LINEAR
cooling redefined

LINEAR CORPORATION BERHAD (288687-W)

Transformation

Blueprint for sustainable growth

annual report 2007

contents

Transformation

Blueprint for sustainable growth

Things are beginning to stir at Linear Corporation Berhad. Already, plans have been put in place to chart a new direction on the back of a restructuring exercise that has seen, among others, the entry of a new management team to drive the Company forward. New businesses that offer good growth potential have been identified, the entire spectrum of operations revamped and core competencies enhanced. We believe that, going forward, by taking corrective and pro-active measures through a transformation process - a blueprint for sustainable growth - we will be able to drive profitability with a view to enhancing shareholders' value. Simply put, we believe that our best is yet to come.

corporate profile

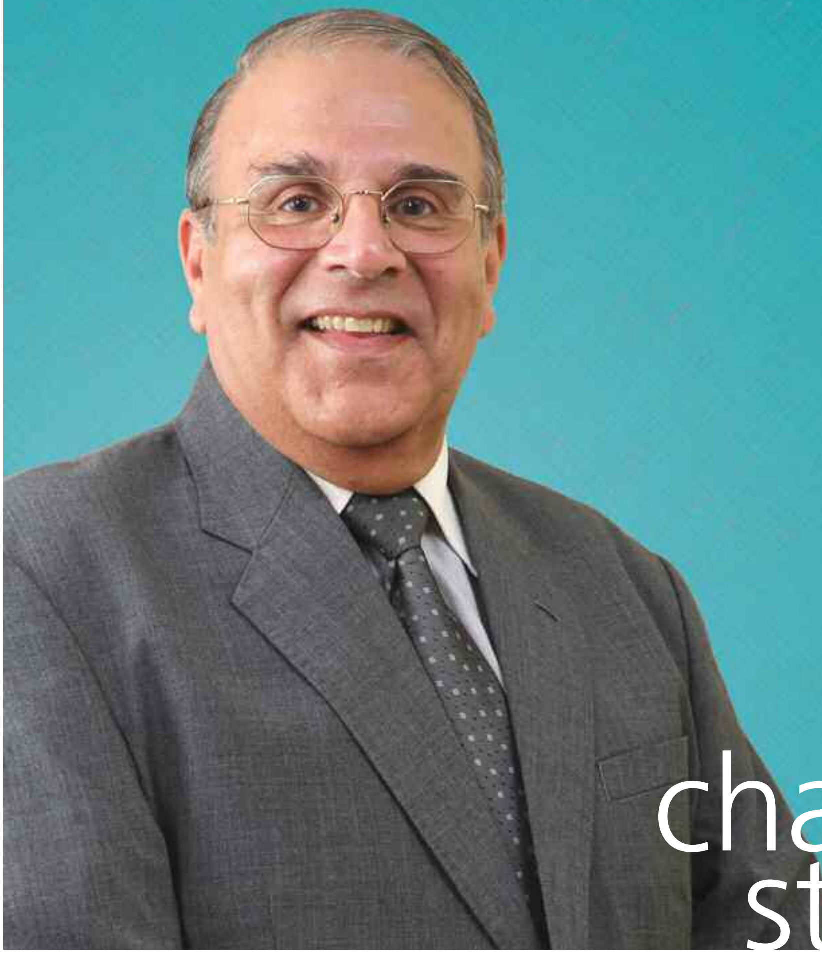
The Linear Group
a mission to serve
a vision to achieve

Established in 1981, the Linear Group is a visionary and mission driven organisation dedicated to meeting and exceeding the needs of its clients and partners.

Flag-shipped by Linear Corporation Berhad, a public company listed on the Main Board of Bursa Malaysia Securities Berhad, with its headquarters in Penang, Malaysia, Linear offers market expertise in the areas of manufacturing, marketing, sales and distribution of HVAC products, multi-disciplinary engineering services and integrated HVAC solutions - acting as a single source provider for clients who require a comprehensive range of HVAC products and the engineering expertise to develop infrastructure required to facilitate them.

The Linear Group achieved a major milestone in 2004 by "switching on" Malaysia's first private-sector driven and operated ice thermal storage district cooling plant, which was designed, built, and operated and co-owned by the Linear Group. Over the years, Linear has grown in size and market share and currently possesses an array of technical expertise in district cooling solutions backed by experienced partners from the USA.

