	-	-	-	17,249,444
Allotment of 102,000 new ordinary shares of RM1 each at RM1.16 per share pursuant to the ESOS	102,000	16,320	-	-	-	-	118,320
Translation difference in: Subsidiary companies	-	-	-	-	50,407	-	50,407
Associated companies	-	-	-	-	72,082	-	72,082
Rights issue expenses	-	(977,489)	-	-	-	-	(977,489)
Realisation of revaluation surplus	-	-	-	(144,524)	-	144,524	-
Net gains/(losses) not recognised in the income statements	-	(977,489)	-	(144,524)	122,489	144,524	(855,000)
Net loss after tax and minority interests for the year	-	-	-	-	-	(1,334,501)	(1,334,501)
Balance as of December 31, 2003	75,099,777	1,438,831	301,000	2,609,229	370,470	39,161,386	118,980,693

Statements of Changes in Equity (Cont'd)

THE COMPANY	Share Capital RM	Share Premium RM	Capital Redemption Reserve RM	Revaluation Reserve RM	Retained Profit RM	Total RM
Balance as of January 1, 2002	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	51,748,333	–	301,000	19,030,494	9,255,565	80,335,392
Allotment of 6,000,000 new ordinary shares of RM1 each at RM1.40 per share	6,000,000	2,400,000	–	–	–	8,400,000
Rights issue of 17,249,444 new ordinary shares of RM1 each at par	17,249,444	–	–	–	–	17,249,444
Allotment of 102,000 new ordinary shares of RM1 each at RM1.16 per share pursuant to the ESOS	102,000	16,320	–	–	–	118,320
Net loss not recognised in the income statement						
Rights issue expenses	–	(977,489)	–	–	–	(977,489)
Net profit after tax for the year	–	–	–	–	5,123,175	5,123,175
Balance as of December 31, 2003	75,099,777	1,438,831	301,000	19,030,494	14,378,740	110,248,842

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

Cash Flow Statements

for the year ended December 31, 2003

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(3,084,591)	4,205,352	5,123,175	123,118
Adjustments for:				
Allowance for diminution in value of investments	4,725,000	-	-	-
Depreciation of property, plant and equipment	2,864,905	2,655,304	-	-
Interest expenses	1,778,748	1,073,567	-	-
Allowance for slow moving inventories	1,250,000	-	-	-
Allowance for doubtful debts	1,004,824	-	-	-
Loss on disposal of investment in quoted shares	989,254	-	989,254	-
Write-off/amortisation of goodwill on consolidation	426,574	303,446	-	-
Property, plant and equipment written off	5,251	-	-	-
Share of results in associated companies	(4,957,728)	(4,768,540)	-	-
Gain on disposal of investment in associated company	(3,193,102)	-	(6,236,553)	-
Gain on disposal of property, plant and equipment	(44,500)	(37,846)	-	-
Interest income	(5,813)	(12,796)	(4,967)	-
Gross dividend income	(1,000)	-	-	(240,000)
Bad debts written off	-	9,884	-	-
Operating profit/(loss) before working capital changes	1,757,822	3,428,371	(129,091)	(116,882)
(Increase)/decrease in:				
Inventories	(3,602,801)	(1,792,454)	-	-
Trade receivables	(10,768,086)	(8,343,473)	-	-
Other receivables and prepaid expenses	6,895,745	(8,005,952)	1,226,420	(568,518)
Increase/(decrease) in:				
Trade payables	(3,865,348)	3,659,073	-	-
Amount owing to contract customers	472,618	-	-	-
Other payables and accrued expenses	(3,005,023)	582,633	14,372	(2,680)
Amount owing to directors	453,490	6,070	-	-
Cash (used for)/generated from operations	(11,661,583)	(10,465,732)	1,111,701	(688,080)
Tax refunded	795,943	318,367	31,793	318,367
Tax paid	(685,781)	(618,514)	-	-
Net cash (used for)/generated from operating activities	(11,551,421)	(10,765,879)	1,143,494	(369,713)

Cash Flow Statements (Cont'd)

	Note(s)	THE GROUP		THE COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceed from disposal of investment in quoted shares		4,946,275	–	4,946,275	–
Dividend received		173,800	–	172,800	–
Proceeds from disposal of property, plant and equipment		79,000	1,060,991	–	–
Interest received		5,813	12,796	4,967	–
Acquisition of subsidiary companies, net of cash acquired	33	(9,773,012)	(347,970)	–	–
Purchase of investments in quoted shares		(349,200)	–	(342,600)	–
Purchase of property, plant and equipment	10	(6,360,956)	(1,419,053)	–	–
Purchase of investment in associated company		(4)	–	(4)	–
Disposal expenses		(172,800)	–	(172,800)	–
Purchase of investments in subsidiary companies	12	–	–	(6,129,944)	(351,060)
Decrease/(increase) in amount owing by subsidiary companies		–	–	(12,593,677)	717,620
Increase in amount owing by associated companies		–	(1,224)	–	(1,224)
Net cash (used for)/generated from investing activities		(11,451,084)	(694,460)	(14,114,983)	365,336
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares:					
Rights issue		17,249,444	–	17,249,444	–
Company's ESOS		118,320	–	118,320	–
Increase in bank borrowings		4,087,538	9,877,534	–	–
Interest paid		(1,881,363)	(1,073,567)	–	–
Repayment of long-term loans		(1,072,865)	(1,000,000)	–	–
Short-term deposits held as security value		(1,000,000)	–	(1,000,000)	–
Rights issue expenses paid		(977,489)	–	(977,489)	–
Repayment of hire-purchase		(295,673)	(568,341)	–	–
Proceeds from issuance of shares from minority shareholder of a subsidiary company		–	1	–	–
Decrease in amount owing to a subsidiary company		–	–	(80,500)	–
Net cash generated from financing activities		16,227,912	7,235,627	15,309,775	–
Effect of exchange differences		15,654	(4,256)	–	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,758,939)	(4,228,968)	2,338,286	(4,377)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(3,841,801)	387,167	1,162	5,539
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	(10,600,740)	(3,841,801)	2,339,448	1,162

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

Notes to the Financial Statements

December 31, 2003

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 (MASB).

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on April 28, 2004.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Sales revenue are recognised upon delivery of products and when the risks and rewards of ownership have passed. Revenue from construction contracts is recognised on the percentage of completion method where the contracts can be reliably measured. Dividend income is recognised when the shareholder's right to receive payments is established. Other revenue are recognised on an accrual basis.

Income Tax

In previous financial year, the tax effects of transactions are recognised, using the "income statement liability" method, in the year such transactions enter into the determination of net income, regardless of when they are recognised for tax purposes. Where timing differences would give rise to net deferred tax asset, the tax effects are generally recognised on actual realisation.

During the current financial year, the Group changed its accounting policy in accounting for deferred tax in accordance with MASB Standard No. 25, Income Taxes which became mandatory effective on July 1, 2002. Under MASB 25, deferred tax is accounted for using the "balance sheet liability" method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and its corresponding tax bases used in the computation of taxable profit.

Under MASB 25, deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

The effects of the change in accounting policy on the financial statements on the current and prior years are shown in Note 32.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates approximating those prevailing on the transaction dates or, 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 statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Conversion (Cont'd)

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 principal closing rates used in translation of foreign currency amounts and the financial statements of a foreign entity are as follows:

	2003	2002
	RM	RM
1 United States Dollar	3.80	3.80
1 Singapore Dollar	2.24	2.20
1 Sterling Pound	6.39	5.91
1 Australian Dollar	2.74	1.88
1 Euro	4.68	3.61
100 Japanese Yen	3.16	3.11
100 Thai Baht	9.59	-
100 Hong Kong Dollar	-	49.26

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.

