



ANNUAL REPORT 2004

CONTENTS

- 
- 2** Notice of Annual General Meeting
 - 5** Statement Accompanying
Notice of Annual General Meeting
 - 6** Corporate Information
 - 7** Letter to Shareholders
 - 10** Directors' Profile
 - 12** Directors' Responsibility Statement
 - 13** Statement on Corporate Governance
 - 16** Audit Committee Report
 - 18** Statement of Internal Control
 - 19** Additional Compliance Information
 - 20** Financial Statements
 - 75** Statement by Directors
 - 75** Declaration by the Officer
Primarily Responsible for the Financial Management of the Company
 - 76** Analysis of Shareholdings
 - 79** Analysis of Warrantholdings
 - 81** List of Group Properties
 - 83** Proxy Form



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh (11th) Annual General Meeting of the Company will be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Monday, 27 June 2005 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive the audited financial statements for the financial year ended 31 December 2004 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 2004. **(Resolution 2)**
3. To re-elect the following Directors retiring in accordance with Article 95 of the Company's Articles of Association:
 - (i) Lum Weng Loy **(Resolution 3)**
 - (ii) Ahmad Shalimin Bin Ahmad Shaffie **(Resolution 4)**
4. To re-appoint Tan Sri Dato' Hanafiah Hussain as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company in accordance with Section 129(6) of the Companies Act, 1965. **(Resolution 5)**
5. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

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

6. **Authority to allot shares** **(Resolution 7)**

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and they are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature** **(Resolution 8)**

"THAT subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company's subsidiary to enter into the recurrent related party transactions of a revenue or trading nature with related party as set out in Section 2.2 of the Circular to Shareholders dated 3 June 2005 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.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 2006, 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."

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

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

- (i) the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum (10%) of the existing issued and paid-up share capital of the Company inclusive of the 1,842,200 ordinary shares already purchased and retained as treasury shares as at 9 May 2005;
- (ii) 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 Securities or distribute the treasury shares as share dividends to the shareholders of the Company or subsequently cancel the treasury shares or any combination of the above.

(Resolution 9)



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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

- (i) the conclusion of the next AGM of the Company to be held in 2006, 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 before that aforesaid expiry date."

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

BY ORDER OF THE BOARD

TAY LI LI
Secretary

Penang
Date: 3 June 2005

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. Further details on Resolution 8 are set out in the Circular to Shareholders dated 3 June 2005 despatched together with this Annual Report.
 - (iii) Ordinary Resolution 9, if passed, will empower the Company to buy back its own shares up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next meeting. Further details on Resolution 9 are set out in the Share Buy-Back Statement dated 3 June 2005 despatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. The Directors standing for re-election at the 11th Annual General Meeting of the Company are Mr Lum Weng Loy, En Ahmad Shalimin Bin Ahmad Shaffie and Tan Sri Dato' Hanafiah Hussain. Further details of these Directors are set out in Directors' profile and Shareholders Information - Directors' shareholdings.
2. There were five Directors' meetings held during the financial year ended 31 December 2004 and the attendance of Directors are as follows:

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

3. The Eleventh (11th) Annual General Meeting of the Company will be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Monday, 27 June 2005 at 9.00 a.m.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Hanafiah Hussain	<i>(Chairman)</i>
Lum Weng Loy	<i>(Deputy Chairman/Managing Director)</i>
Dato' Lee Kam Sun	<i>(Executive Director)</i>
Soh Yew Aun	<i>(Executive Director)</i>
Chin Kuet Lee	<i>(Executive Director)</i>
Datuk Abdul Malek Bin Abdul Aziz	<i>(Senior Independent Non-Executive Director)</i>
Ahmad Shalimin Bin Ahmad Shaffie	<i>(Independent Non-Executive Director)</i>

COMPANY SECRETARY

Tay Li Li

REGISTERED OFFICE

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

HEAD OFFICE/FACTORY

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

REGISTRARS

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

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

LETTER TO SHAREHOLDERS

Dear Shareholders

As the newly appointed Chairman and Deputy Chairman, it is with great pride that we, on behalf of the Board of Directors present to you our valued shareholders, the Annual Report and Accounts of **LINEAR CORPORATION BERHAD** for the year ended 31st December 2004.

Financial Review

Over the financial year 2004, the strategies we employed over the years have begun to bear fruit as the Group consolidated its efforts to chalk a healthy increase in revenue by some 57% to RM79.7 million from RM50.7 million in the last financial year.

This increment is driven by contributions from district cooling projects and engineering works the Group had embarked on over the last year.

Profit after tax increased to RM12.2m in 2004 from a loss of RM3.2 million inked in 2003. The increase in profit is mainly contributed by the healthy margins we have derived from our district cooling project and engineering works and gains from divestment of associated companies.

Given time we are confident the implementation of these strategies will see even greater improvement in revenues and profits to the Group.

Operational Overview

District Cooling Activities

We are delighted to advise that we have made significant strides in our evolution from a purely manufacturing concern to a district cooling services provider having successfully completed the contract to design, build and operate "The Curve's" RM33.2 million District Cooling Plant (DCP).

Having entered into a joint venture agreement with Mutiara Rini Sdn. Bhd., a wholly-owned subsidiary of main board listed Boustead Properties Berhad on 13th August 2003 to jointly own The Curve's DCP, we are proud to announce that our plant is today widely acknowledged to be the first private sector driven and operated ice thermal storage district cooling plant in the country – providing comfort cooling to a massive 2.4 million sq. ft. shopping and entertainment complex.

In addition, our district cooling initiative in the 456-acre Bandar Perda township, touted to be the regions largest ice thermal storage plant is also progressing smoothly with Phase One of the plant poised to supply 10,000 refrigeration tonnes of cooling capacity currently being tested for commissioning.

The successful completion of our two district cooling projects bears testimony to our future as a leading district cooling services provider in the region as we aim to secure even more projects both locally and regionally.



LETTER TO SHAREHOLDERS (cont'd)

Operational Overview (cont'd)

Strategically the Group can embark on either design, build, operate and transfer (BOT) or design, build, own and operate (BOO). Whichever method we adopt, we are confident the Group will be able to maximise its resources by means of cross-selling high-end Heating, Ventilation and Air-Conditioning (HVAC) equipments, providing specialist HVAC engineering technology and gaining recurring income either from the provision of technical facility maintenance services or as a cooling utility service provider.

We have successfully crossed the threshold in our transformation from a cooling towers producer to an integrated district cooling solutions provider to which we are confident the Group is destined to scale even greater heights.

Our district cooling systems brand as ICE – "Intelligent Cooling Energy", boast many distinct features which enables quality, reliable and comfort cooling whilst ensuring systematic and holistic energy cost savings.

Manufacturing Activities

The year 2004 saw Malaysia's Gross Domestic Product expanded at a better than expected pace. Growth was broad based and balanced across sectors driven largely by the private sector. The construction sector however, registered moderate growth in selective areas. Compounded by strong competition, this contributed to weaken margins on the Group's cooling towers products which remained suppressed.

In view of the above, a series of cost cutting measures and consolidation exercises we had undertaken last year along with our experience, quality and market recognition have helped us maintain our leading position in the cooling towers market.

Corporate Developments

Having outlined our direction and established the revenue generating prospects of our plans to become a regional district cooling services provider, the Group will work to consolidate all its resources in the coming year toward executing the necessary plans to realise its vision.

Consistent with our goals, we have successfully completed the divestment of the Group's interest in Unified Communications, pursuant to its listing on the Singapore Stock Exchange on 19th February 2004. Through our divestment of Unified Communications, we have garnered net proceeds of RM34.9 million with gains of RM28.3 million to the Company and RM14.2 million to the Group.

8

In addition, 28th December 2004 marked the successful listing of The Media Shoppe Bhd, an associated company of the Group on the MESDAQ market of Bursa Malaysia. Through these corporate exercises, we have successfully unlocked the value of our information and communication technology (ICT) investments.

In line with our focus, we will be moving forward with our proposal to undertake a private placement of up to 22.5 million ordinary shares representing some 30% of the issued capital of the Company. This proposal is necessary for us to raise funds for future district cooling projects we have envisioned to be coming on stream in the near future. This proposal has been approved by the relevant authorities and is pending completion.

Compounding the positive sentiments of the Group on our future prospects, we have initiated a share buy-back scheme that is aimed to maintain and reflect the true value of the company and its shares listed on Bursa Malaysia.

LETTER TO SHAREHOLDERS (cont'd)

Corporate Governance

On behalf of the Board of Directors, we are pleased to note that the Group has and will continue to initiate various measures in compliance of the Malaysian Code of Corporate Governance.

We are confident that the Board of Directors will play an even more proactive role in ensuring that benchmark corporate governance standards are put in place to ensure transparency, compliance and management accountability.

Acknowledgement

On behalf of the management team and staff of the Group we would like to take this opportunity to congratulate Ybhg. Dato' Lee Kam Sun and welcome him to his new appointment as Executive Director of the Group.

Lastly, we wish to thank our shareholders, customers, suppliers, business associates and bankers for their support throughout the year. We also wish to record our sincere appreciation to our colleagues on the Board and all employees who have contributed significantly toward the Group and hope we can together continue on our journey to greater heights.

Thank you.

Tan Sri Dato' Hanafiah Hussain
Chairman

Lum Weng Loy
Deputy Chairman/Managing Director

3 June, 2005



DIRECTORS' PROFILE

TAN SRI DATO' HANAFIAH HUSSAIN

aged 78, Malaysian

(Chairman)

Independent Non-Executive Director

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

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

LUM WENG LOY

aged 38, Malaysian

(Deputy Chairman/Managing Director)

Non-Independent Executive Director

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

He is a trained and qualified Chartered Accountant since 1991. He undergone his articleship in one of the top four international accounting firms. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

He is an entrepreneur with extensive wealth of experience in corporate affairs and financial management gained over the years of experience in investment banking and corporate management of public listed companies.

DATO' LEE KAM SUN

aged 46, Malaysian

(Executive Director)

Non-Independent Executive Director

Dato' Lee Kam Sun was appointed to the Board of Linear on 7 November 2003 and became an Executive Director on 13 September 2004. Dato' Lee is a successful entrepreneur and has more than 25 years of experience in electrical and mechanical engineering. He is the founder of LETC Engineering Sdn Bhd and Times Engineering Systems Co. Ltd., which are actively involved in providing electrical, mechanical and general civil engineering services. He is also a director of a few other private companies.

SOH YEW AUN

aged 47, 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 of Penang Branch. After that, he was with various companies including Denko Industrial Corporation Berhad and Welli Multi Corporation Berhad.

DIRECTORS' PROFILE (cont'd)

JERRY CHIN KUET LEE

aged 48, 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 first class degree in Electronics Engineering from Lancaster University, United Kingdom and a holder of 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, and director of The Media Shoppe Berhad, a Mesdaq-listed company.

DATUK ABDUL MALEK BIN ABDUL AZIZ

aged 68, Malaysian

Senior 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 Negara Properties (M) Berhad, NCB Corporation Berhad and several private limited companies.

AHMAD SHALIMIN BIN AHMAD SHAFFIE

aged 36, Malaysian

Independent Non-Executive Director

Ahmad Shalimin Bin Ahmad Shaffie was appointed to the Board of Linear on 31 March 2003. He graduated from the School of Public Administration & Law, University Technology Mara in 1990. He has held various managerial positions in a diverse range of industries including securities dealing, services and retailing prior to his involvement in the haulage industry. He is presently the Chairman of Mexter Technology Berhad and the Executive Chairman of Bintang Group.