By integrating the various activities under a diversified portfolio, the Linear Group has successfully evolved and reinvented itself to prosper and meet the challenges of a constantly changing global economy.



DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF LINEAR CORPORATION BERHAD, I AM PLEASED TO PRESENT TO YOU THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007.

chairman's statement

Financial Review

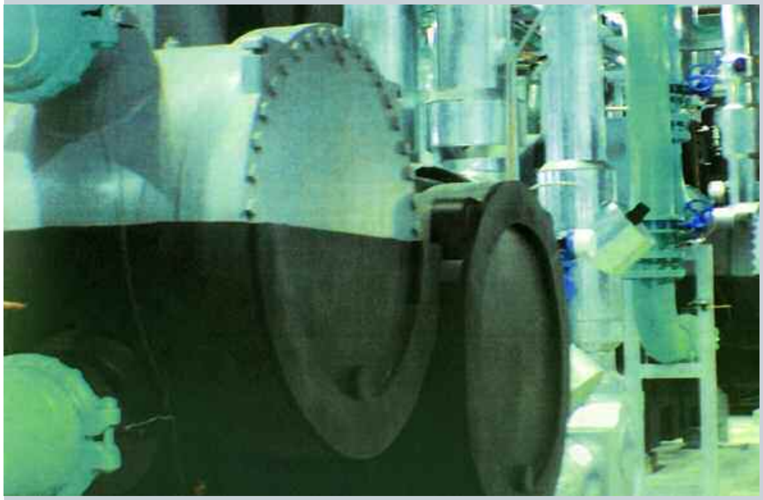
The Group has performed commendably amidst the challenging operating environment to register a profit after tax of RM4.98 million for the financial year ended 31 December 2007 against a loss after tax of RM19.99 million for the preceding financial year. The Group posted approximately 255% increase in revenue to RM158.2 million in the year under review as compared to RM44.5 million in the previous financial year. This improvement in the results was attributable largely to the increase in the sale of solar panels and the implementation of several cost-elimination measures. The Group's total shareholders' funds stood at RM76.26 million as at financial year ended 31 December 2007.

Business and Operations Review

The Group undertook several initiatives in 2007 to rationalise our business and operations structure whereby several non-performing business units have been disposed of. This will bring about substantial savings for the Group in the long term.

We have also adopted a more cost efficient strategy in the development of district cooling plants during the year under review which resulted in the disposal of our 20% interest in the Solaris Dutama district cooling plant in Bukit Kiara, Kuala Lumpur in September 2007. Nevertheless, we have continued with the development of our 2 remaining district cooling plants, namely, at The Curve in Mutiara Damansara, Selangor and at Bandar Baru Perda in Bukit Mertajam, Penang. The district cooling plant at The Curve has been fully completed and is expected to yield results by the third quarter of 2008. Phase 1 of the district cooling plant at Bandar Baru Perda has been completed whilst Phase 2 is targeted for completion by end of June 2008.

Our manufacturing and trading division for cooling towers remained resilient despite acute competition, and have continued to contribute to the Group's total revenue albeit at a less significant level of 22.9% in the year under review as compared to 93.1% in the previous financial year. The lower contribution from this division is due to the significant increase in the sale of solar panels.