Employees Benefit Costs

(i) Short Term Benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Employees Benefit Costs (Cont'd)****(ii) Defined Contribution Plans**

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

(iii) Employees' Share Option Scheme

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

Borrowing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

Research and Development Costs

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment except freehold land and assets in progress which are not depreciated, 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:

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, Plant and Equipment (Cont'd)

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 or crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained profit account.

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 statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, 2003. 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 quoted and unquoted shares are stated at cost less allowance for diminution in value of investments to recognise any decline, other than a temporary decline, in the value of the investments.

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.

Borrowings and Payables

Borrowings and payables are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Construction Contracts

Construction contracts are stated at cost plus attributable profits, less provision for foreseeable losses and progress payments. Cost comprises all costs relating directly to the contracts and include administrative expenses specifically attributable to the contracts.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due by contract customers under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to contract customers under current liabilities.

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 statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Share Capital

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

Cash and 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.

Leased Assets

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

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Financial Instruments**

Financial instruments carried on the balance sheets 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.

4. REVENUE

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of manufacturing goods	29,654,354	25,211,447	-	-
Contract revenue	11,721,766	-	-	-
Sales of trading goods	8,442,281	10,898,826	-	-
Others	904,360	913,927	-	-
Management fee	-	-	19,000	25,000
Gross dividend from associated company	-	-	-	240,000
	50,722,761	37,024,200	19,000	265,000

5. GENERAL INFORMATION

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Staff costs:				
Employees' Provident Fund	442,418	374,356	-	-
Other staff costs	5,615,584	4,526,396	24,000	24,000
	6,058,002	4,900,752	24,000	24,000
Number of directors and employees at end of year:				
Directors	23	20	6	5
Employees	236	164	-	-

Notes to the Financial Statements (Cont'd)

5. GENERAL INFORMATION (Cont'd)

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

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

6. (LOSS)/PROFIT FROM OPERATIONS

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Continuing operations:				
Existing	(7,900,694)	608,513	5,123,175	123,118
New acquisitions	1,800,890	(44,748)	-	-
	(6,099,804)	563,765	5,123,175	123,118

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging:				
Allowance for diminution in value of investments	4,725,000	-	-	-
Interest on:				
Bank borrowings	1,551,274	813,514	-	-
Long-term loans	164,279	208,333	-	-
Hire-purchase	63,195	51,720	-	-
Allowance for slow moving inventories	1,250,000	-	-	-
Allowance for doubtful debts	1,004,824	-	-	-
Loss on disposal of investment in quoted shares	989,254	-	989,254	-
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	591,000	419,850	-	-
Directors of subsidiary companies	285,764	80,799	-	-

7. (LOSS)/PROFIT BEFORE TAX (Cont'd)

(Loss)/profit before tax is arrived at: (Cont'd)

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging: (Cont'd)				
Directors' remuneration: (Cont'd)				
Employees' Provident Fund:				
Directors of the company	66,060	50,384	-	-
Directors of subsidiary companies	4,590	2,364	-	-
Rental of premises	699,939	455,950	-	-
Audit fee:				
Current year	72,385	61,940	12,000	12,000
Underprovision in prior year	2,173	-	-	-
Realised loss on foreign exchange	29,269	39,457	-	-
Hire of crane and machinery	29,100	28,690	-	-
Rental of office equipment	11,932	12,744	-	-
Property, plant and equipment written off	5,251	-	-	-
Research and development costs	-	10,728	-	-
Bad debts written off	-	9,884	-	-
Rental of motor vehicles	-	8,712	-	-
And crediting:				
Gain on disposal of investment in associated company	3,193,102	-	6,236,553	-
Rental income	331,474	384,548	-	-
Gain on disposal of property, plant and equipment	44,500	37,846	-	-
Bad debts recovered	10,160	-	-	-
Interest income	5,813	12,796	4,967	-
Dividend income	1,000	-	-	240,000

Notes to the Financial Statements (Cont'd)

8. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Current tax:				
Malaysian tax:				
Current year	384,034	58,890	–	36,000
Overprovision in prior year	(3,134)	–	–	–
Overseas tax:				
Current year	343,693	–	–	–
Underprovision in prior year	–	543	–	–
Deferred tax (Note 31):				
Deferred tax income relating to the origination and reversal of temporary differences in current year	(826,700)	(119,100)	–	–
Annual crystallisation of deferred tax on revaluation surplus	(56,204)	(56,204)	–	–
Share of tax in associated companies	254,984	399,987	–	–
	96,673	284,116	–	36,000

The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM100,000 with effect from the year of assessment 2003. For chargeable income in excess of RM100,000, the corporate income tax rate is 28%.

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

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Accounting (loss)/profit	(3,084,591)	4,205,352	5,123,175	123,118
Tax amount on accounting loss of up to RM100,000 at statutory income tax rate of 20% in Malaysia	(85,146)	–	–	–
Tax amount on accounting (loss)/profit at statutory income tax rate of 28% in Malaysia	(44,400)	98,960	1,434,000	34,000
Tax amount on accounting loss at statutory income tax rate of 22% in Singapore	(36,000)	(71,000)	–	–
Tax amount on accounting profit at statutory income tax rate of 30% in Thailand	305,141	–	–	–
	139,595	27,960	1,434,000	34,000

8. INCOME TAX EXPENSE (Cont'd)

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax effect on non-deductible/(non-taxable) items:				
Non-allowable expenses	380,398	260,947	16,000	2,000
Non-taxable income	(1,481,866)	(9,400)	(1,450,000)	-
Tax saving from double deduction on promotion of export and marine insurance	(190,000)	(428,000)	-	-
Net deferred tax income not recognised	1,052,900	88,283	-	-
Under/(over) provision of current tax expense in prior years	(3,134)	543	-	-
Annual crystallisation of deferred tax on revaluation surplus	(56,204)	(56,204)	-	-
Share of tax in associated companies	254,984	399,987	-	-
Income tax expense	96,673	284,116	-	36,000

As of December 31, 2003, the approximate amount of carry forward tax losses and unabsorbed capital allowances of the Group and of the Company are as follows:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Carry forward tax losses	7,167,800	1,557,300	173,000	111,000
Unabsorbed capital allowances	4,077,900	1,520,000	-	-
	11,245,700	3,077,300	173,000	111,000

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

9. (LOSS)/EARNINGS PER ORDINARY SHARE

	THE GROUP	
	2003 RM	2002 RM
Net (loss)/profit attributable to ordinary shareholders	(1,334,501)	3,674,963

Notes to the Financial Statements (Cont'd)

9. (LOSS)/EARNINGS PER ORDINARY SHARE (Cont'd)

	THE GROUP	
	2003 Units	2002 Units
Number of shares in issue as of January 1	51,748,333	51,748,333
Effect of rights issue	7,520,996	3,950,254
Effect of issue of new shares	1,610,959	–
Effect of the exercise of ESOS	18,301	–
Weighted average number of ordinary shares in issue	60,898,589	55,698,587
Basic (loss)/earnings per ordinary share (sen)	(2.19)	6.60

Comparative figures of the basic earnings per ordinary share have been restated to reflect the rights issue during the financial year.