He is presently the President of the Association of Malaysian Hauliers. He also sits on the board of Gunung Capital Berhad and several private limited companies.

Other Information

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

- (i) Datuk Abdul Malek Bin Abdul Aziz
 - Chairman of Audit Committee
 - Chairman of Remuneration Committee
 - Chairman of Nomination Committee
 - Member of Employees' Share Option Scheme Committee



DIRECTORS' PROFILE (cont'd)

Other Information (cont'd)

- | | |
|---------------------------------------|---|
| (ii) Ahmad Shalimin Bin Ahmad Shaffie | - Member of Audit Committee
- Member of Remuneration Committee
- Member of Nomination Committee |
| (iii) Lum Weng Loy | - Member of Remuneration Committee
- Member of Audit Committee
- Chairman of Employees' Share Option Scheme Committee |
| (iv) 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 convicted any offences within the past 10 years other than traffic offences (if any).

DIRECTORS' RESPONSIBILITY STATEMENT

PURSUANT TO PARAGRAPH 15.27(A) OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD

The Companies Act, 1965 (the "Act") and Listing Requirements of Bursa Malaysia Securities Berhad require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of financial year and of the results and cash flows of the Company and the Group for the financial year, in accordance with the applicable 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 2004, 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 and maintaining a high standard of corporate governance. Sets out below is the manner in which the Company has applied the principles and practices of the Malaysian Code on Corporate Governance within the Group throughout the financial year ended 31 December 2004.

BOARD OF DIRECTORS

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

i) Board Meetings

Board meetings are generally held quarterly, with additional meetings convened as and when necessary. During the financial year ended 31 December 2004, five (5) meetings were held and the record of Directors' attendance is as follows:-

Directors	Attendance
Tan Sri Dato' Hanafiah Hussain	1/1
Lum Weng Loy	5/5
Dato' Lee Kam Sun	5/5
Soh Yew Aun	5/5
Chin Kuet Lee	5/5
Datuk Abdul Malek Bin Abdul Aziz	5/5
Ahmad Shalimin Bin Ahmad Shaffie	5/5

ii) Board balance

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

The Independent Non-Executive Chairman
The Deputy Chairman/Managing Director
Three (3) Executive Directors
Two (2) Independent Non-Executive Directors

There is a clearly accepted division of responsibilities between the Chairman and Managing Director to ensure a balance of power and authority. The Executive Directors are generally responsible for making and implementing strategic plans and policies of the Group and overseeing the conduct of the Group business. Non-Executives play a significant role in exercising independent and unbiased judgement based on their knowledge and experience.

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

To facilitate the smooth transaction of business within the Group, the Board has successfully delegated specific tasks to five (5) board committees, namely Audit Committee, Executive Committee ("Exco"), Nomination Committee, Remuneration Committee and Employees Share Option Scheme Committee.

iii) Supply of Information

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

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

BOARD OF DIRECTORS (cont'd)

iv) Appointment to the Board

The Nomination Committee primarily responsible for proposing new nominees for the board appointment and assessing directors on an on-going basis to ensure the required mix of skills and experience for effective discharge of duties. The Nomination Committee consists of two (2) Independent Non-Executive Directors:-

Datuk Abdul Malek Bin Abdul Aziz
Ahmad Shalimin Bin Ahmad Shaffie

v) Directors' Training

All Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad. The Directors will continue to undergo other training programmes to achieve their CEP points and to enhance their skills and knowledge, where relevant.

vi) Re-election

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

Directors over seventy (70) years of age are subject to re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

vii) Directors' Remuneration

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

The Remuneration Committee comprises of the following members:-

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

The aggregate remuneration of Directors paid or payable by the Company and the Group for the financial year ended 31 December 2004 are as follows:-

	Executive RM	Non-Executive RM
Fees	-	24,000
Salary	624,000	-
Bonus	89,000	-
Other emoluments	85,560	-

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

BOARD OF DIRECTORS (cont'd)

vii) Directors' Remuneration (cont'd)

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

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

RELATIONSHIP WITH SHAREHOLDERS

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

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

The Company maintains a website at www.linear.com.my for which the shareholders can access information of the Group.

ACCOUNTABILITY AND AUDIT

i) Financial Reporting

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

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

ii) Internal Control

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

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

iii) Relation with Auditors

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

AUDIT COMMITTEE REPORT

MEMBERSHIP

Members of the Audit Committee are as follows: -

Chairman

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

Members

Lum Weng Loy *(Deputy Chairman/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 comprise of not less than three (3) members of whom a majority shall be independent directors.

At least one member of the Committee must be:-

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

The 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.
- To keep under review the effectiveness of internal control systems and the adequacy of the scope, functions and resources of the internal audit function.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE (cont'd)

Duties & Functions (cont'd)

- 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 2004 and details of attendance are as follows:

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

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

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

INTERNAL AUDIT

The Group has an internal audit division 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 financial year, the internal auditors reviewed and evaluated the control environment within the Group and carried out special reviews requested by the management.



STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal controls to safeguard shareholders investments and the Group's assets. The Board of Directors is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Company's operations. This Statement of 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.
- The Group has a structured recruitment process, a performance appraisal system and training and development programs to ensure the Group attracts and retains competent and skilled employees.
- A clearly defined lines of accountability and responsibility, which sets out the decisions that need to be taken and the appropriate approving authority at various levels of management.
- Delegation of authority including authorisation limits at various levels of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.
- Regular internal audit reviews by independent audit teams e.g. Standard and Industrial Research Institute of Malaysia who provide assurance that the systems of internal control are in place.
- Regular detailed reporting, covering operational and financial performance and key business indicators, for effective monitoring and decision making.

RISK MANAGEMENT

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

CONCLUSION

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

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. The number of options exercised during the financial year ended 31 December 2004 are as disclosed in Directors' Report on page 24 of the financial statements.
- There were no exercise of Warrants 2003/2008 during the financial year.
- (c) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme
During the financial year, the Company did not sponsor any ADR or GDR programme.
- (d) Non-Audit fees
There were no non-audit fees paid to the external auditors by the Company and the Group during the financial year.
- (e) Material Contracts or Contract relating to Loans
There were no material contracts entered into by the Company and its subsidiaries involving Directors and Major Shareholders.
- (f) Profit Guarantee
The Company did not give any profit guarantee during the financial year.
- (g) Utilisation of proceeds
The gross proceeds raised from the Rights Issue amounting to RM17,249,444 has been fully utilized 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	5,000
Part finance the Acquisition	6,052	6,052
Working Capital	5,497	5,497
Defraying expenses	700	700
	17,249	17,249

- (h) Revaluation policy
The Group's leasehold land and certain buildings were revalued during the financial year by an independent firm of professional valuers based on open market value on existing use.
- (i) Variation in results
There were no material variation between the unaudited quarterly results previously announced and the audited financial statements for the year ended 31 December 2004.
- (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.

The image features three ice cubes on a reflective surface against a blue gradient background. One cube is stacked on top of another on the left side. A third cube is positioned on the right side, slightly out of focus. The word "FINANCIAL" is written in a blue, sans-serif font across the middle of the image, overlapping the blue gradient band.

FINANCIAL

S T A T E M E N T S

22	Directors' Report
29	Report of the Auditors
30	Income Statements
31	Balance Sheets
32	Statements of Changes in Equity
34	Cash Flow Statements
37	Notes to the Financial Statements



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, 2004.

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
Profit/ (loss) after tax	12,214,131	(53,668)
Minority interests	(457,287)	-
Net profit/ (loss) for the year	11,756,844	(53,668)

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 RM75,099,777 to RM75,104,777 by way of issues of 5,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme (ESOS) of the Company at an exercise price of RM1.16 per ordinary share.

The resultant premium arising from the shares issued of RM800 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,

DIRECTORS' REPORT (cont'd)

WARRANTS (cont'd)

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, 2004, all the 17,249,444 warrants remained unexercised.

EMPLOYEES' SHARE OPTION SCHEME

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

The principal features of the ESOS are as follows:

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

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

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

DIRECTORS' REPORT (cont'd)

EMPLOYEES' SHARE OPTION SCHEME (cont'd)

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

Date of offer	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1 each				Balance as of 31.12.2004
		Balance as of 1.1.2004	Granted	Exercised	Cancelled	
August 25, 2003	1.16	4,759,000	-	(5,000)	(654,000)	4,100,000
October 15, 2003	1.22	1,197,000	-	-	(423,000)	774,000

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

OTHER FINANCIAL INFORMATION

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

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

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

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

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

- 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
- any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than those disclosed in Note 33 to the financial statements.

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

DIRECTORS' REPORT (cont'd)

OTHER FINANCIAL INFORMATION (cont'd)

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:

1. On January 16, 2004, a wholly-owned subsidiary company, Linear Composites Sdn. Bhd., had 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..
2. On February 19, 2004, the Company's wholly-owned subsidiary company, PrimeAce Holdings Sdn. Bhd ("PHSB") had completed the following transactions:
 - 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).
3. On January 6, 2004 and May 31, 2004, the Company subscribed for an additional 799,996 ordinary shares of RM1 each and 4,000,000 ordinary shares of RM1 each in Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.), a 40% owned associated company for a cash consideration of RM799,996 and RM4,000,000 respectively. The Company's equity interest in Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.) remains unchanged.
4. On June 23, 2004, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy backs exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital of the Company.
5. On August 27, 2004, the Company proposes to undertake a private placement of up to 22,500,000 new ordinary shares ("Linear Shares") representing some 30% of the issued and paid up share capital of the Company. The issue price has been fixed at RM1 per ordinary share, being the par value of Linear Shares ("Proposed Private Placement").

The Securities Commission and Ministry of International Trade and Industry had vide their letters dated September 30, 2004 and October 13, 2004 respectively, approved the Proposed Private Placement. At an Extraordinary General Meeting held on November 12, 2004, the shareholders of the Company had approved the Proposed Private Placement. Bursa Malaysia Securities Berhad had vide its letter dated December 8, 2004 approved the listing of and quotation of the new Linear Shares to be issued pursuant to the Proposed Private Placement. The said proposal is still pending completion.

6. On November 12, 2004, the Company increased its authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1 each to RM500,000,000 comprising 500,000,000 ordinary shares of RM1 each.
7. On December 8, 2004, The Media Shoppe Berhad (formerly known as The Media Shoppe Sdn. Bhd.) was listed on the MESDAQ Market of the Bursa Malaysia. On even date, it ceased to be an associated company of the Group.

During the year, the Company has disposed of 7,646,500 ordinary shares of RM0.10 each in The Media Shoppe Berhad (formerly known as The Media Shoppe Sdn. Bhd.) through its subsidiaries, Ko Lim BAC Sdn. Bhd. and PrimeAce Venture Limited for a total cash consideration of RM3,087,397.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 33 to the Financial Statements.