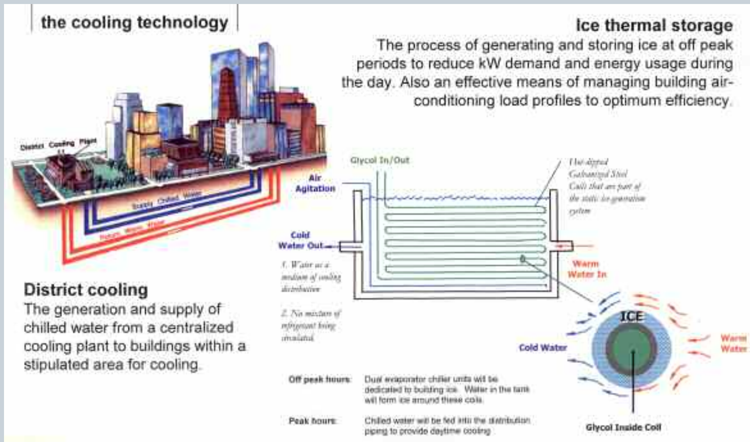


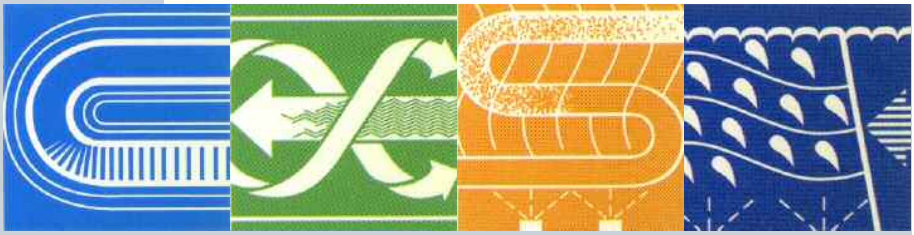
Dividend

The Board of Directors is not recommending any dividend in respect of the financial year ended 31 December 2007. Nevertheless, our priority remains in achieving profitability and creating long term sustainable growth for the Group. Hence, we intend to plough profits back into the Group's businesses to enhance shareholders' value in the coming years.

Future Prospects

Moving forward, we will see a more focused and cost effective Linear Group. A major restructuring exercise is currently in progress to drive the Group towards profitability and better performance. This includes an overhaul of operational systems which will emphasize on optimum deployment of all available resources, and new performance targets will be introduced to ensure that all business units are on the right track towards achieving our long term goals.





Cooling towers | Evaporative Condensers | Closed Circuit Cooling | Thermal Storage Systems

Plans are also underway to expand our products range and to tap into new markets, both local and foreign, particularly the emerging markets such as the Middle East, China and India which offer vast potentials for our products. In this respect, new development areas have been identified and the Management is currently reviewing the feasibility of several proposals.

In addition, the imminent global focus and commitment in energy conservation as well as control of CO2 emissions to combat global warming presents vast upside potentials for our district cooling business. The use of district cooling technology has in fact been widely promoted by the international communities, particularly the developed countries, as a more environmental friendly and efficient means of providing cooling and heating energy. As such, the Linear Group will be embarking on a thorough review of our capabilities and road map for our district cooling division in tandem with this global call for responses to challenge global warming.

We believe that this will be our blueprint to steer the Group forward towards better financial performance and we are well poised to capitalise on opportunities when they arise.

Acknowledgement

On behalf of the Board of Directors, I wish to thank our new Management team and staff for their untiring efforts and steadfastness in implementing the various initiatives to turn the Group around despite the many challenges faced by the Group.

I would also like to take this opportunity to thank our customers, business partners, financiers, advisers, the government authorities and particularly our valued shareholders for your continuing support and confidence in the Group.

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

corporate information

BOARD OF DIRECTORS

Pervez Rustim Maneckshа @ Paul Maneckshа	Chairman & Independent Non-Executive Director & Member of Audit Committee
Heinrich August Diehl	Senior Independent Non-Executive Director & Member of Audit Committee
Kok Seng Loong	Independent Non-Executive Director & Chairman of Audit Committee
Alan Rajendram A/L Jeya Rajendram	Executive Director
Eswaramoorthy Pillay S/O Amuther	Executive Director
Mevin Nevis A/L AF Nevis	Executive Director

SENIOR MANAGEMENT

Vincent Nelligen
Chief Operating Officer

Lim Soo Aun
Chief Financial Officer

SECRETARY

Ng Wai Peng (MAICSA 7014112)

REGISTERED OFFICE/ HEAD OFFICE/FACTORY

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

SELANGOR OFFICES

No. 15-6 & 15-7, Block C1
Jalan PJU1/41, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-78032640 (Corporate)
603-78809888 (Sales & Marketing)
Fax : 603-78032530 (Corporate)
603-78809232 (Sales & Marketing)

REGISTRARS

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-77186000
Fax : 603-77222311