The diluted loss per ordinary share in 2003 has not been presented as the effect of the conversions of warrants and employee share options to ordinary shares would be anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

Cost or Valuation	Beginning of year RM	Additions RM	Arising from acquisition of subsidiary companies RM	Translation reserve RM	Disposals RM	End of year RM
2003:						
At 1999 valuation:						
Short leasehold land	6,950,000	–	–	–	–	6,950,000
Buildings	13,950,000	–	–	–	–	13,950,000
Flats	395,000	–	–	–	–	395,000
At cost:						
Freehold land	–	2,417,580	–	–	–	2,417,580
Buildings	4,955,567	30,983	–	–	–	4,986,550
Plant and machinery	13,947,712	60,003	3,065,344	20,726	(112,937)	16,980,848
Moulds, tools and equipment	5,034,840	199,787	298,954	1,426	–	5,535,007
Office equipment, furniture and fittings	1,638,433	229,474	381,485	3,109	(5,729)	2,246,772

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

THE GROUP

Cost or Valuation	Beginning of year RM	Additions RM	Arising from acquisition of subsidiary companies RM	Translation reserve RM	Disposals RM	End of year RM
At cost: (Cont'd)						
Motor vehicles	2,682,442	566,184	616,900	4,955	(187,100)	3,683,381
Apartments	-	234,216	1,615,056	15,275	-	1,864,547
Renovation	607,645	93,379	149,171	3,120	-	853,315
Assets in progress	-	2,969,350	-	-	-	2,969,350
	50,161,639	6,800,956	6,126,910	48,611	(305,766)	62,832,350
2002	49,225,659	2,375,053	-	-	(1,439,073)	50,161,639

Accumulated Depreciation	Beginning of year RM	Charge for the year RM	Arising from acquisition of subsidiary companies RM	Translation reserve RM	Disposals RM	End of year RM
2003:						
At 1999 valuation:						
Short leasehold land	602,333	139,000	-	-	-	741,333
Buildings	1,209,000	279,000	-	-	-	1,488,000
Flats	34,235	7,900	-	-	-	42,135
At cost:						
Buildings	481,401	99,634	-	-	-	581,035
Plant and machinery	8,811,549	1,345,101	998,369	8,004	(112,937)	11,050,086
Moulds, tools and equipment	4,363,613	220,383	69,823	547	-	4,654,366
Office equipment, furniture and fittings	954,331	170,171	190,091	1,610	(478)	1,315,725
Motor vehicles	976,697	514,872	185,237	1,112	(152,600)	1,525,318
Apartments	-	20,273	181,362	1,821	-	203,456
Renovation	104,858	68,571	34,851	677	-	208,957
	17,538,017	2,864,905	1,659,733	13,771	(266,015)	21,810,411
2002	15,298,641	2,655,304	-	-	(415,928)	17,538,017

Notes to the Financial Statements (Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	THE GROUP	
	2003 RM	2002 RM
Net Book Value:		
At 1999 valuation:		
Short leasehold land	6,208,667	6,347,667
Buildings	12,462,000	12,741,000
Flats	352,865	360,765
At cost:		
Freehold land	2,417,580	–
Buildings	4,405,515	4,474,166
Plant and machinery	5,930,762	5,136,163
Moulds, tools and equipment	880,641	671,227
Office equipment, furniture and fittings	931,047	684,102
Motor vehicles	2,158,063	1,705,745
Apartments	1,661,091	–
Renovation	644,358	502,787
Assets in progress	2,969,350	–
	41,021,939	32,623,622

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM6,800,956 (2002: RM2,375,053) of which RM440,000 (2002: RM956,000) was acquired by mean of hire-purchase with the balance of RM6,360,956 (2002: RM1,419,053) was paid by cash.

As of December 31, 2003, certain motor vehicles of the Group with a total carrying value of RM1,483,528 (2002: RM871,218) are acquired under hire-purchase arrangements of which instalments are still outstanding.

As of December 31, 2003, the unexpired lease period of the short leasehold land is 49 years and 32 years.

As of December 31, 2003, the strata titles of the flats and apartments have not yet been issued to the subsidiary companies 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.

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	2003	2002
	RM	RM
Cost	13,480,235	13,480,235
Accumulated depreciation	(3,183,174)	(2,913,569)
Net book value at end of year	10,297,061	10,566,666

11. GOODWILL ON CONSOLIDATION

	THE GROUP	
	2003	2002
	RM	RM
At cost:		
At beginning of year	6,149,572	6,044,406
Goodwill on consolidation arising from the acquisitions of subsidiary companies	9,807,326	105,166
At end of year	15,956,898	6,149,572
Less: Amortisation of goodwill on consolidation		
At beginning of year	(769,684)	(466,238)
Write-off/amortisation during the year	(426,574)	(303,446)
At end of year	(1,196,258)	(769,684)
	14,760,640	5,379,888

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	THE COMPANY	
	2003	2002
	RM	RM
Unquoted shares		
- at 1999 valuation	32,099,016	32,099,016
- at cost	37,890,231	23,360,287
	69,989,247	55,459,303

Notes to the Financial Statements (Cont'd)

12. INVESTMENTS IN SUBSIDIARY COMPANIES (Cont'd)

The subsidiary companies are as follows:

Direct Subsidiary Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
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 Ventures Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
Aseania Linear District Cooling System Sdn. Berhad	Malaysia	Dormant	100%	60%
Linear Cooling Industries Pte. Ltd. *	Singapore	Dormant	100%	100%
Imux (Asia) Limited	Labuan	Dormant	100%	100%
BAC Cooling Technology Sdn. Bhd.	Malaysia	Manufacture and trading of cooling towers	70%	70%
LETC Engineering Sdn. Bhd. *	Malaysia	Providing mechanical and engineering services	70%	–
Times Engineering Systems Co. Ltd. *	Thailand	Providing mechanical and engineering services and construction	70%	–

12. INVESTMENTS IN SUBSIDIARY COMPANIES (Cont'd)

The subsidiary companies are as follows: (Cont'd)

Direct Subsidiary Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
PrimeAce Venture Limited	British Virgin Islands	Investment holdings in ICT related services	65%	65%
Linear TES Co. Ltd. *	Thailand	Investment holdings	43.75%	–
Indirect Subsidiary Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
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%
Quantum Water Heaters Sdn. Bhd. *	Malaysia	Manufacture and trading of water heaters	59.5%	–
Idea-Hub Dotcom Sdn. Bhd.	Malaysia	Dormant	51%	51%
Idea-Hub.Com Limited	Hong Kong	Investment holdings and providing ICT related services	51%	51%

* The financial statements of these subsidiary companies were audited by other firms of auditors.

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.

During the financial year, the Company acquired three new subsidiary companies for a total consideration of RM14,529,944 satisfied by way of RM6,129,944 in cash and the issuance of 6,000,000 new ordinary shares of RM1 each at an issue price of RM1.40 each. The new indirect subsidiary company, Quantum Water Heaters Sdn. Bhd. was acquired in cash. The acquisitions were completed on June 30, 2003 and October 6, 2003 respectively.

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

Notes to the Financial Statements (Cont'd)

12. INVESTMENTS IN SUBSIDIARY COMPANIES (Cont'd)

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:

	2003	2002
	RM	RM
Revenue	12,148,614	–
Other operating income	10,194	–
Changes in inventories of finished goods and work-in-progress	246,640	–
Raw materials used	(692,000)	–
Staff costs	(361,302)	–
Depreciation of property, plant and equipment	(218,403)	–
Contract cost recognised	(8,523,443)	–
Other operating expenses	(686,282)	(1,369)
Amortisation of goodwill	(123,128)	–
Preliminary and pre-operating expenses written off	–	(43,379)
Profit/(loss) from operation	1,800,890	(44,748)
Finance costs	(204,320)	–
Profit/(loss) before tax	1,596,570	(44,748)
Income tax expense	(663,533)	–
	933,037	(44,748)
Minority interest	(234,570)	17,352
Increase/(decrease) in Group profit attributable to shareholders	698,467	(27,396)

The effect of the above acquisitions on the financial position of the Group as of December 31, 2003 is as follows:

	2003	2002
	RM	RM
Property, plant and equipment	4,537,382	–
Net current assets	13,463,398	244,305
Long-term and deferred liabilities	(477,277)	–
Minority interest	(3,345,633)	(17,350)
Increase in Group's net assets	14,177,870	226,955

13. INVESTMENTS IN ASSOCIATED COMPANIES

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares - at cost	21,562,619	27,087,262	30,004	5,554,647
Share of post-acquisition results and reserves, net of dividends received	12,846,943	11,269,886	-	-
	34,409,562	38,357,148	30,004	5,554,647