DIRECTORS

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

Tan Sri Dato' Hanafiah Hussain (appointed on November 12, 2004)

Lum Weng Loy

Dato' Lee Kam Sun

Soh Yew Aun

Chin Kuet Lee

Datuk Abdul Malek Bin Abdul Aziz

Ahmad Shalimin Bin Ahmad Shaffie

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 31.12.2004
	Balance as of 1.1.2004	Bought	Sold	
Direct interest:				
Lum Weng Loy	82,200	132,000	-	214,200
Dato' Lee Kam Sun	6,000,000	-	-	6,000,000
Soh Yew Aun	33,334	-	-	33,334
Datuk Abdul Malek Bin Abdul Aziz	85,000	-	(53,000)	32,000
Indirect interest:				
Lum Weng Loy *	15,240,518	1,423,400	-	16,663,918
Chin Kuet Lee ^	14,372,518	-	-	14,372,518

* Deemed interested by virtue of his shareholding in Linac Strategic Sdn. Bhd. (Formerly known as Cytech Strategic Sdn. Bhd.) and spouse's shareholding.

^ Deemed interested by virtue of his shareholding in Linac Strategic Sdn. Bhd. (Formerly known as Cytech Strategic Sdn. Bhd.).

Warrants in the Company	No. of warrants of RM1 each			Balance as of 31.12.2004
	Balance as of 1.1.2004	Granted	Sold	
Direct interest:				
Lum Weng Loy	437,600	-	-	437,600
Dato' Lee Kam Sun	50,000	-	-	50,000
Soh Yew Aun	8,333	-	-	8,333
Datuk Abdul Malek Bin Abdul Aziz	3,700	-	-	3,700

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTEREST (cont'd)

Share options in the Company	No. of options over ordinary shares of RM1 each			Balance as of 31.12.2004
	Balance as of 1.1.2004	Granted	Exercised	
Direct interest:				
Lum Weng Loy	480,000	-	-	480,000
Dato' Lee Kam Sun	250,000	-	-	250,000
Soh Yew Aun	400,000	-	-	400,000
Chin Kuet Lee	480,000	-	-	480,000

Shares in a subsidiary company, PrimeAce Venture Limited	No. of ordinary shares of USD1 each			Balance as of 31.12.2004
	Balance as of 1.1.2004	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 31.12.2004
	Balance as of 1.1.2004	Bought	Sold	
Direct interest:				
Dato' Lee Kam Sun	300,000	-	-	300,000

Shares in a subsidiary company, Linear TES Co. Ltd.	No. of ordinary shares of THB10 each			Balance as of 31.12.2004
	Balance as of 1.1.2004	Bought	Sold	
Dato' Lee Kam Sun				
Direct interest	1	-	-	1
Indirect interest #	419,993	-	-	419,993

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

Shares in a subsidiary company, Times Engineering Systems Co. Ltd.	No. of ordinary shares of THB10 each			Balance as of 31.12.2004
	Balance as of 1.1.2004	Bought	Sold	
Dato' Lee Kam Sun				
Indirect interest @	1,919,993	-	-	1,919,993

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

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

None of the other directors as of December 31, 2004 held shares in the Company or in related companies during the financial year.



DIRECTORS' REPORT (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions mentioned in Note 18 to the financial statements.

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

AUDITORS

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

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

LUM WENG LOY

SOH YEW AUN

Penang,

April 27, 2005

REPORT OF THE AUDITORS

to the Members of LINEAR CORPORATION BERHAD



We have audited the accompanying balance sheets as of December 31, 2004, and the related statements of income, changes in equity and cash flows, for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable 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, 2004 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 27, 2005

INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	4	79,680,634	50,722,761	365,000	19,000
Other operating income		573,737	580,574	96,885	124
Gain on disposal of investment in associated companies		14,236,698	3,193,102	-	6,236,553
Changes in inventories of finished goods and work-in-progress		991,128	(37,222)	-	-
Purchase of trading goods		(290,163)	(279,384)	-	-
Raw materials and consumables used		(16,544,536)	(27,052,946)	-	-
Staff costs	5	(6,713,397)	(6,058,002)	(688,160)	(24,000)
Depreciation of property, plant and equipment		(3,449,291)	(2,864,905)	-	-
Write-off/ amortisation of goodwill on consolidation		(695,764)	(426,574)	-	-
Contract cost recognised		(44,159,158)	(8,523,443)	-	-
Deficit on revaluation of apartment		(39,532)	-	-	-
Other operating expenses		(8,487,257)	(15,359,578)	(173,564)	(1,113,469)
Profit/ (loss) from operations	6	15,103,099	(6,105,617)	(399,839)	5,118,208
Finance costs		(1,966,265)	(1,942,515)	-	-
Share of (loss)/ profit of associated companies		(286,600)	4,957,728	-	-
Income from other investments		749,845	5,813	346,171	4,967
Profit/ (loss) before tax	7	13,600,079	(3,084,591)	(53,668)	5,123,175
Tax expense	8				
The Company and its subsidiary companies		(1,383,115)	158,311	-	-
Share of tax of associated companies		(2,833)	(254,984)	-	-
		(1,385,948)	(96,673)	-	-
Profit/ (loss) after tax		12,214,131	(3,181,264)	(53,668)	5,123,175
Minority interests		(457,287)	1,846,763	-	-
Net profit/ (loss) for the year		11,756,844	(1,334,501)	(53,668)	5,123,175
Earnings/ (loss) per ordinary share					
Basic	9	15.65 sen	(2.19 sen)		

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

BALANCE SHEETS

AS OF DECEMBER 31, 2004

	Note(s)	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	10	49,940,555	41,021,939	-	-
Goodwill on consolidation	11	14,064,901	14,760,640	-	-
Investments in subsidiary companies	12	-	-	69,989,247	69,989,247
Investments in associated companies	13	4,560,575	34,409,562	4,830,000	30,004
Other investments	14	24,021,516	15,482,671	6,341,071	6,341,071
Amount owing by subsidiary companies	15	-	-	26,352,512	30,565,888
CURRENT ASSETS					
Inventories	16	19,994,723	21,683,127	-	-
Trade receivables	17,18	40,733,392	47,433,872	-	-
Other receivables and prepaid expenses	19	10,570,363	8,490,216	178,096	48,267
Amount owing by contract customers	20	3,746,380	-	-	-
Tax recoverable		1,784,763	1,989,749	102,565	32,565
Amount owing by associated companies	21	4,186,086	124,365	1,224	1,224
Short-term deposits with licensed banks	22	27,337,552	1,451,867	25,604,857	1,004,967
Cash and bank balances		4,997,274	4,084,174	2,044,670	2,334,481
Total Current Assets		113,350,533	85,257,370	27,931,412	3,421,504
CURRENT LIABILITIES					
Trade payables	18,23	13,525,544	13,413,499	-	-
Amount owing to contract customers	20	-	472,618	-	-
Other payables and accrued expenses	24	8,079,352	5,928,000	81,810	98,872
Bank borrowings	25	32,941,008	33,682,319	-	-
Amount owing to directors	26	2,311,408	886,187	-	-
Hire-purchase payables	27	351,160	346,119	-	-
Long-term loans	28	377,266	1,370,739	-	-
Tax liabilities		2,015,308	1,146,110	-	-
Total Current Liabilities		59,601,046	57,245,591	81,810	98,872
NET CURRENT ASSETS		53,749,487	28,011,779	27,849,602	3,322,632
		146,337,034	133,686,591	135,362,432	110,248,842
SHARE CAPITAL					
	29	75,104,777	75,099,777	75,104,777	75,099,777
RESERVES					
	30	56,079,317	43,880,916	35,096,197	35,149,065
SHAREHOLDERS' EQUITY					
		131,184,094	118,980,693	110,200,974	110,248,842
MINORITY INTERESTS					
		11,406,404	10,949,117	-	-
LONG-TERM AND DEFERRED LIABILITIES					
Amount owing to a subsidiary company	31	-	-	25,161,458	-
Hire-purchase payables	27	1,214,586	1,044,814	-	-
Long-term loans	28	50,969	305,126	-	-
Deferred tax liabilities	32	2,480,981	2,406,841	-	-
Total Long-Term and Deferred Liabilities		3,746,536	3,756,781	25,161,458	-
		146,337,034	133,686,591	135,362,432	110,248,842

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


STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2004

	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, 2003	51,748,333	-	301,000	2,753,753	247,981	40,351,363	95,402,430
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)
Transfer 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 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
Allotment of 5,000 new ordinary shares of RM1 each at RM1.16 per share pursuant to the ESOS	5,000	800	-	-	-	-	5,800
Translation difference in subsidiary companies	-	-	-	-	122,817	-	122,817
Surplus on revaluation of properties	-	-	-	441,584	-	-	441,584
Deferred tax liabilities arising on revaluation of properties	-	-	-	(123,644)	-	-	(123,644)
Transfer of revaluation surplus	-	-	-	(144,524)	-	144,524	-
Net gains not recognised in the income statements	-	-	-	173,416	122,817	144,524	440,757
Net profit for the year	-	-	-	-	-	11,756,844	11,756,844
Balance as of December 31, 2004	75,104,777	1,439,631	301,000	2,782,645	493,287	51,062,754	131,184,094

STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2004



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, 2003	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 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
Net loss for the year	-	-	-	-	(53,668)	(53,668)
Allotment of 5,000 new ordinary shares of RM1 each at RM1.16 per share pursuant to the ESOS	5,000	800	-	-	-	5,800
Balance as of December 31, 2004	75,104,777	1,439,631	301,000	19,030,494	14,325,072	110,200,974

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (loss) before tax	13,600,079	(3,084,591)	(53,668)	5,123,175
Adjustments for:				
Depreciation of property, plant and equipment	3,449,291	2,864,905	-	-
Interest expenses	1,506,164	1,778,748	-	-
Allowance for diminution in value of investments	1,092,649	4,725,000	-	-
Write-off/ amortisation of goodwill on consolidation	695,764	426,574	-	-
Loss on disposal of investment in quoted shares	685,166	989,254	-	989,254
Share of results in associated companies	286,600	(4,957,728)	-	-
Property, plant and equipment written off	140,169	5,251	-	-
Bad debts written off	93,988	-	-	-
Deficit on revaluation of apartment	39,532	-	-	-
Gain on disposal of investment in associated companies	(14,236,698)	(3,193,102)	-	(6,236,553)
Interest income	(749,845)	(5,813)	(346,171)	(4,967)
Gain on disposal of property, plant and equipment	(80,506)	(44,500)	-	-
Allowance for doubtful debts no longer required	(61,866)	-	-	-
Allowance for slow moving inventories	-	1,250,000	-	-
Allowance for doubtful debts	-	1,004,824	-	-
Gross dividend income	-	(1,000)	(250,000)	-
Operating profit/(loss) before working capital changes	6,460,487	1,757,822	(649,839)	(129,091)
(Increase)/ decrease in:				
Inventories	1,688,404	(3,602,801)	-	-
Trade receivables	6,668,358	(10,768,086)	-	-
Other receivables and prepaid expenses	(2,066,702)	6,895,745	(129,829)	1,226,420
Amount owing by contract customers	(4,218,998)	-	-	-
Increase/ (decrease) in:				
Trade payables	112,045	(3,865,348)	-	-
Amount owing to contract customers	-	472,618	-	-
Other payables and accrued expenses	2,140,653	(3,005,023)	(17,062)	14,372

CASH FLOW STATEMENTS (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2004



	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash generated from/ (used for) operations	10,784,247	(12,115,073)	(796,730)	1,111,701
Tax refunded	448,346	795,943	-	31,793
Tax paid	(806,780)	(685,781)	-	-
Net cash generated from/ (used for) operating activities	10,425,813	(12,004,911)	(796,730)	1,143,494