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

	THE GROUP	
	2003 RM	2002 RM
Share of net assets	17,915,824	19,057,273
Goodwill on acquisition	16,493,738	19,299,875
	34,409,562	38,357,148

The associated companies are as follows:

Associated Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
Mutiara Rini Linear DCP Sdn. Bhd.	Malaysia	Dormant	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 and maintenance and support of telecommunication industry	25%	25%

Notes to the Financial Statements (Cont'd)

13. INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

The associated companies are as follows: (Cont'd)

Associated Companies	Place of Incorporation	Principal Activity	Percentage of Ownership	
			2003	2002
Unified Communications Pte. Ltd.	Singapore	Design and development of telecommunication software and trading of telecommunication products	25%	25%
The Media Shoppe Sdn. Bhd.	Malaysia	Research and development and marketing of computer software and provision of system networking support	23.4%	23.4%
M&C Engineering and Trading Sdn. Bhd.	Malaysia	Installing and trading in air-conditioners and control valves	–	40%

During the financial year, the Company has disposed its entire 40% equity interest in M&C Engineering and Trading Sdn. Bhd. for a total consideration of RM11,934,000 satisfied by the issuance of 19,890,000 new ordinary shares of RM0.50 each in AWC Facility Solution Berhad at an issue price of RM0.60 per ordinary share.

14. OTHER INVESTMENTS

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Investments in quoted shares in Malaysia	6,347,671	–	6,341,071	–
Investment in unquoted shares	13,860,000	13,860,000	–	–
	20,207,671	13,860,000	6,341,071	–
Less: Allowance for diminution in value of investments	(4,725,000)	–	–	–
	15,482,671	13,860,000	6,341,071	–
Market value of shares quoted in Malaysia	16,065,946	–	16,064,046	–

15. AMOUNT OWING BY SUBSIDIARY COMPANIES

The amount owing by subsidiary companies are as follows:

	THE COMPANY	
	2003	2002
	RM	RM
Linear Cooling Industries Sdn. Bhd.	8,184,770	4,917,308
PrimeAce Holdings Sdn. Bhd.	6,915,610	6,915,610
Ko Lim BAC Sdn. Bhd.	6,000,000	6,000,000
Aseania Linear District Cooling System Sdn. Berhad	3,999,998	–
Quantum Water Heaters Sdn. Bhd.	3,001,550	–
Linear Ventures Sdn. Bhd.	2,276,220	1,220
PrimeAce Venture Limited	86,270	86,270
Nihon Spindle (M) Sdn. Bhd.	39,000	26,000
Times Engineering Systems Co. Ltd.	31,192	–
Linear Cooling Technology Sdn. Bhd.	11,000	7,000
Imux (Asia) Limited	8,562	8,562
Linear Cooling Industries Pte. Ltd.	4,744	4,745
Linear Water Treatment Sdn. Bhd.	4,000	2,000
Linear Composites Marketing Sdn. Bhd.	1,748	1,748
Linear Composites Sdn. Bhd.	1,224	1,224
BAC Cooling Technology Sdn. Bhd.	–	524
	30,565,888	17,972,211

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.

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

	THE COMPANY	
	2003	2002
	RM	RM
Management fee received/receivable		
Nihon Spindle (M) Sdn. Bhd.	13,000	16,000
Linear Cooling Technology Sdn. Bhd.	4,000	7,000
Linear Water Treatment Sdn. Bhd.	2,000	2,000

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)

16. INVENTORIES

	THE GROUP	
	2003	2002
	RM	RM
At cost:		
Finished goods	7,064,924	4,881,669
Raw materials	5,224,608	7,863,291
Spare and components	3,435,303	2,067,956
Work-in-progress	2,482,586	2,460,816
Construction materials	3,247,685	-
Trading goods	135,738	104,191
Indirect materials	92,283	98,696
	21,683,127	17,476,619
At net realisable value:		
Finished goods	440,000	-
Less: Allowance for slow moving inventories	(440,000)	-
	-	-
Raw materials	560,000	-
Less: Allowance for slow moving inventories	(560,000)	-
	-	-
Spare and components	250,000	-
Less: Allowance for slow moving inventories	(250,000)	-
	-	-
	21,683,127	17,476,619

17. TRADE RECEIVABLES

	THE GROUP	
	2003	2002
	RM	RM
Trade receivables	48,940,142	18,669,264
Less: Allowance for doubtful debts	(1,506,270)	(494,003)
	47,433,872	18,175,261

17. TRADE RECEIVABLES (Cont'd)

Trade receivables comprise amounts receivable for the sale of goods, services rendered and progress billing. The credit period granted ranges from 30 to 120 days (2002: 30 to 120 days). An allowance has been made for estimated irrecoverable amounts of RM1,506,270 (2002: RM494,003).

Analysis of trade receivables by currencies:

	THE GROUP	
	2003	2002
	RM	RM
Ringgit Malaysia	26,184,681	12,825,419
United States Dollar	11,083,335	5,290,978
Thai Baht	10,150,545	–
Singapore Dollar	15,311	52,012
Japanese Yen	–	6,852
	47,433,872	18,175,261

18. RELATED PARTIES TRANSACTIONS

Included in the following accounts of the Group as of December 31, 2003 are amounts owing by/(to) related parties:

	THE GROUP	
	2003	2002
	RM	RM
Trade receivables:		
Baltimore Aircoil Company #	–	24,890
Baltimore Aircoil (Aust) *	355	355
Pilot Advanced System (M) Sdn. Bhd. @	–	5,354
	355	30,599
Other receivables:		
Strategic Pte. Ltd. @	–	26,315

Notes to the Financial Statements (Cont'd)

18. RELATED PARTIES TRANSACTIONS (Cont'd)

Included in the following accounts of the Group as of December 31, 2003 are amounts owing by/ (to) related parties: (Cont'd)

	THE GROUP	
	2003 RM	2002 RM
Trade payables:		
Baltimore Aircoil Company #	163,387	2,009,729
Baltimore Aircoil International n.v. *	1,003,629	355,342
Baltimore Aircoil (Aust) *	159,966	15,024
Pilot Advanced System (M) Sdn. Bhd. @	-	90,196
	1,326,982	2,470,291
Other payables:		
Pilot Advanced System (M) Sdn. Bhd. @	-	8,199

A substantial shareholder of BAC Cooling Technology Sdn. Bhd.

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

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

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

	THE GROUP	
	2003 RM	2002 RM
<u>With related parties</u>		
Sales of finished goods		
Baltimore Aircoil Company	906,635	176,605
Purchase of parts and components		
Baltimore Aircoil Company	1,164,031	3,265,897
Baltimore Aircoil International n.v.	1,009,344	588,105
Baltimore Aircoil (Aust)	402,802	88,640
Royalty paid/payable		
Baltimore Aircoil Company	150,695	195,773
Services provided		
Pilot Advanced System (M) Sdn. Bhd.	135,916	-

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

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Other receivables	1,629,201	3,822,740	1,225	1,107,775
Less: Allowance for doubtful debts	(2,500)	–	–	–
	1,626,701	3,822,740	1,225	1,107,775
Prepaid expenses	6,455,217	6,857,384	47,042	166,912
Deposits	279,533	545,679	–	–
Prepaid interest	128,765	–	–	–
	8,490,216	11,225,803	48,267	1,274,687

Other receivables of the Group and the Company in 2002 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 2003 and 2002 arose mainly from the progress payment for the purchase of ice district cooling equipment and prepaid consultation and architecture fee for the projects.