CASH FLOWS FROM INVESTING ACTIVITIES

Net proceeds from disposal of investments in associated companies	35,191,891	-	-	-
Proceed from disposal of investment in quoted shares	3,087,397	4,946,275	-	4,946,275
Proceeds from disposal of property, plant and equipment	1,443,845	79,000	-	-
Interest received	749,845	5,813	346,171	4,967
Exchange difference on translation of net assets of foreign subsidiary companies	101,560	15,654	-	-
Capital repayment of quoted investment	300	-	-	-
Purchase of property, plant and equipment	10 (12,409,107)	(6,360,956)	-	-
Purchase of investment in associated company	(4,799,996)	(4)	(4,799,996)	(4)
Increase in amount owing by associated companies	(4,061,721)	-	-	-
Purchase of additional shares in subsidiary company	(25)	-	-	-
Dividend received	-	173,800	180,000	172,800
Acquisition of subsidiary companies, net of cash acquired	22 -	(9,773,012)	-	-
Purchase of investments in quoted shares	-	(349,200)	-	(342,600)
Disposal expenses	-	(172,800)	-	(172,800)
Decrease/ (increase) in amount owing by subsidiary companies	-	-	4,213,376	(12,593,677)
Purchase of investments in subsidiary companies	12 -	-	-	(6,129,944)
Net cash generated from/ (used for) investing activities	19,303,989	(11,435,430)	(60,449)	(14,114,983)

CASH FLOW STATEMENTS (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2004

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in amount owing to directors	1,425,221	453,490	-	-
Increase in bank borrowings	867,908	4,087,538	-	-
Proceeds from issuance of shares:				
Company's ESOS	5,800	118,320	5,800	118,320
Rights issue	-	17,249,444	-	17,249,444
Interest paid	(1,508,910)	(1,881,363)	-	-
Short-term deposits held as security value	(1,274,075)	(1,000,000)	-	(1,000,000)
Repayment of long-term loans	(1,247,630)	(1,072,865)	-	-
Repayment of hire-purchase	(864,187)	(295,673)	-	-
Rights issue expenses paid	-	(977,489)	-	(977,489)
Increase/ (decrease) in amount owing to a subsidiary company	-	-	25,161,458	(80,500)
Net cash (used for)/ generated from financing activities	(2,595,873)	16,681,402	25,167,258	15,309,775
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	27,133,929	(6,758,939)	24,310,079	2,338,286
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(10,600,740)	(3,841,801)	2,339,448	1,162
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	16,533,189	26,649,527	2,339,448

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. GENERAL INFORMATION

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

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

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

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 27, 2005.

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).

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, unrealised losses are eliminated on consolidation unless costs cannot be recovered and the consolidated financial statements reflect external transactions only.

The Group adopts the acquisition method of consolidation. On acquisition, the excess of the cost over the fair value of the net assets acquired is included in the consolidated financial statements as goodwill arising on consolidation. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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. Rental income is accrued on a time basis, by reference to the agreements entered. Interest income and other operating income are recognised on an accrual basis.

Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax (cont'd)

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

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

Foreign Currency Conversion

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

For the purpose of consolidation, the financial statements of foreign incorporated subsidiary companies 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

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

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

	2004 RM	2003 RM
100 Thai Baht	9.76	9.59
1 Sterling Pound	7.32	6.39
1 Euro	5.17	4.68
1 United States Dollar	3.80	3.80
100 Japanese Yen	3.70	3.16
1 Australian Dollar	2.96	2.74
1 Singapore Dollar	2.33	2.24

Employees Benefit Costs

(i) Short term benefits

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

(ii) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employees Benefit Costs (cont'd)

(iii) Equity compensation benefits

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

Borrowing Costs

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

Research and Development Expenses

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

Property, Plant and Equipment

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

The annual depreciation rates are as follows:

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

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

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leased Assets

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

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

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

Property, Plant and Equipment Under Hire-Purchase Arrangements

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

Construction Contracts

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

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

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

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

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 ("SC"). 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.

During the financial year, the Company changed its accounting policy on the revaluation of investments in subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in Subsidiary Companies (cont'd)

Previously as required by MASB 11, Consolidated Financial Statements and Investments in Subsidiaries, the Company being a public company, carried its investments in subsidiary companies in accordance with the prescribed rules as contained in the Policies and Guidelines on Issue/ Offer of Securities issued by SC where 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.

In 2003, the SC Guidelines have been amended which now do not prescribe any rules on revaluation of investments in subsidiary companies. As such, the directors have adopted a policy to stop the revaluation of its long-term investments in subsidiary companies at a regular interval. Accordingly, the Company continues to state its investments in subsidiary companies at its 1998 valuation which was approved by SC in 1999. The effect of the change in accounting policy on the financial statements for the current year is shown in Note 12.

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

Investments in Associated Companies

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

The Group's investment in associated companies is accounted for under the equity method of accounting based on the latest audited financial statements of the associated companies made up to December 31, 2004. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

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

Other Investments

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

Goodwill on Consolidation

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

Goodwill arising on the acquisition of associated companies is included within the carrying amounts of the associated companies and represents the excess of the purchase consideration over the Group's interest in the fair values of the identifiable net assets of associated companies at the date of acquisition.

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Assets

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

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

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

Inventories

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

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

Receivables

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

Borrowings and Payables

Borrowings and payables are stated at cost.

Share Capital

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

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

Contingent Liabilities

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

4. REVENUE

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Contract revenue	56,006,911	11,721,766	-	-
Sales of manufacturing goods	13,712,192	29,654,354	-	-
Sales of trading goods	9,302,547	8,442,281	-	-
Gross dividend from a subsidiary company	-	-	250,000	-
Management fee	-	-	115,000	19,000
Others	658,984	904,360	-	-
	79,680,634	50,722,761	365,000	19,000

5. STAFF COSTS

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs:				
Employees' Provident Fund	500,245	442,418	71,160	-
Other staff costs	6,213,152	5,615,584	617,000	24,000
	6,713,397	6,058,002	688,160	24,000
Number of directors and employees at end of year:				
Directors	23	23	7	6
Employees	198	236	-	-

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

6. PROFIT/ (LOSS) FROM OPERATIONS

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Continuing operations:				
Existing	15,103,099	(7,906,507)	(399,839)	5,118,208
New acquisitions	-	1,800,890	-	-
	15,103,099	(6,105,617)	(399,839)	5,118,208

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

7. PROFIT/ (LOSS) BEFORE TAX

Profit/ (Loss) before tax is arrived at:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
After charging:				
Interest on:				
Bank borrowings	1,439,656	1,551,274	-	-
Long-term loans	8,333	164,279	-	-
Hire-purchase	58,175	63,195	-	-
Directors' remuneration:				
Provision for fees:				
Directors of the company	24,000	24,000	24,000	24,000
Directors of subsidiary companies	-	-	-	-
Employees' Provident Fund:				
Directors of the company	85,560	66,060	71,160	-
Directors of subsidiary companies	-	4,590	-	-
Other emoluments:				
Directors of the company	713,000	591,000	593,000	-
Directors of subsidiary companies	333,198	285,764	-	-
Allowance for diminution in value of investments	1,092,649	4,725,000	-	-
Loss on disposal of investment in quoted shares	685,166	989,254	-	989,254
Rental of premises	600,243	699,939	-	-
Property, plant and equipment written off	140,169	5,251	-	-
Audit fee:				
Current year	87,981	72,385	18,000	12,000
Underprovision in prior year	9,700	2,173	6,000	-
Bad debts written off	93,988	-	-	-
Hire of crane and machinery	24,995	29,100	-	-
Research and development costs	12,091	-	-	-
Rental of equipment	5,925	11,932	-	-
Allowance for slow moving inventories	-	1,250,000	-	-
Allowance for doubtful debts	-	1,004,824	-	-
Realised loss on foreign exchange	-	29,269	-	-
And crediting:				
Interest income	749,845	5,813	346,171	4,967
Rental income	240,000	331,474	-	-
Gain on disposal of property, plant and equipment	80,506	44,500	-	-
Allowance for doubtful debts no longer required	61,866	-	-	-
Realised gain on foreign exchange	35,791	-	-	-
Bad debts recovered	-	10,160	-	-
Dividend income	-	1,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

8. TAX EXPENSE

	The Group	
	2004 RM	2003 RM
The Company and its subsidiary companies:		
Current tax expense:		
Malaysian	986,000	384,034
Foreign	484,453	343,693
	1,470,453	727,727
Deferred tax (Note 32):		
Relating to the origination and reversal of temporary differences in current year	6,700	(826,700)
Annual crystallisation of deferred tax on revaluation surplus	(56,204)	(56,204)
	(49,504)	(882,904)
Overprovision in prior year:		
Current tax expense	(37,834)	(3,134)
	1,383,115	(158,311)
Share of tax in associated companies	2,833	254,984
	1,385,948	96,673

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 RM500,000 and RM100,000 for the years of assessments 2004 and 2003 respectively. For chargeable income in excess of RM500,000 and RM100,000 for the years of assessments 2004 and 2003 respectively, the corporate income tax rate is at 28%.

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

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Accounting profit/ (loss)	13,600,079	(3,084,591)	(53,668)	5,123,175
Tax at the applicable tax rate of 28% (2003: 28%)	3,808,000	(864,000)	(15,000)	1,434,000
Tax effect on non-deductible/ (non-taxable) items:				
Non-allowable expenses	1,411,999	579,178	15,000	16,000
Non-taxable income	(2,018,100)	(1,889,403)	-	(1,450,000)
Effect of different tax rates of subsidiary companies	(2,122,517)	1,411,132	-	-
Tax saving from double deduction on promotion of export and marine insurance	(22,000)	(190,000)	-	-
Net deferred tax income not recognised	366,400	1,052,900	-	-
	1,423,782	99,807	-	-
Overprovision in prior year:				
Current tax expense	(37,834)	(3,134)	-	-
Tax expense	1,385,948	96,673	-	-

The applicable tax rate of 28% (2003: 28%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

8. TAX EXPENSE (cont'd)

As of December 31, 2004, the approximate amount of carryforward tax losses and unabsorbed capital allowances of the Group and of the Company are as follows:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Carryforward tax losses	9,234,500	7,167,800	175,000	173,000
Unabsorbed capital allowances	4,603,100	4,077,900	-	-
	13,837,600	11,245,700	175,000	173,000

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

9. EARNINGS/ (LOSS) PER ORDINARY SHARE

	The Group	
	2004 RM	2003 RM
Net profit/ (loss) attributable to ordinary shareholders	11,756,844	(1,334,501)

	2004	2003
	Units	Units
Number of shares in issue as of January 1	75,099,777	51,748,333
Effect of the exercise of ESOS	4,808	18,301
Effect of rights issue	-	7,520,996
Effect of issue of new shares	-	1,610,959
Weighted average number of ordinary shares in issue	75,104,585	60,898,589

Basic earnings/ (loss) per ordinary share (sen)	15.65	(2.19)
---	-------	--------

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

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

The Group

Cost or Valuation	Beginning of year RM	Additions RM	Revaluation/ Arising from acquisition of subsidiary companies RM	Translation reserve RM	Disposals RM	End of year RM
2004:						
At 2004 valuation:						
Short leasehold land	6,950,000	-	(750,000)	-	-	6,200,000
Buildings	13,950,000	-	2,800,000	-	-	16,750,000
Flats	395,000	-	-	-	-	395,000
Apartments	-	-	1,559,041	-	-	1,559,041
At cost:						
Freehold land and assets in progress	5,386,930	11,464,654	-	-	-	16,851,584
Freehold land	-	110,207	-	3,525	-	113,732
Buildings	4,986,550	-	(4,986,550)	-	-	-
Apartments	1,864,547	-	(1,893,247)	28,700	-	-
Plant and machinery	16,980,848	15,530	-	39,086	(4,393,481)	12,641,983
Moulds, tools and equipment	5,535,007	112,492	-	3,788	(109,000)	5,542,287
Office equipment, furniture and fittings	2,246,772	222,792	-	(14,700)	(45,926)	2,408,938
Motor vehicles	3,683,381	1,522,432	-	9,424	(1,766,620)	3,448,617
Renovation	853,315	-	-	1,104	(154,312)	700,107
	62,832,350	13,448,107	(3,270,756)	70,927	(6,469,339)	66,611,289
2003	50,161,639	6,800,956	6,126,910	48,611	(305,766)	62,832,350

Accumulated Depreciation	Beginning of year RM	Charge for the year RM	Revaluation/ Arising from acquisition of subsidiary companies RM	Translation reserve RM	Disposals RM	End of year RM
2004:						
At 2004 valuation:						
Short leasehold land	741,333	139,000	(880,333)	-	-	-
Buildings	1,488,000	279,000	(1,767,000)	-	-	-
Flats	42,135	7,900	(50,035)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

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

Accumulated Depreciation	Beginning of year RM	Charge for the year RM	Revaluation/ Arising from acquisition of subsidiary companies RM	Translation reserve RM	Disposals RM	End of year RM
At cost:						
Buildings	581,035	99,731	(680,766)	-	-	-
Apartments	203,456	84,845	(294,674)	6,373	-	-
Plant and machinery	11,050,086	1,639,026	-	31,109	(3,930,270)	8,789,951
Moulds, tools and equipment	4,654,366	237,567	-	2,286	(20,892)	4,873,327
Office equipment, furniture and fittings	1,315,725	239,277	-	3,914	(13,779)	1,545,137
Motor vehicles	1,525,318	637,504	-	5,768	(954,599)	1,213,991
Renovation	208,957	85,441	-	221	(46,291)	248,328
	21,810,411	3,449,291	(3,672,808)	49,671	(4,965,831)	16,670,734
2003	17,538,017	2,864,905	1,659,733	13,771	(266,015)	21,810,411

	The Group	
	2004 RM	2003 RM
Net Book Value:		
At 2004 valuation:		
Short leasehold land	6,200,000	6,208,667
Buildings	16,750,000	12,462,000
Apartments	1,559,041	-
Flats	395,000	352,865
At cost:		
Freehold land and assets in progress	16,851,584	5,386,930
Freehold land	113,732	-
Buildings	-	4,405,515
Apartments	-	1,661,091
Plant and machinery	3,852,032	5,930,762
Moulds, tools and equipment	668,960	880,641
Office equipment, furniture and fittings	863,801	931,047
Motor vehicles	2,234,626	2,158,063
Renovation	451,779	644,358
	49,940,555	41,021,939

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM13,448,107 (2003: RM6,800,956) of which RM1,039,000 (2003: RM440,000) was acquired by mean of hire-purchase with the balance of RM12,409,107 (2003: RM6,360,956) was paid by cash.

As of December 31, 2004, certain motor vehicles of the Group with a total carrying value of RM1,777,546 (2003: RM1,483,528) are acquired under hire-purchase arrangements of which instalments are still outstanding.

As of December 31, 2004, the unexpired lease period of the short leasehold land is 48 years and 31 years.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

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

As of December 31, 2004, the strata titles of the flats and apartments have not yet been issued to the subsidiary companies by the relevant authority.

The short leasehold land, buildings, apartments and flats of the Group were revalued by the directors during the year based on valuations carried out by Mr. Tay Tam, FISM, Mr. Radhakrishnan, registered valuers of Jones Lang Wootton and Mr. Apibarn Ariyakulkarn, a registered valuer of Jones Lang LaSalle (Thailand) Limited, independent firms of professional valuers, using open market value on existing use basis. The resulting revaluation surplus amounting to RM317,940 (net of related deferred tax of RM123,644 as disclosed in Note 32) has been credited to revaluation reserve account.

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

	2004 RM	2003 RM
Cost	20,360,032	13,714,451
Accumulated depreciation	(4,428,220)	(3,183,174)
Carrying amount	15,931,812	10,531,277

11. GOODWILL ON CONSOLIDATION

	The Group	
	2004 RM	2003 RM
At cost:		
At beginning of year	15,956,898	6,149,572
Goodwill on consolidation arising from the acquisitions of subsidiary companies	25	9,807,326
At end of year	15,956,923	15,956,898
Less: Amortisation of goodwill on consolidation		
At beginning of year	(1,196,258)	(769,684)
Write-off/ amortisation during the year	(695,764)	(426,574)
At end of year	(1,892,022)	(1,196,258)
	14,064,901	14,760,640

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	The Company	
	2004 RM	2003 RM
Unquoted shares		
- at 1999 valuation	32,099,016	32,099,016
- at cost	37,890,231	37,890,231
	69,989,247	69,989,247

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

12. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are as follows:

Direct Subsidiary Companies	Place of incorporation	Principal Activity	Percentage of Ownership	
			2004	2003
Linear Cooling Industries Sdn. Bhd.	Malaysia	Manufacture and trading of cooling towers and parts thereof and involved in designing and building district cooling system plant	100%	100%
Linear Cooling Technology Sdn. Bhd. *	Malaysia	Trading of cooling towers	100%	100%
Linear Water Tank Sdn. Bhd.	Malaysia	Sales and distributor of and dealer in water tank	100%	100%
Linear Water Treatment Sdn. Bhd.	Malaysia	Providing water treatment services	100%	100%
Nihon Spindle (M) Sdn. Bhd. *	Malaysia	Trading of cooling towers and spare parts	100%	100%
Linear Composites Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
PrimeAce Holdings Sdn. Bhd.	Malaysia	Investment holdings in information and communications technology (ICT) related services	100%	100%
Linear Ventures Sdn. Bhd.	Malaysia	Investment holdings	100%	100%
Aseania Linear District Cooling System Sdn. Berhad	Malaysia	Construct, own and operate a district cooling plant to produce and supply chilled water	100%	100%
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%	70%
Times Engineering Systems Co. Ltd. *	Thailand	Providing mechanical and engineering services and construction	70%	70%
PrimeAce Venture Limited	British Virgin Islands	Investment holdings in ICT related services	65%	65%
Linear TES Co. Ltd. *	Thailand	Investment holdings	43.75%	43.75%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

12. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

Indirect Subsidiary Companies	Place of incorporation	Principal Activity	Percentage of Ownership 2004	Percentage of Ownership 2003
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	100%	75%
Unified Systems Pte. Ltd.*	Singapore	Providing computer programming, consultancy and other computer related services	70%	70%
Quantum Water Heaters Sdn. Bhd. *	Malaysia	Manufacture energy efficient hot water system	59.5%	59.5%
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. It was not the intention of the directors then to adopt a policy for revaluation of its long-term investments in subsidiary companies at a regular interval. Accordingly, the Company continues to state its investments in subsidiary companies at its 1998 valuation which was approved by Securities Commission in 1999. Should there be a revaluation carried out by the Company on the investments in the subsidiary companies based on the net tangible asset values of the subsidiary companies as of December 31, 2004, there will be a net revaluation surplus of approximately RM11 million comprising of a gross revaluation surplus of approximately RM28 million and revaluation deficit of approximately RM17 million.

Linear Composite 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. became a wholly-owned indirect subsidiary company.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

12. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

The effect of these acquisitions on the financial results of the Group in 2003 is as follows:

Post-acquisition results of subsidiary companies acquired:

	2003
	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)
Amortisation of goodwill	(123,128)
Profit from operations	1,800,890
Finance costs	(204,320)
Profit before tax	1,596,570
Tax expense	(663,533)
Profit after tax	933,037
Minority interest	(234,570)
Increase in Group's profit attributable to shareholders	698,467

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

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

52

13. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Unquoted shares - at cost	4,830,000	21,562,619	4,830,000	30,004
Share of post-acquisition results and reserves, net of dividends received	(269,425)	12,846,943	-	-
	4,560,575	34,409,562	4,830,000	30,004

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

13. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

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

	The Group	
	2004	2003
	RM	RM
Share of net assets	4,560,575	17,915,824
Goodwill on acquisition	-	16,493,738
	4,560,575	34,409,562

The associated companies are as follows:

Associated Companies	Place of incorporation	Principal Activity	Percentage of Ownership 2004	Percentage of Ownership 2003
Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.)	Malaysia	Construct, own and operate a district cooling plant to produce and supply chilled water	40%	40%
Borneo Pacific Linear Sdn. Bhd.	Malaysia	Retail of cooling technology products and parts, and provision of related services	30%	30%
Unified Communications Sdn. Bhd.	Malaysia	Research and development software engineering, system integration, project management and maintenance and support of telecommunication industry	-	25%
Unified Communications Pte. Ltd.	Singapore	Design and development of telecommunication software and trading of telecommunication products	-	25%
The Media Shoppe Berhad (formerly known as The Media Shoppe Sdn. Bhd.)	Malaysia	Research and development and marketing of computer software and provision of system networking support	-	23.4%

During the year, the Company subscribed for an additional 4,799,996 ordinary shares of RM1 each in Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.), a 40% owned associated company for a cash consideration of RM4,799,996. The Company's equity interest in Boustead Linear Corporation Sdn. Bhd remains unchanged.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

13. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

During the year, the Company's wholly-owned subsidiary company, PrimeAce Holdings Sdn. Bhd. ("PHSB") had entered into a Share Transfer Agreement with Unified Communications Holdings Pte. Ltd. ("UCH"), Unified Communications Sdn. Bhd. ("UCSB") and Unified Communications Pte. Ltd. ("UCPL") for the transfer of 25% equity interest in UCSB and 25% equity interest in UCPL to UCH for a total consideration of SGD5,631,453 satisfied by the issuance of 5,631,453 new ordinary shares of SGD1 each in Unified Communications Holdings Limited. Subsequently PHSB disposed of the entire equity interest in UCL. On February 19, 2004, PHSB had completed the following disposals:

- disposal of 16.22% of the pre-invitation share capital of UCH for a total cash consideration of SGD11.5 million (equivalent to approximately RM25.76 million).
- 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).

On December 8, 2004, The Media Shoppe Berhad (formerly known as The Media Shoppe Sdn. Bhd.) was listed on the MESDAQ Market of the Bursa Malaysia. On even date, it ceased to be an associated company of the Group.

During the year, the Company has disposed of 7,646,500 ordinary shares of RM0.10 each in The Media Shoppe Berhad (formerly known as The Media Shoppe Sdn. Bhd.) through its subsidiaries, Ko Lim BAC Sdn. Bhd. and PrimeAce Venture Limited for a total cash consideration of RM3,087,397. As of December 31, 2004, the balance of shares held by the Group in The Media Shoppe Berhad (formerly known as The Media Shoppe Sdn. Bhd.) is classified as other investments.