Analysis of other receivables by currencies:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
United States Dollar	862,686	–	–	–
Thai Baht	435,616	–	–	–
Ringgit Malaysia	328,399	3,796,425	1,225	1,107,775
Singapore Dollar	–	26,315	–	–
	1,626,701	3,822,740	1,225	1,107,775

20. AMOUNT OWING BY ASSOCIATED COMPANIES

The amount owing by associated companies are as follows:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unified Communications Pte. Ltd.	87,134	–	–	–
Unified Communications Sdn. Bhd.	36,007	–	–	–
Borneo Pacific Linear Sdn. Bhd.	1,224	1,224	1,224	1,224
M&C Engineering and Trading Sdn. Bhd.	–	172,800	–	172,800
	124,365	174,024	1,224	174,024

Analysis of amount owing by associated companies in currencies:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Singapore Dollar	87,134	–	–	–
Ringgit Malaysia	37,231	174,024	1,224	174,024
	124,365	174,024	1,224	174,024

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 other associated companies arose mainly from dividend receivable.

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

	THE COMPANY	
	2003 RM	2002 RM
Gross dividend income from:		
M&C Engineering and Trading Sdn. Bhd.	–	240,000

21. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 30 to 90 days (2002: 30 to 90 days).

Analysis of trade payables by currencies:

	THE GROUP	
	2003	2002
	RM	RM
Ringgit Malaysia	7,977,066	3,277,375
Thai Baht	3,549,648	–
Euro	1,003,629	355,342
United States Dollar	371,458	3,385,838
Sterling Pound	347,260	121,418
Australian dollar	159,966	15,024
Japanese Yen	4,472	–
Singapore Dollar	–	90,196
	13,413,499	7,245,193

22. AMOUNT OWING TO CONTRACT CUSTOMERS

	THE GROUP	
	2003	2002
	RM	RM
Contract costs incurred to date	13,343,066	–
Profit attributable to work performed to date	3,527,475	–
	16,870,541	–
Less: Progress billing received/receivable	(17,343,159)	–
	(472,618)	–

23. OTHER PAYABLES AND ACCRUED EXPENSES

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Other payables	4,268,678	1,562,066	58,877	44,000
Accrued expenses	1,036,902	647,259	39,995	40,500
Deposits received	596,270	55,724	-	-
Accrued interest	26,150	-	-	-
	5,928,000	2,265,049	98,872	84,500

Other payables comprise mainly amount outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Ringgit Malaysia	3,098,413	1,811,149	98,872	84,500
Thai Baht	2,569,715	-	-	-
United States Dollar	226,472	-	-	-
Singapore Dollar	33,400	453,900	-	-
	5,928,000	2,265,049	98,872	84,500

24. BANK BORROWINGS

	THE GROUP	
	2003 RM	2002 RM
Unsecured:		
Bankers acceptance	14,910,000	11,958,000
Bank overdrafts	15,136,781	4,193,495
Revolving credit	3,000,000	2,500,000
Trust receipt	635,538	-
	33,682,319	18,651,495

24. BANK BORROWINGS (Cont'd)

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

The currency of trust receipt is in United States Dollar.

The effective annual interest rates are as follows:

	THE GROUP	
	2003	2002
	%	%
Bank overdrafts	7.00 - 8.00	7.40 - 8.40
Bankers acceptance	2.88 - 5.25	2.60 - 4.55
Revolving credit	5.05 - 7.50	5.15 - 7.90
Trust receipt	2.00 - 2.50	-

The bankers acceptance, revolving credit and trust receipt are maturing within January 2004 to June 2004.

25. 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.

26. HIRE-PURCHASE PAYABLES

	THE GROUP	
	2003	2002
	RM	RM
Total outstanding	1,663,244	1,223,412
Less: Interest-in-suspense outstanding	(272,311)	(248,005)
Principal outstanding	1,390,933	975,407
Less: Amount due within 12 months	(346,119)	(220,726)
Non-current portion	1,044,814	754,681

Notes to the Financial Statements (Cont'd)

26. HIRE-PURCHASE PAYABLES (Cont'd)

The non-current portion is repayable as follows: (Cont'd)

	THE GROUP	
	2003	2002
	RM	RM
Later than 1 year and not later than 2 years	340,807	172,485
Later than 2 years and not later than 5 years	663,564	448,337
Later than 5 years	40,443	133,859
	1,044,814	754,681

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 6.54% 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 and personal guarantee from a director of the Group.

27. LONG-TERM LOANS

	THE GROUP	
	2003	2002
	RM	RM
Unsecured:		
Outstanding amount	1,675,865	2,000,000
Less: Portion due within one year	(1,370,739)	(1,000,000)
Portion due after one year	305,126	1,000,000

The long-term bank loans are covered by a corporate guarantee from the Company and bear interest at a rate of 10% per annum.

28. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2003		2002	
	No. of shares	RM	No. of shares	RM
Authorised:				
100,000,000 shares of RM1 each	100,000,000	100,000,000	100,000,000	100,000,000
Ordinary shares of RM1 each:				
Issued and fully paid:				
At beginning of year	51,748,333	51,748,333	51,748,333	51,748,333
Increase during the year				
Share issue	6,000,000	6,000,000	-	-
Rights issue	17,249,444	17,249,444	-	-
ESOS	102,000	102,000	-	-
At end of year	75,099,777	75,099,777	51,748,333	51,748,333

During the financial year, the issued and paid up share capital of the Company was increased from RM51,748,333 to RM75,099,777 by way of:

- a) issues of 6,000,000 new ordinary shares of RM1 each at an issue price of RM1.40 per ordinary share as part considerations for the acquisitions of LETC Engineering Sdn. Bhd. and Times Engineering Systems Co. Ltd..
- b) a rights issue of 17,249,444 new ordinary shares of RM1 each together with 17,249,444 free detachable warrants at an issue price of RM1 per ordinary share.
- c) issues of 102,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM1.16 per ordinary share.

The resultant premium arising from the shares issued of RM2,416,320 was credited to the share premium account.

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

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

28. SHARE CAPITAL (Cont'd)

The principal features of the ESOS are as follows:

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

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

28. SHARE CAPITAL (Cont'd)

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

Date of offer	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				Balance as of 31.12.2003
		Balance as of 1.1.2003	Granted	Exercised	Cancelled	
August 25, 2003	1.16	-	5,144,000	(102,000)	(283,000)	4,759,000
October 15, 2003	1.22	-	1,197,000	-	-	1,197,000

29. RESERVES

Reserves consist of the following:

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-distributable:				
Translation reserve	370,470	247,981	-	-
Capital redemption reserve	301,000	301,000	301,000	301,000
Revaluation reserve	2,609,229	2,753,753	19,030,494	19,030,494
Share premium	1,438,831	-	1,438,831	-
	4,719,530	3,302,734	20,770,325	19,331,494
Distributable:				
Retained profit	39,161,386	40,351,363	14,378,740	9,255,565
	43,880,916	43,654,097	35,149,065	28,587,059

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, net of the related deferred tax liabilities. Revaluation reserve of the Company represents surplus arising from revaluation of investment in subsidiary companies.

Notes to the Financial Statements (Cont'd)

29. RESERVES (Cont'd)

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

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

30. 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.

31. DEFERRED TAX LIABILITIES

	THE GROUP	
	2003	2002
	RM	RM
At beginning of year		
As previously stated	823,800	942,900
Prior year adjustments (Note 32)	2,456,145	2,512,349
Restated balance	3,279,945	3,455,249
Transfer to income statements (Note 8):		
Deferred tax income relating to the origination and reversal of temporary differences in current year	(826,700)	(119,100)
Annual crystallisation of deferred tax on revaluation surplus	(56,204)	(56,204)
Arising from acquisition of subsidiary companies	9,800	-
At end of year	2,406,841	3,279,945

A deferred tax income of RM56,204 (2002: RM56,204) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statements. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group. In addition, an amount of RM144,524 (2002: RM144,524) was transferred from revaluation reserve of the Group to retained profit.

31. DEFERRED TAX LIABILITIES (Cont'd)

The deferred tax liabilities are in respect of the following:

	THE GROUP	
	2003	2002
	RM	RM
Tax effect of revaluation surplus	(2,399,941)	(2,456,145)
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	(6,900)	(1,332,500)
Tax effect in respect of:		
Carry forward tax losses	-	9,500
Unabsorbed capital allowance	-	416,000
Other temporary differences	-	83,200
	(2,406,841)	(3,279,945)

As mentioned in Note 3, the tax effects of temporary differences which give rise to net deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. As of December 31, 2003, the amount of deferred tax assets, calculated at applicable tax rates, which is not recognised in the financial statements, is as follows:

	Deferred Tax Assets/(Liabilities)			
	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	(1,426,700)	(6,500)	-	-
Tax effect in respect of:				
Carry forward tax losses	1,857,500	426,400	49,000	31,000
Unabsorbed capital allowances	1,137,000	10,000	-	-
Allowance for slow moving inventories	342,000	-	-	-
Other temporary differences	395,300	79,000	7,000	7,000
	2,305,100	508,900	56,000	38,000

32. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group changed its accounting policies on the recognition of deferred tax liabilities on the revaluation surplus arising from the revaluation of property, plant and equipment to comply with MASB 25 Income Taxes and annual crystallisation of revaluation surplus to comply with MASB 15 Property, Plant and Equipment.

Previously, the tax effects relating to the increase in the carrying values of the revalued properties were not provided for as there was no intention to dispose of these assets in the foreseeable future and annual crystallisation of revaluation surplus through use is not transferred to retained profit. Upon adoption of MASB 15 and MASB 25, the Group and the Company transfer each year from revaluation surplus to retained profit the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties and also recognise a deferred tax liabilities in respect of asset revaluations.

The effects of the changes in accounting policies on the recognition of deferred tax liabilities in respect of asset revaluations and annual crystallisation of deferred tax liabilities on revaluation surplus is to increase deferred tax income and net profit for the current financial year by RM56,204 and reduced deferred tax liabilities and revaluation surplus by RM56,204 and RM144,524 respectively.

These accounting changes have been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements. Accordingly, the following accounts in prior years have been restated to reflect the effects of the accounting changes:

THE GROUP	As previously reported RM	Adjustments RM	As restated RM
Financial year ended December 31, 2002			
Income statement			
Income tax expense	340,320	(56,204)	284,116
Net profit after tax for the year	3,618,759	56,204	3,674,963
As of December 31, 2002			
Balance sheet			
Retained profit at end of year	39,086,947	1,264,416	40,351,363
Revaluation reserve	6,474,314	(3,720,561)	2,753,753
Deferred tax liabilities	823,800	2,456,145	3,279,945
As of December 31, 2001			
Balance sheet			
Retained profit at end of year	35,468,188	1,063,688	36,531,876
Revaluation reserve	6,474,314	(3,576,037)	2,898,277
Deferred tax liabilities	942,900	2,512,349	3,455,249

33. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Short-term deposits with licensed banks	1,451,867	–	1,004,967	–
Cash and bank balances	4,084,174	351,694	2,334,481	1,162
Bank overdrafts	(15,136,781)	(4,193,495)	–	–
	(9,600,740)	(3,841,801)	3,339,448	1,162
Less: Short-term deposits held as security value	(1,000,000)	–	(1,000,000)	–
	(10,600,740)	(3,841,801)	2,339,448	1,162

The short-term deposits held as security value are pledged to a bank to secure banking facilities obtained by the Group.

Analysis of cash and cash equivalents by currencies:

	THE GROUP	
	2003 RM	2002 RM
United States Dollar	168,910	89,519
Singapore Dollar	7,623	17,534
Thai Baht	(1,505,708)	–
Ringgit Malaysia	(8,278,045)	(3,951,000)
Others	6,480	2,146
	(9,600,740)	(3,841,801)

In 2003, the Group acquired four new subsidiary companies for a total consideration of RM17,054,944 which consists of cash consideration of RM8,654,944 and the issue of 6,000,000 new ordinary shares of RM1 each of the Company at an issue price of RM1.40 each. The acquisitions were completed on June 30, 2003 and October 6, 2003 respectively.

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

Notes to the Financial Statements (Cont'd)

33. CASH AND CASH EQUIVALENTS (Cont'd)

The fair value of the assets acquired and liabilities assumed from the acquisitions of the subsidiary companies are as follows:

	Unaudited June 30, 2003 and October 6, 2003 RM	Unaudited January 3, 2002 and July 23, 2002 RM
Net assets acquired as at dates of acquisitions:		
Property, plant and equipment	4,467,177	–
Inventories	1,853,707	–
Trade receivables	19,495,349	–
Other receivables and prepaid expenses	4,031,393	250,000
Tax recoverable	570,179	–
Short-term deposits with licensed bank	669,942	–
Cash and bank balances	664,418	3,084
Trade payables	(10,033,654)	–
Other payables and accrued expenses	(6,641,824)	(7,195)
Amount owing to directors	(290,462)	–
Hire purchases payables	(271,199)	–
Bank borrowings	(2,452,429)	–
Term loan	(748,730)	–
Tax liabilities	(945,386)	–
Deferred tax liabilities	(9,800)	–
Minority interests	(3,111,063)	(1)
Share of net assets acquired	7,247,618	245,888
Goodwill on acquisition	9,807,326	105,166
Total purchase consideration	17,054,944	351,054
Satisfied by:		
Cash	8,654,944	351,054
Shares issued	8,400,000	–
	17,054,944	351,054
Net cash outflow arising on acquisitions:		
Cash consideration	8,654,944	351,054
Cash and cash equivalents acquired	1,118,068	(3,084)
Cash flow on acquisitions, net of cash and cash equivalents acquired	9,773,012	347,970

34. SUBSEQUENT EVENTS

Subsequent to December 31, 2003:

- a. PrimeAce Holdings Sdn. Bhd. ("PHSB"), a wholly-owned subsidiary of the Company has on February 19, 2004 completed the following matters:
 - i. disposal of 16.22% of the pre-invitation share capital of Unified Communications Holdings Limited ("UCH") for a total cash consideration of SGD11.5 million (equivalent to approximately RM25.76 million).
 - ii. offer for sale by PHSB of 8.8% of the pre-invitation share capital of UCH for a consideration of SGD6.9 million (equivalent to approximately RM15.42 million).
- b. Linear Composites Sdn. Bhd., a wholly-owned subsidiary of the Company has on January 16, 2004 acquired an additional 25% equity interest in Linear Composites Marketing Sdn. Bhd.. Upon the completion of the acquisition, Linear Composites Marketing Sdn. Bhd. becomes a wholly-owned subsidiary of the Company held through Linear Composites Sdn. Bhd.

35. CONTINGENT LIABILITY - Unsecured

As of December 31, 2003, the Company is contingently liable to an amount of RM32,302,984 (2002: RM20,651,495) 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, 2003, the Company is contingently liable to an amount of RM440,000 in respect of indemnity given to a director of the Company for any claims, liabilities, losses, cost and expenses which may arise or incur in connection with his execution of personal guarantee to secure a hire-purchase facility granted by a financial institution to a subsidiary company.

As of December 31, 2003, the Company is contingently liable to an amount of RM1,425,000 (2002: RM325,000) in respect of corporate guarantee given to a local bank for banking facilities granted to and utilised by one of its associated companies. The Company is also contingently liable to an amount of USD325,000 (equivalent to RM1,235,000) (2002: 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 companies. These corporate guarantees were discharged subsequent to year end following the disposal of the Company's investments in the associated companies.

36. CAPITAL COMMITMENTS

As of December 31, 2003, the Group has capital expenditure in respect of property, plant and equipment contracted but not provided for in the financial statements amounting to approximately RM2,418,000.

37. LEASE COMMITMENTS

As of December 31, 2003, non-cancellable long-term lease commitments in respect of rental of premises and equipment are as follows:

	2003	2002
	RM	RM
Not later than 1 year	435,936	29,100
Later than 1 year and not later than 5 years	406,320	6,600
	842,256	35,700

38. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

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

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

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.