14. OTHER INVESTMENTS

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Quoted shares in Malaysia, at cost	15,979,165	6,347,671	6,341,071	6,341,071
Less: Allowance for diminution in value	(1,092,649)	-	-	-
	14,886,516	6,347,671	6,341,071	6,341,071
Unquoted shares, at cost	13,860,000	13,860,000	-	-
Less: Allowance for diminution in value	(4,725,000)	(4,725,000)	-	-
	9,135,000	9,135,000	-	-
	24,021,516	15,482,671	6,341,071	6,341,071
Market value of:				
Quoted shares in Malaysia	10,327,431	16,065,946	5,918,333	16,064,046

15. AMOUNT OWING BY SUBSIDIARY COMPANIES

	The Company	
	2004 RM	2003 RM
Aseania Linear District Cooling System Sdn. Berhad	13,521,735	3,999,998
Ko Lim BAC Sdn. Bhd.	4,000,000	6,000,000
Linear Cooling Industries Sdn. Bhd.	3,392,782	8,184,770
Quantum Water Heaters Sdn. Bhd.	3,001,550	3,001,550
Linear Ventures Sdn. Bhd.	2,276,220	2,276,220

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

15. AMOUNT OWING BY SUBSIDIARY COMPANIES (cont'd)

	The Company	
	2004 RM	2003 RM
PrimeAce Venture Limited	86,270	86,270
Times Engineering Systems Co. Ltd.	31,192	31,192
Nihon Spindle (M) Sdn. Bhd.	19,000	39,000
Imux (Asia) Limited	8,562	8,562
Linear Cooling Industries Pte. Ltd.	5,229	4,744
Linear Cooling Technology Sdn. Bhd.	5,000	11,000
Linear Water Treatment Sdn. Bhd.	2,000	4,000
Linear Composites Marketing Sdn. Bhd.	1,748	1,748
Linear Composites Sdn. Bhd.	1,224	1,224
PrimeAce Holdings Sdn. Bhd.	-	6,915,610
	26,352,512	30,565,888

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	
	2004 RM	2003 RM
Dividend received/ receivable		
Linear Cooling Industries Sdn. Bhd.	250,000	-
Management fee received/ receivable		
Linear Cooling Industries Sdn. Bhd.	94,000	-
Nihon Spindle (M) Sdn. Bhd.	14,000	13,000
Linear Cooling Technology Sdn. Bhd.	5,000	4,000
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.

16. INVENTORIES

	The Group	
	2004 RM	2003 RM
At cost:		
Raw materials	6,535,951	5,224,608
Spare and components	2,369,366	3,435,303
Construction materials	2,540,410	3,247,685
Trading goods	91,772	135,738
Indirect materials	87,769	92,283
Work-in-progress	3,059,825	2,482,586
Finished goods	5,309,630	7,064,924
	19,994,723	21,683,127

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

16. INVENTORIES (cont'd)

	The Group	
	2004	2003
	RM	RM
At net realisable value:		
Raw materials	645,000	560,000
Less: Allowance for slow moving inventories	(645,000)	(560,000)
	-	-
Spare and components	250,000	250,000
Less: Allowance for slow moving inventories	(250,000)	(250,000)
	-	-
Finished goods	355,000	440,000
Less: Allowance for slow moving inventories	(355,000)	(440,000)
	-	-
	19,994,723	21,683,127

17. TRADE RECEIVABLES

	The Group	
	2004	2003
	RM	RM
Trade receivables	40,735,372	48,940,142
Less: Allowance for doubtful debts	(1,980)	(1,506,270)
	40,733,392	47,433,872

Trade receivables comprise amounts receivable for the sale of goods, services rendered and progress billings. The credit periods granted range from 30 to 120 days (2003: 30 to 120 days). An allowance has been made for estimated irrecoverable amounts of RM1,980 (2003: RM1,506,270).

Analysis of trade receivables by currencies:

	The Group	
	2004	2003
	RM	RM
Ringgit Malaysia	21,269,373	26,184,681
Thai Baht	10,793,429	10,150,545
United States Dollar	8,653,636	11,083,335
Singapore Dollar	16,954	15,311
	40,733,392	47,433,872

18. RELATED PARTIES TRANSACTIONS

Included in the following accounts of the Group as of December 31, 2004 are amounts owing by/ (to) related parties:

	The Group	
	2004	2003
	RM	RM
Trade receivable:		
Baltimore Aircoil (Aust) *	-	355

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

18. RELATED PARTIES TRANSACTIONS (cont'd)

	The Group	
	2004 RM	2003 RM
Trade payables:		
Baltimore Aircoil International n.v. *	1,144,120	1,003,629
Baltimore Aircoil Company #	121,214	163,387
Baltimore Aircoil (Aust) *	-	159,966
	1,265,334	1,326,982

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

A substantial shareholder of BAC Cooling Technology Sdn. Bhd.

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

	The Group	
	2004 RM	2003 RM
<u>With related parties</u>		
Purchase of components		
Baltimore Aircoil Company	704,370	1,164,031
Baltimore Aircoil International n.v.	140,490	1,009,344
Baltimore Aircoil (Aust)	4,861	402,802
Royalty paid/payable		
Baltimore Aircoil Company	135,243	150,695
Sales of finished goods		
Baltimore Aircoil Company	-	906,635

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	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	9,322,734	1,629,201	97,626	1,225
Less: Allowance for doubtful debts	-	(2,500)	-	-
	9,322,734	1,626,701	97,626	1,225
Deposits	309,258	279,533	-	-
Prepaid interest	142,210	128,765	-	-
Other prepaid expenses	796,161	6,455,217	80,470	47,042
	10,570,363	8,490,216	178,096	48,267

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

19. OTHER RECEIVABLES AND PREPAID EXPENSES (cont'd)

Analysis of other receivables by currencies:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	3,298,707	328,399	97,626	1,225
Singapore Dollar	2,897,004	-	-	-
Thai Baht	2,216,337	435,616	-	-
United States Dollar	910,686	862,686	-	-
	9,322,734	1,626,701	97,626	1,225

20. AMOUNT OWING BY/ (TO) CONTRACT CUSTOMERS

	The Group	
	2004 RM	2003 RM
Contract costs incurred plus recognised profits	56,100,452	16,870,541
Less: Progress billings received/ receivable	(52,354,072)	(17,343,159)
	3,746,380	(472,618)

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

	The Group	
	2004 RM	2003 RM
Interest expenses	240,380	-

21. AMOUNT OWING BY ASSOCIATED COMPANIES

The amount owing by associated companies are as follows:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.)	4,180,144	-	-	-
Borneo Pacific Linear Sdn. Bhd.	5,942	1,224	1,224	1,224
Unified Communications Pte. Ltd.	-	87,134	-	-
Unified Communications Sdn. Bhd.	-	36,007	-	-
	4,186,086	124,365	1,224	1,224

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

21. AMOUNT OWING BY ASSOCIATED COMPANIES (cont'd)

Analysis of amount owing by associated companies by currencies:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	4,186,086	37,231	1,224	1,224
Singapore Dollar	-	87,134	-	-
	4,186,086	124,365	1,224	1,224

The amount owing by Borneo Pacific Linear Sdn. Bhd. and Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.) arose mainly from trade transactions.

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

	The Group	
	2004 RM	2003 RM
<u>With associated company</u>		
Boustead Linear Corporation Sdn. Bhd. (formerly known as Mutiara Rini Linear DCP Sdn. Bhd.):		
Contract revenue received/ receivable	29,550,997	-
Facility maintenance received/ receivable	96,275	-

22. 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	
	2004 RM	2003 RM	2004 RM	2003 RM
Short-term deposits with licensed banks	27,337,552	1,451,867	25,604,857	1,004,967
Cash and bank balances	4,997,274	4,084,174	2,044,670	2,334,481
Bank overdrafts	(13,527,562)	(15,136,781)	-	-
	18,807,264	(9,600,740)	27,649,527	3,339,448
Less: short-term deposits held as security value	(2,274,075)	(1,000,000)	(1,000,000)	(1,000,000)
	16,533,189	(10,600,740)	26,649,527	2,339,448

The short-term deposits held as security value are pledged to a bank for bank guarantees.

The annual effective interest rates are as follows:

	The Group		The Company	
	2004 %	2003 %	2004 %	2003 %
Short-term deposits with licensed banks	0.38 - 3.70	0.38 - 3.70	2.70 - 3.70	2.70 - 3.70

The short-term deposits of the Group and the Company are maturing within January to November 2005.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

22. CASH AND CASH EQUIVALENTS (cont'd)

Analysis of cash and cash equivalents by currencies:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	18,855,874	(9,278,045)	26,649,527	2,339,448
United States Dollar	120,593	168,910	-	-
Singapore Dollar	111	7,623	-	-
Thai Baht	(2,449,966)	(1,505,708)	-	-
Others	6,577	6,480	-	-
	16,533,189	(10,600,740)	26,649,527	2,339,448

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.

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
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
Tax recoverable	570,179
Short-term deposits with licensed bank	669,942
Cash and bank balances	664,418
Trade payables	(10,033,654)
Other payables and accrued expenses	(6,641,824)
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 interest	(3,111,063)
Share of net assets acquired	7,247,618
Goodwill on acquisition	9,807,326
Total purchase consideration	17,054,944
Satisfied by:	
Cash	8,654,944
Shares issued	8,400,000
	17,054,944
Net cash outflow arising on acquisitions:	
Cash consideration	8,654,944
Cash and cash equivalents acquired	1,118,068
Cash flow on acquisitions, net of cash and cash equivalents acquired	9,773,012

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

23. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2003: 30 to 90 days).

Analysis of trade payables by currencies:

	The Group	
	2004 RM	2003 RM
Ringgit Malaysia	10,969,853	7,977,066
Euro	1,144,120	1,003,629
Thai Baht	968,503	3,549,648
United States Dollar	327,907	371,458
Singapore Dollar	112,901	-
Japanese Yen	2,260	4,472
Sterling Pound	-	347,260
Australian Dollar	-	159,966
	13,525,544	13,413,499

24. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Other payables	5,762,153	4,268,678	22,787	58,877
Deposits received	86,104	596,270	-	-
Accrued interest	36,849	26,150	-	-
Other accrued expenses	2,194,246	1,036,902	59,023	39,995
	8,079,352	5,928,000	81,810	98,872

Other payables comprise mainly amount outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	5,847,989	3,098,413	81,810	98,872
Thai Baht	2,154,110	2,569,715	-	-
Singapore Dollar	73,609	33,400	-	-
United States Dollar	3,644	226,472	-	-
	8,079,352	5,928,000	81,810	98,872

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

25. BANK BORROWINGS

	The Group	
	2004	2003
	RM	RM
Unsecured:		
Bankers acceptance	15,326,000	14,910,000
Bank overdrafts	13,527,562	15,136,781
Revolving credit	3,000,000	3,000,000
Trust receipt	1,087,446	635,538
	<u>32,941,008</u>	<u>33,682,319</u>

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

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

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

The effective annual interest rates are as follows:

	The Group	
	2004	2003
	%	%
Bank overdrafts	7.00 - 8.00	7.00-8.00
Bankers acceptance	2.97 - 4.80	2.88-5.25
Revolving credit	4.90 - 7.50	5.05-7.50
Trust receipt	3.10 - 3.45	2.00-2.50

The bankers acceptance, revolving credit and trust receipt are maturing within January 2005 to June 2005.

26. 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.