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.

38. FINANCIAL INSTRUMENTS (Cont'd)**a. Financial Risk Management Objectives and Policies (Cont'd)****v. Liquidity risk**

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

vi. Cash flow risk

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

b. Credit Risk

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

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

c. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2003 are as follows:

	THE GROUP			
	Carrying Amount		Fair Value	
	2003	2002	2003	2002
	RM	RM	RM	RM
Financial assets				
Other investments				
Quoted shares	6,347,671	–	16,065,946	–
Unquoted shares	9,135,000	13,860,000	*	*
Financial liabilities				
Hire-purchase	1,390,933	975,407	1,390,933	975,407
Long-term loans	1,675,865	2,000,000	1,675,865	2,000,000

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

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

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

39. 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
- engineering
- 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.

THE GROUP

	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2003							
Revenue							
External sales	-	29,654,354	11,721,766	8,442,281	904,360	-	50,722,761
Inter-segment sales	180,720	10,196,188	-	-	17,915	(10,394,823)	-
Total revenue	180,720	39,850,542	11,721,766	8,442,281	922,275	(10,394,823)	50,722,761
Results							
Profit/(loss) from operations	2,354,559	(2,923,639)	2,354,434	(1,951,577)	(2,306,305)	(3,627,276)	(6,099,804)
Finance costs	-	(1,735,651)	(204,320)	-	(2,544)	-	(1,942,515)
Share of profits from associated companies	-	-	-	-	-	4,957,728	4,957,728
Profit/(loss) before tax	2,354,559	(4,659,290)	2,150,114	(1,951,577)	(2,308,849)	1,330,452	(3,084,591)
Income tax expense	(34,576)	822,204	(663,533)	800	(1,160)	(220,408)	(96,673)
Profit/(loss) after tax	2,319,983	(3,837,086)	1,486,581	(1,950,777)	(2,310,009)	1,110,044	(3,181,264)

39. SEGMENTAL REPORTING (Cont'd)**THE GROUP**

	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2003 (Cont'd)							
Other information							
Capital additions	238,386	955,940	158,476	221,716	5,396,881	(170,443)	6,800,956
Depreciation of property, plant and equipment	400	2,630,578	147,410	45,967	40,550	-	2,864,905
Amortisation of goodwill	4,470	-	-	-	-	422,104	426,574
Consolidated Balance Sheet							
Assets							
Segment assets	130,535,323	86,302,671	33,216,135	4,509,767	6,527,924	(106,558,949)	154,532,871
Investment in associated companies	13,242,619	-	-	-	-	21,166,943	34,409,562
Income tax assets	36,568	1,382,160	382,465	144,349	48,210	(4,003)	1,989,749
Consolidated total assets	143,814,510	87,684,831	33,598,600	4,654,116	6,576,134	(85,396,009)	190,932,182
Liabilities							
Segment liabilities	16,306,230	51,483,682	18,731,969	1,612,670	7,882,176	(38,567,306)	57,449,421
Income tax liabilities	-	2,399,941	1,148,611	-	4,399	-	3,552,951
Consolidated total liabilities	16,306,230	53,883,623	19,880,580	1,612,670	7,886,575	(38,567,306)	61,002,372

Notes to the Financial Statements (Cont'd)

39. SEGMENTAL REPORTING (Cont'd)

THE GROUP

	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2002							
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	265,000	40,067,697	–	10,920,226	915,737	(15,144,460)	37,024,200
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)	163,204	–	(14,490)	(396,830)	–	(284,116)
Profit/(loss) after tax	61,587	788,531	–	2,713	3,605,256	(536,851)	3,921,236
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	4,470	–	–	–	–	298,976	303,446
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	69,912	1,092,364	–	875,499	20,836	–	2,058,611
Consolidated total assets	116,475,535	78,335,676	–	7,205,569	1,098,192	(63,432,302)	139,682,670
Liabilities							
Segment liabilities	14,085,509	37,451,178	–	2,212,546	2,072,589	(24,542,443)	31,279,379
Income tax liabilities	–	3,279,145	–	800	4,920	–	3,284,865
Consolidated total liabilities	14,085,509	40,730,323	–	2,213,346	2,077,509	(24,542,443)	34,564,244

39. SEGMENTAL REPORTING (Cont'd)**Geographical segments**

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

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

	Sales revenue by geographical market	
	2003	2002
	RM	RM
Malaysia	30,498,349	19,057,405
Other Asian Countries	20,224,412	17,966,795
	50,722,761	37,024,200

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

	Carrying amount of segment assets		Capital additions	
	2003	2002	2003	2002
	RM	RM	RM	RM
Malaysia	155,296,811	117,289,836	6,643,279	2,180,296
British Virgin Islands	17,440,037	22,217,543	-	-
Singapore	159,005	175,291	-	194,757
Thailand	18,036,329	-	157,677	-
	190,932,182	139,682,670	6,800,956	2,375,053

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, 2003 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, 2004

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, 2004

Before me,

GOVINDASAMY A/L G. MUTTUSAMY, PJM (P047)
Commissioner For Oaths

Analysis of Shareholdings

As at 5 May 2004

Authorised Share Capital	:	RM100,000,000
Issued and Paid-up Share Capital	:	RM75,104,777
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote for every share
No. of Shareholders	:	5,601

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Ordinary Shares	%
1 - 99	141	2.51	5,023	0.01
100 - 1,000	1,272	22.71	1,159,768	1.54
1,001 - 10,000	3,420	61.06	13,246,228	17.64
10,001 - 100,000	705	12.59	18,753,236	24.97
100,001 to less than 5% of issued shares	61	1.09	23,996,004	31.95
5% and above of issued shares	2	0.04	17,944,518	23.89
	5,601	100	75,104,777	100

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares	Percentage %
1. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities account for Cytech Strategic Sdn Bhd	13,944,518	18.57
2. RHB Nominees (Tempatan) Sdn Bhd - Lee Kam Sun	4,000,000	5.33
3. Ong Peng Chor	2,251,149	3.00
4. HDM Nominees (Tempatan) Sdn Bhd - HDM Capital Sdn Bhd for Lee Kam Sun	2,000,000	2.66
5. Ong Peng Nam	1,987,456	2.65
6. Ong Soo Cheng	1,465,033	1.95
7. Eduxcel.com Sdn Bhd	1,423,400	1.90
8. Amanah Raya Berhad - AM Total Return	1,167,000	1.55
9. Tengku Rethwan Bin Tengku Mansor	1,000,000	1.33
10. Thong & Kay Hian Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lim Oon Cheng	999,000	1.33
11. Koh Kah Wou	868,000	1.16
12. Mayban Nominees (Asing) Sdn Bhd - Nomura Singapore Limited for Nihon Spindle Manufacturing Company Ltd	833,333	1.11

Analysis of Shareholdings (Cont'd)

THIRTY LARGEST SHAREHOLDERS (Cont'd)

Name of Shareholders	No. of Ordinary Shares	Percentage %
13. Cimsec Nominees (Tempatan) Sdn Bhd - Pledged securities account for Bukit Kiara Capital Sdn Bhd	668,000	0.89
14. Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Singapore for Lim Oon Hock	591,600	0.79
15. Cytech Strategic Sdn Bhd	428,000	0.57
16. Citicorp Nominees (Tempatan) Sdn Bhd - Pledged securities account for Ang Siew Lan	390,000	0.52
17. Lembaga Tabung Haji - Lembaga Tabung Haji, Bhg Pemesrosesan Pelaburan	390,000	0.52
18. Amanah Raya Berhad - Amittikal	388,000	0.52
19. Tan Ah Huat @ Tan Say Huat	387,551	0.52
20. Mohd Salleh Bin Hashim	345,000	0.46
21. TCL Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Anson Wang	270,300	0.36
22. Tan Kim Oh	250,000	0.33
23. Mayban Securities Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Lim Oon Hock	227,000	0.30
24. Mayban Nominees (Tempatan) Sdn Bhd - Pledged securities account for Sin Yong Lean	217,900	0.29
25. Public Nominees (Tempatan) Sdn Bhd - Pledged securities account for Au Kwan Seng	208,200	0.28
26. Loh Yoke Peng	200,000	0.27
27. Choong Kim Sun @ Chong Kam Sun	200,000	0.27
28. Lee Hoo Leng	194,666	0.26
29. Ch'ng Ban Seng	188,000	0.25
30. JB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Kok Ping	175,000	0.23
	37,658,106	50.17

LIST OF SUBSTANTIAL SHAREHOLDERS (EXCLUDING BARE TRUSTEES)

Name of Shareholders	Direct		Indirect	
	No. of Ordinary Shares	%	No. of Ordinary Shares	%
Cytech Strategic Sdn Bhd	14,372,518	19.14	–	–
Lum Weng Loy	133,200	0.18	15,240,518 ⁽¹⁾	20.30
Chin Kuet Lee	–	–	14,372,518 ⁽²⁾	19.14
Dato' Lee Kam Sun	6,000,000	8.00	–	–

Note:-

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

⁽²⁾ By virtue of his shareholding in Cytech Strategic Sdn Bhd.

DIRECTORS' SHAREHOLDING

Name of Directors	Direct		Indirect	
	No. of Ordinary Shares	%	No. of Ordinary Shares	%
Lum Weng Loy	133,200	0.18	15,240,518 ⁽¹⁾	20.30
Chin Kuet Lee	–	–	14,372,518 ⁽²⁾	19.14
Soh Yew Aun	33,334	0.04	–	–
Dato' Lee Kam Sun	6,000,000	8.00	–	–
Datuk Abdul Malek Bin Abdul Aziz	32,000	0.04	–	–
Ahmad Shalimin Bin Ahmad Shaffie	–	–	–	–

Note:-

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

⁽²⁾ By virtue of his shareholding in Cytech Strategic Sdn Bhd.

Analysis of Warrant Holdings

as at 5 May 2004

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrant Holdings	No. of		No. of	
	Warrant Holders	%	Warrants	%
1 - 99	50	2.25	2,459	0.01
100 - 1,000	1,034	46.60	794,323	4.61
1,001 - 10,000	926	41.73	3,101,748	17.98
10,001 - 100,000	196	8.83	6,073,559	35.21
100,001 to less than 5% of Warrants	12	0.54	2,802,837	16.25
5% and above of Warrants	1	0.05	4,474,518	25.94
	2,219	100	17,249,444	100

THIRTY LARGEST WARRANTHOLDERS

Name of Warrantholders	No. of Warrants	Percentage %
1. Mercsec Nominees (Tempatan) Sdn Bhd - pledged securities account for Cytech Strategic Sdn Bhd	4,474,518	25.94
2. Lum Weng Loy	420,600	2.44
3. Eduxcel.com Sdn Bhd	393,400	2.28
4. Cytech Strategic Sdn Bhd	345,000	2.00
5. Hong Leong Finance Berhad	290,000	1.68
6. Ong Peng Chor	280,037	1.62
7. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged securities account for Hoo Khee Leng	185,000	1.07
8. HLB Nominees (Asing) Sdn Bhd - Pledged securities account for Lee Chong Min	185,000	1.07
9. Thong & Kay Hian Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lim Oon Cheng	157,000	0.91
10. HLG Nominee (Tempatan) Sdn Bhd - Pledged securities account for Lee Chong Hing @ Yen Chong Hing	150,000	0.87
11. Lon Mooi	144,500	0.84
12. BBMB Securities Nominees (Asing) Sdn Bhd - Pledged securities account for Ng Chong Jin	139,000	0.81
13. Mayban Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Guat Hoon	113,300	0.66
14. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledge securities account for Ho Sey Chen	100,000	0.58

THIRTY LARGEST WARRANTHOLDERS (Cont'd)

Name of Warrantholders	No. of Warrants	Percentage %
15. Citicorp Nominees (Asing) Sdn Bhd - MLPFS for Lee Chong Min	100,000	0.58
16. JB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Teo Poh Boon	100,000	0.58
17. Ang Siew Lan	100,000	0.58
18. Chan Kin Hua	97,800	0.57
19. Yap Chee Kow @ Yap Chi How	93,300	0.54
20. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Chong Yiew On	86,700	0.50
21. A.A. Assets Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Tian Sang @ Tan Tian Song	86,500	0.50
22. Eng Nominees (Asing) Sdn Bhd - Kim Eng Securities Pte Ltd for Lim Ser Heng	86,200	0.50
23. JB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Seng Kok @ Tan Seng Kuo	84,400	0.49
24. Hong Leong Finance Berhad - Pledged securities account for Wong Pang Siong @ Wong Pang Ngeng	82,000	0.48
25. Public Nominees (Tempatan) Sdn Bhd - Pledged securities account for Oi Bee Tin	78,000	0.45
26. Fong Yew Kong	72,000	0.42
27. Chang Lei Yee	72,000	0.42
28. Lee Kim Koo	70,000	0.41
29. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Law Boon Leong	69,100	0.40
30. Chean Nam Hwa	68,000	0.39
	8,723,355	50.57

List of Major Properties

Location	Particulars of title	Tenure	Land/ Build-up Area	Description	Age of building (years)	Net Book Value RM
1062, Jalan 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	Head Office and Factory Building	11	15,249,692
1062A, Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	H.S. (D) 596, Mukim 6 Province Wellesley Central Penang	Leasehold (60 years - expiring on 2052)	7110 square meters	Factory Building	6	4,337,970
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	23	3,488,520
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 Quarters	8	352,865
Marina Crescent Condominium, 3A-F Admiral Marina Crescent Jalan Pantai, BT5 Port Dickson, Seremban	Lots No. H.S. (D) 13639 P.T. No. 3088, Mukim Si Rusa Daerah Port Dickson Negeri Sembilan	Leasehold (99 years- expiring on 27.7.2094)	62 square meters	Condominium	9	234,216
Mukim 6 & 7 Seberang Perai Tengah Pulau Pinang	Mukim 6 & 7 Seberang Perai Tengah Pulau Pinang	Freehold	1.85 acre	District Cooling Systems Plant Under Construction	-	5,386,930
No. 898/16, Rama 3 Road Bangpongpan, Yannawa Bangkok 10120 Thailand	No. 449, 450, 4491, 6579, 8680 No. 898/16 Chongnonsri, Yannawa Bangkok	Freehold	292.55 square meters	Condominium	8	713,438
No 898/34, Rama 3 Road Bangpongpan, Yannawa Bangkok 10120 Thailand	No. 449, 450, 4491, 6579, 8680 No. 898/34 Chongnonsri, Yannawa Bangkok	Freehold	292.55 square meters	Condominium	8	713,437
Total						30,477,068



LINEAR CORPORATION BERHAD (288687-W)
(Incorporated in Malaysia)

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 Tenth (10th) 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 Wednesday, 23 June 2004 at 9.00 a.m. and at any adjournment thereof in the manner indicated below.

		For	Against
Resolution 1	To receive the Audited Financial Statements for the year ended 31 December 2003, together with the Reports of the Directors and Auditors thereon		
Resolution 2	To approve the payment of Directors' fees		
Resolution 3	To re-elect Chin Kuet Lee		
Resolution 4	To re-elect Soh Yew Aun		
Resolution 5	To re-elect Dato' Lee Kam Sun		
Resolution 6	To re-appoint Messrs Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration		
Resolution 7	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	Proposed Share Buy-back		

(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..... 2004

.....
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 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.

Fold along this line (1)

AFFIX
STAMP

The Company Secretary
Linear Corporation Berhad
20A, Jalan Perusahaan
Prai Industrial Estate 4
13600 Prai, Penang
Malaysia

Fold along this line (2)