27. HIRE-PURCHASE PAYABLES

	The Group	
	2004	2003
	RM	RM
Total outstanding	1,863,284	1,663,244
Less: Interest-in-suspense outstanding	(297,538)	(272,311)
Principal outstanding	1,565,746	1,390,933
Less: Portion due within one year	(351,160)	(346,119)
Non-current portion	<u>1,214,586</u>	<u>1,044,814</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

27. HIRE-PURCHASE PAYABLES (cont'd)

The non-current portion is repayable as follows:

	The Group	
	2004 RM	2003 RM
Later than 1 year and not later than 2 years	326,578	340,807
Later than 2 years and not later than 5 years	751,165	663,564
Later than 5 years	136,843	40,443
	<u>1,214,586</u>	<u>1,044,814</u>

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 3.25% to 11.72% per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

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

28. LONG-TERM LOANS

	The Group	
	2004 RM	2003 RM
Unsecured:		
Outstanding amount	428,235	1,675,865
Less: Portion due within one year	(377,266)	(1,370,739)
Non-current portion	<u>50,969</u>	<u>305,126</u>

The non-current portion is repayable as follows:

	The Group	
	2004 RM	2003 RM
Later than 1 year and not later than 2 years	<u>50,969</u>	<u>305,126</u>

The long-term bank loans are covered by a corporate guarantee from the Company and bear interest at a rate of 7% per annum.

29. SHARE CAPITAL

	The Group and the Company			
	2004		2003	
	No. of shares of RM 1 each	RM	No. of shares of RM 1 each	RM
Authorised:				
Ordinary shares:				
At beginning of year	100,000,000	100,000,000	100,000,000	100,000,000
Created during the year	400,000,000	400,000,000	-	-
At end of year	<u>500,000,000</u>	<u>500,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

29. SHARE CAPITAL (cont'd)

	The Group and the Company			
	2004		2003	
	No. of shares of RM 1 each	RM	No. of shares of RM 1 each	RM
Issued and fully paid:				
Ordinary shares:				
At beginning of year	75,099,777	75,099,777	51,748,333	51,748,333
Increase during the year				
ESOS	5,000	5,000	102,000	102,000
Rights issue	-	-	17,249,444	17,249,444
Share issue	-	-	6,000,000	6,000,000
At end of year	75,104,777	75,104,777	75,099,777	75,099,777

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

The resultant premium arising from the shares issued of RM800 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.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

29. SHARE CAPITAL (cont'd)

(c) (iii) is under such categories and of such criteria that the Option Committee may from time to time decide.

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

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

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

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

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

No. of options over ordinary shares of RM1 each

Date of offer	Exercise price per ordinary share RM	Balance as of 1.1.2004	Granted	Exercised	Cancelled	Balance as of 31.12.2004
August 25, 2003	1.16	4,759,000	-	(5,000)	(654,000)	4,100,000
October 15, 2003	1.22	1,197,000	-	-	(423,000)	774,000

Details of share options exercised during the year and the fair values, at exercise date, of shares issued are as follows:

Exercise date	Exercise price per ordinary share RM	Fair value of shares issued RM	No. of options exercised RM	Considerations received RM
2004: January 2004	1.16	1.19	5,000	5,800
2003: October 2003	1.16	1.36	72,000	83,520
November 2003	1.16	1.34	2,000	2,320
December 2003	1.16	1.28	28,000	32,480
			102,000	118,320

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

30. RESERVES

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable:				
Translation reserve	493,287	370,470	-	-
Capital redemption reserve	301,000	301,000	301,000	301,000
Revaluation reserve	2,782,645	2,609,229	19,030,494	19,030,494
Share premium	1,439,631	1,438,831	1,439,631	1,438,831
	5,016,563	4,719,530	20,771,125	20,770,325
Distributable:				
Retained profit	51,062,754	39,161,386	14,325,072	14,378,740
	56,079,317	43,880,916	35,096,197	35,149,065

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.

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 its 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.

31. AMOUNT OWING TO A SUBSIDIARY COMPANY

The amount owing to a subsidiary company, PrimeAce Holdings Sdn. Bhd. ("PAH") arose mainly from advances which are unsecured, interest free and with no fixed repayment term. PAH has confirmed that there will be no demand of any repayment of the amount owing to PAH within the next twelve months from the financial year end.

32. DEFERRED TAX LIABILITIES

	The Group	
	2004 RM	2003 RM
At beginning of year	2,406,841	3,279,945
Amount charged to equity		
Deferred tax liabilities on revaluation surplus	123,644	-
Transfer to income statements (Note 8):		
Relating to the origination and reversal of temporary differences in current year	6,700	(826,700)
Annual crystallisation of deferred tax on revaluation surplus	(56,204)	(56,204)
Arising from acquisition of subsidiary companies	-	9,800
At end of year	2,480,981	2,406,841

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

32. DEFERRED TAX LIABILITIES (cont'd)

A deferred tax income of RM56,204 (2003: 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 (2003: RM144,524) was transferred from revaluation reserve of the Group to retained profit.

The deferred tax liabilities are in respect of the following:

	The Group	
	2004	2003
	RM	RM
Tax effect of revaluation surplus	(2,467,381)	(2,399,941)
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	(13,600)	(6,900)
	(2,480,981)	(2,406,841)

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, 2004, 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	
	2004	2003	2004	2003
	RM	RM	RM	RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	(1,396,600)	(1,426,700)	-	-
Tax effect in respect of:				
Carryforward tax losses	2,375,800	1,857,500	49,000	49,000
Unabsorbed capital allowances	1,285,400	1,137,000	-	-
Allowance for slow moving inventories	330,000	342,000	-	-
Other temporary differences	73,000	395,300	10,000	7,000
	2,667,600	2,305,100	59,000	56,000

33. SUBSEQUENT EVENTS

Subsequent to December 31, 2004:

- On January 5, 2005, the Company started to repurchase its own shares as approved by the shareholders on June 23, 2004.
- On March 11, 2005, the Company entered into a Sale and Purchase Agreement for the acquisition of one piece of leasehold land together with a double storey bungalow erected thereon for a total purchase consideration of RM1,632,000.
- On March 15, 2005, the Company is contingently liable to the extent of RM27,000,000 in respect of corporate guarantees given to a local financial institution for credit facilities granted to a subsidiary company.
- On March 17, 2005, the Securities Commission had approved the extension of time of six (6) months to September 30, 2005 for the Company to implement the Private Placement.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

34. CONTINGENT LIABILITY - Unsecured

As of December 31, 2004:

- a. The Company is contingently liable to an amount of RM32,585,531 (2003: RM32,302,984) in respect of corporate guarantees given to certain local banks on banking facilities granted to and utilised by the subsidiary companies.
- b. The Company is contingently liable to an amount of RM300,000 in respect of indemnity given to a director of the Company for any claims, liabilities, losses, cost and expenses which may arise or incur in connection with his execution of personal guarantee to secure a hire-purchase facility granted by a financial institution to a subsidiary company.

35. LEASE COMMITMENTS

As of December 31, 2004, non-cancellable long-term lease commitments in respect of rental of premises and equipment are as follows:

	The Group	
	2004	2003
	RM	RM
Not later than 1 year	567,971	435,936
Later than 1 year and not later than 5 years	-	406,320
	567,971	842,256

36. 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 financing through Group's bank borrowings and hire-purchase. The Group does not use derivatives 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

36. FINANCIAL INSTRUMENTS (cont'd)

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

iv. Credit risk

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

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

v. Liquidity risk

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

vi. Cash flow risk

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

b. Credit Risk

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

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

c. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2004 are as follows:

	Carrying Amount		Fair Value	
	2004 RM	2003 RM	2004 RM	2003 RM
The Group				
Financial assets				
Other investments				
Quoted shares	14,886,516	6,347,671	10,327,431	16,065,946
Unquoted shares	9,135,000	9,135,000	*	*
Financial liabilities				
Hire-purchase	1,565,746	1,390,933	1,565,746	1,390,933
Long-term loans	428,235	1,675,865	428,235	1,675,865
The Company				
Financial assets				
Other investments				
Quoted shares	6,341,071	6,341,071	5,918,333	16,064,046

* 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

36. FINANCIAL INSTRUMENTS (cont'd)

The carrying amount of investment in quoted shares is not reduced to fair value as these are long-term investments and the directors are of the opinion that the decline in value is temporary in nature.

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

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

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

37. SEGMENTAL REPORTING

Business Segments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

37. SEGMENTAL REPORTING (cont'd)

The Group

	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2004							
Revenue							
External sales	-	13,712,192	56,006,911	9,302,547	658,984	-	79,680,634
Inter-segment sales	365,000	10,861,520	1,195,728	-	44,340	(12,466,588)	-
Total revenue	365,000	24,573,712	57,202,639	9,302,547	703,324	(12,466,588)	79,680,634
Results							
Profit/ (loss) from operations	24,844,905	(496,660)	5,556,961	(145,992)	(322,074)	(14,334,041)	15,103,099
Income from other investments	698,078	5,018	46,749	-	-	-	749,845
Finance costs	(7,789)	(1,624,305)	(331,627)	-	(2,544)	-	(1,966,265)
Share of loss associated companies	-	-	-	-	-	(286,600)	(286,600)
Profit/ (loss) before tax	25,535,194	(2,115,947)	5,272,083	(145,992)	(324,618)	(14,620,641)	13,600,079
Tax (expense) / income	(63,569)	18,856	(1,408,402)	-	-	67,167	(1,385,948)
Profit/ (loss) after tax	25,471,625	(2,097,091)	3,863,681	(145,992)	(324,618)	(14,553,474)	12,214,131
Other information							
Capital additions	545,900	1,138,363	289,540	700	11,919,417	(445,813)	13,448,107
Depreciation of property, plant and equipment	78,380	1,117,500	2,158,969	52,928	41,514	-	3,449,291
Amortisation of goodwill	4,470	-	-	-	-	691,294	695,764
Non-cash expenses other than depreciation and amortisation	1,817,347	22,435	-	1,353	210,369	-	2,051,504
Consolidated Balance Sheet Assets							
Segment assets	181,829,671	80,379,469	37,513,589	4,651,881	18,084,604	(122,866,472)	199,592,742

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
DECEMBER 31, 2004

37. SEGMENTAL REPORTING (cont'd)

The Group

	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2004							
Investment in associated companies	4,830,000	-	-	-	-	(269,425)	4,560,575
Income tax assets	102,565	1,090,162	389,197	156,349	50,493	(4,003)	1,784,763
Consolidated total assets	186,762,236	81,469,631	37,902,786	4,808,230	18,135,097	(123,139,900)	205,938,080
Liabilities							
Segment liabilities	32,624,316	46,698,529	18,628,850	2,461,223	19,251,019	(60,812,644)	58,851,293
Income tax liabilities	63,997	2,467,381	1,964,911	-	-	-	4,496,289
Consolidated total liabilities	32,688,313	49,165,910	20,593,761	2,461,223	19,251,019	(60,812,644)	63,347,582
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	2,349,592	(2,924,485)	2,354,434	(1,951,577)	(2,306,305)	(3,627,276)	(6,105,617)
Income from other investments	4,967	846	-	-	-	-	5,813
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)
Tax (expense)/ income	(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)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

37. SEGMENTAL REPORTING (cont'd)

The Group

	Investment holdings RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
2003							
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
Non-cash expenses other than depreciation and amortisation	5,793,475	1,255,251	-	877,892	47,711	-	7,974,329
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

(cont'd)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

37. 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	
	2004	2003
	RM	RM
Malaysia	56,688,015	30,498,349
Other Asia Pacific Countries	22,992,619	20,224,412
	79,680,634	50,722,761

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	
	2004	2003	2004	2003
	RM	RM	RM	RM
Malaysia	167,882,306	122,667,140	13,299,849	6,643,279
Thailand	16,031,393	14,266,689	148,258	157,677
British Virgin Islands	15,679,034	17,440,037	-	-
Singapore	9	159,005	-	-
	199,592,742	154,532,871	13,448,107	6,800,956

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, 2004 and of their results and cash flows for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

LUM WENG LOY

SOH YEOW AUN

Penang,

April 27, 2005

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

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

Subscribed and solemnly declared by
the abovenamed WEE JUNE CHEONG @
GAI JUNE CHEONG at GEORGETOWN
in the State of PENANG on April 27, 2005

Before me,

Govindasamy A/L G. Muttusamy, P.M.
COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

AS AT MAY 9, 2005

Authorised Share Capital	:	RM500,000,000
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	:	5,427

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Ordinary Shares	%
1 - 99	169	3.11	6,173	0.01
100 - 1,000	1,168	21.52	1,063,269	1.45
1,001 - 10,000	3,321	61.19	13,039,049	17.8
10,001 - 100,000	713	13.14	19,291,763	26.33
100,001 to less than 5% of issued shares	54	1	21,489,805	29.33
5% and above of issued shares	2	0.04	18,372,518	25.08
	5,427	100	73,262,577#	100#

Note :

Excluding 1,842,200 shares bought back by the Company and held as treasury shares.

THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares	Percentage %
1. Linac Strategic Sdn Bhd	14,372,518	19.62
2. RHB Nominees (Tempatan) Sdn Bhd - Lee Kam Sun	4,000,000	5.46
3. Ong Peng Chor	2,251,149	3.07
4. Ong Peng Nam	1,561,556	2.13
5. Lee Kam Sun	1,478,800	2.02
6. Eduxcel.com Sdn Bhd	1,423,400	1.94
7. Ong Soo Cheng	1,362,033	1.86
8. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lim Oon Cheng	1,322,000	1.80
9. Cimsec Nominees (Asing) Sdn Bhd - ING Asia Private Bank Limited for Lim Oon Hock	1,026,800	1.40
10. Tengku Rethwan Bin Tengku Mansor	1,000,000	1.36

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT MAY 9, 2005

THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

	Name of Shareholders	No. of Ordinary Shares	Percentage %#
11.	Koh Kah Wou	868,000	1.18
12.	Mayban Nominees (Asing) Sdn Bhd - Nomura Singapore Limited for Nihon Spindle Manufacturing Company Ltd	833,333	1.14
13.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Bukit Kiara Capital Sdn Bhd	668,000	0.91
14.	Citicorp Nominees (Tempatan) Sdn Bhd - Pledged securities account for Ang Siew Lan	390,000	0.53
15.	Lembaga Tabung Haji	390,000	0.53
16.	Tan Ah Huat @ Tan Say Huat	387,551	0.53
17.	Mohd Salleh Bin Hashim	345,000	0.47
18.	TCL Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Anson Wang	270,300	0.37
19.	Tan Kim Oh	250,000	0.34
20.	Lum Weng Loy	229,800	0.31
21.	Mayban Securities Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Lim Oon Hock	227,000	0.31
22.	Zainuddin Bin Mohd Radzi	205,000	0.28
23.	Amanah Raya Berhad - AMTotal Return	202,200	0.28
24.	Ch'ng Ban Seng	200,000	0.27
25.	Loh Yoke Peng	200,000	0.27
26.	Ke-Zan Nominees (Asing) Sdn Bhd - Pledged securities account for Sam San Tuan	196,100	0.27
27.	Lee Hoo Leng	194,666	0.27
28.	Kam Lai Yong	192,500	0.26
29.	HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian te Ltd for Gay Soon Watt	191,000	0.26
30.	JB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Kok Ping	175,000	0.24
		36,413,706	49.68

Note :

Excluding 1,842,200 shares bought back by the Company and held as treasury shares.

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT MAY 9, 2005

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	← Direct →		← Indirect →	
	No. of Ordinary Shares	%#	No. of Ordinary Shares	%#
Linac Strategic Sdn Bhd	14,372,518	19.62	-	-
Lum Weng Loy	298,000	0.41	16,663,918 ⁽¹⁾	22.75
Chin Kuet Lee	-	-	14,372,518 ⁽²⁾	19.62
Dato' Lee Kam Sun	5,478,800	7.48	-	-

Note:-

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

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

Excluding 1,842,200 shares bought back by the Company and held as treasury shares.

DIRECTORS' SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Shareholders	← Direct →		← Indirect →	
	No. of Ordinary Shares	%#	No. of Ordinary Shares	%#
Lum Weng Loy	298,000	0.41	16,663,918 ⁽¹⁾	22.75
Chin Kuet Lee	-	-	14,372,518 ⁽²⁾	19.62
Dato' Lee Kam Sun	5,478,800	7.48	-	-
Soh Yew Aun	33,334	0.04	-	-
Datuk Abdul Malek Bin Abdul Aziz	32,000	0.04	-	-

Note:-

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

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

Excluding 1,842,200 shares bought back by the Company and held as treasury shares.

ANALYSIS OF WARRANTHOLDINGS

AS AT MAY 9, 2005

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
1 - 99	66	3.09	3,074	0.02
100 - 1,000	981	45.88	751,557	4.36
1,001 - 10,000	885	41.39	3,024,763	17.53
10,001 - 100,000	191	8.93	5,839,495	33.85
100,001 to less than 5% of Warrants	14	0.66	2,811,037	16.30
5% and above of Warrants	1	0.05	4,819,518	27.94
	2,138	100	17,249,444	100

THIRTY (30) LARGEST WARRANTHOLDERS

Name of Warrantholders	No. of Warrants	Percentage %
1. Linac Strategic Sdn Bhd	4,819,518	27.94
2. Lum Weng Loy	420,600	2.44
3. Eduxcel.com Sdn Bhd	393,400	2.28
4. Mayban Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Choon Kwan	300,000	1.74
5. Ong Peng Chor	280,037	1.62
6. HLB Nominees (Asing) Sdn Bhd - Pledged securities account for Lee Chong Min	185,000	1.07
7. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged securities account for Hoo Khee Leng	185,000	1.07
8. HLG Nominee (Tempatan) Sdn Bhd - Pledged securities account for Lee Chong Hing @ Yen Chong Hing	160,000	0.93
9. HDM Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lim Oon Cheng	157,000	0.91
10. Public Nominees (Tempatan) Sdn Bhd - Pledged securities account for Oi Bee Tin	135,200	0.78
11. ECM Libra Securities Nominees (Asing) Sdn Bhd - Pledged securities account for Ng Chong Jin	133,700	0.78
12. Tan Chuan Li	130,000	0.75
13. HLB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Saw Guat Choo	115,000	0.67
14. Mayban Nominees (Tempatan) Sdn Bhd - Pledge securities account for Tan Guat Hoon	113,300	0.66

ANALYSIS OF WARRANTHOLDINGS (cont'd)

AS AT MAY 9, 2005

THIRTY (30) LARGEST WARRANTHOLDERS (cont'd)

	Name of Warrantholders	No. of Warrants	Percentage %
15.	Siau Huat Lian	102,800	0.60
16.	Ang Siew Lan	100,000	0.58
17.	Citicorp Nominees (Asing) Sdn Bhd - MLPFS for Lee Chong Min	100,000	0.58
18.	JB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Teo Poh Boon	100,000	0.58
19.	Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged securities account for Ho Sey Chen	100,000	0.58
20.	Tan Hock Poh	100,000	0.58
21.	Lok Kum Choy	95,066	0.55
22.	Yap Chee Kow @ Yap Chi How	93,300	0.54
23.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Law Boon Leong	93,100	0.54
24.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged securities account for Chong Yiew On	86,700	0.50
25.	A.A. Assets Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Tian Sang @ Tan Tian Song	86,500	0.50
26.	Chan Kin Hua	83,400	0.48
27.	Chang Lei Yee	72,000	0.42
28.	Cheah Nam Hwa	72,000	0.42
29.	Fong Yew Kong	72,000	0.42
30.	Lee Kim Koo	70,000	0.41
		8,954,621	51.92

LIST OF GROUP PROPERTIES

Location	Particulars of title	Tenure	Land/Build up Area	Description	Age of building (years)	Net Book Value RM
Plot 20A, Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	PT 458 HS(D) 37842 (Old - HS(D) 570), Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Leasehold (60 years - expiring on 11.5.2052)	6.42913 acres	Head Office and Factory Building	12	15,250,000
Plot 20B, Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	PT 475, HS(D) 37866, Mukim 6, PT 2994, HS(D) 17962, Mukim 11 (Old - HS(D) 596), Daerah Seberang Perai Tengah, Pulau Pinang	Leasehold (60 years - expiring on 9.5.2054)	5,412.70 square metres	Factory Building	7	4,250,000
Plot 245, Prai Industrial Estate 2 Prai, Penang	PT 245, HS(D) 38476 (Old - HS(D) 119), Mukim 1 Daerah Seberang Perai Tengah Pulau Pinang	Leasehold (60 years - expiring on 4.3.2035)	2.5 acres	Factory Building	24	3,450,000
T-3-1, T-3-2, T-3-15, T-3-16, T-4-1, T-4-16 Jalan Pelangi 2 Taman Pelangi Prai, Penang	Parcel Nos. 193, 194, 207, 208, 209, 224, Parent Lot No. 5797, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang	Leasehold (99 years - expiring on 22.4.2092)	689 sq ft each	Workers Quarters	9	395,000
3A-F, Marina Crescent Condominium, Bt 5 1/2, Jalan Pantai, Si Rusa, Port Dickson, Seremban	Lot 6100, PN 11176 (Old - PT 3088, HS(D) 13639) Mukim of Si Rusa, District of Port Dickson, Negeri Sembilan	Leasehold (99 years- expiring on 27.7.2094)	62 square metres	Condominium	10	190,000
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	-	16,860,533
No. 898/16, Rama 3 Road Bangpongpan, Yannawa Bangkok 10120 Thailand	T/D No. 449, 450, 4491, 6579, 8680 No. 898/16 Chong Nonsi, Yannawa Bangkok	Freehold	292.55 square metres	Condominium	9	684,521
No 898/34, Rama 3 Road Bangpongpan, Yannawa Bangkok 10120 Thailand	T/D No. 449, 450, 4491, 6579, 8680, No. 898/34 Chong Nonsi, Yannawa Bangkok	Freehold	292.55 square metres	Condominium	9	684,520
No 61285 Bangyai, Nonthaburi	No 61285 Bangyai, Nonthaburi	Freehold	2,400 square metres	Land	-	104,783
Total						41,869,357

PROXY FORM

NO. OF SHARES HELD

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 Eleventh (11th) Annual General Meeting of the Company to be held at the Seminar Hall of the Head Office, 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang on Monday, 27 June 2005 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 2004, together with the Reports of the Directors and Auditors thereon		
Resolution 2	To approve the payment of Directors' fees		
Resolution 3	To re-elect Lum Weng Loy		
Resolution 4	To re-elect Ahmad Shalimin Bin Ahmad Shaffie		
Resolution 5	To re-elect Tan Sri Dato' Hanafiah Hussain		
Resolution 6	To re-appoint Messrs Deloitte KassimChan as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 7	Authority pursuant to Section 132D of the Companies Act, 1965 for the Directors to issue shares		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	Proposed 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 _____ 2005

.....
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 here

Affix
stamp
here

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

fold here