AUDITORS

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

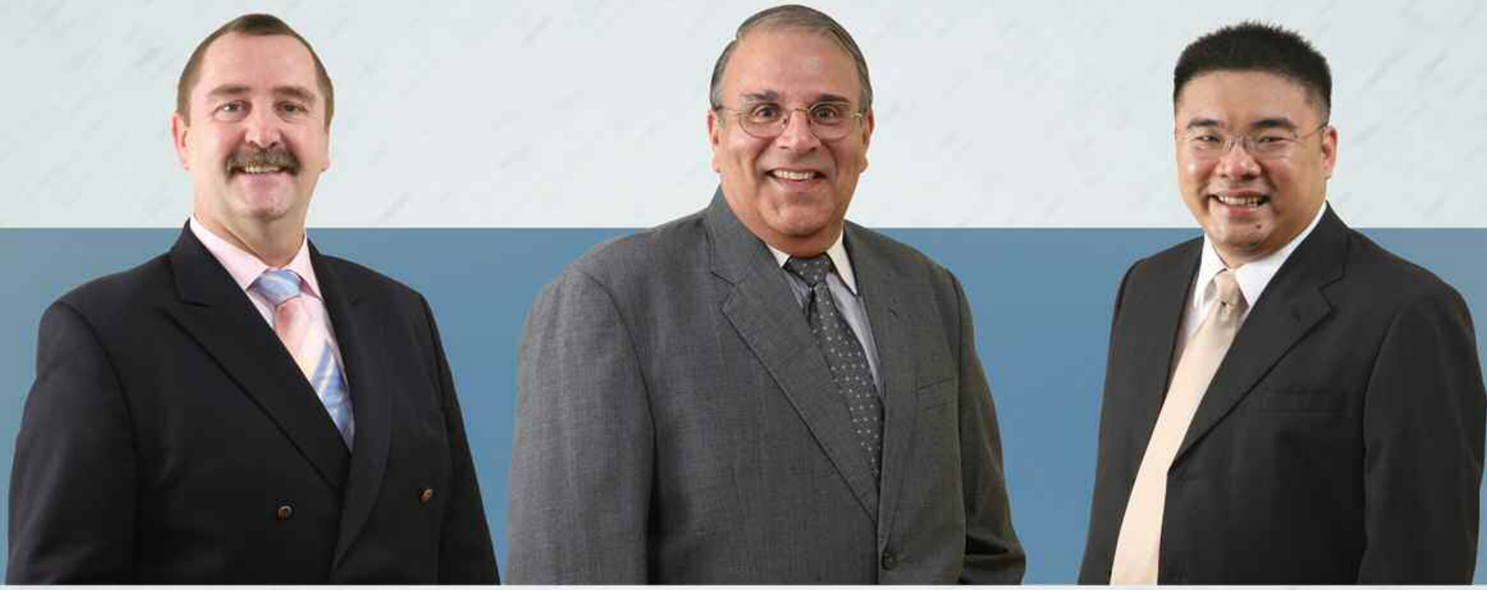
Main Board
of Bursa Malaysia Securities Berhad

Sector	:	Industrial Products	
Stock Name	:	**Shares**	**Warrants**
		LINEAR	LINEAR-WA
Stock Code	:	9504	9505-WA

WEBSITE

www.linear.com.my

board of directors



from left to right:
Heinrich August Diehl
Pervez Rustim Manecksha @ Paul Manecksha (Chairman)
Kok Seng Loong

from left to right:
Eswaramoorthy Pillay S/O Amuther
Alan Rajendram A/L Jeya Rajendram
Mevin Nevis A/L AF Nevis

profile of directors

PERVEZ RUSTIM MANECKSHA @ PAUL MANECKSHA

Chairman & Independent Non-Executive Director & Member of Audit Committee

Mr Pervez Rustim Manecksha @ Paul Manecksha, a Malaysian, aged 62, was appointed to the Board on 12 February 2007 and as Chairman on 2 June 2008. He is a Barrister-at-Law of the Honourable Society of the Inner Temple, London, United Kingdom. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1971 and has been in active law practice since then. He was also admitted as a Barrister and Solicitor in Canberra, Australia in 1978. He is currently the Managing and Principal Partner of the law firm, PR Manecksha & Associates. He is currently not a director of any other public company listed on Bursa Securities.

HEINRICH AUGUST DIEHL

Senior Independent Non-Executive Director & Member of Audit Committee

Mr Heinrich August Diehl (Heinz), a German, aged 53, was appointed to the Board on 12 February 2007 and designated as Senior Independent Non-Executive Director on 2 June 2008. He graduated from the Hotel School in Heidelberg, Germany. He has more than 20 years experience in the hotel and hospitality industry, holding various senior management positions including as General Manager of Concorde Reef Resort Kuda Haraa, Maldives. He has specialised in projects involving the pre-opening of international hotels and their operations. In 1996, he set up his own company providing consulting servicing to hotels, development companies, breweries and tour organisations worldwide with projects in Egypt, Maldives and throughout Europe. He is currently not a director of any other public company listed on Bursa Securities.

KOK SENG LOONG

Independent Non-Executive Director & Chairman of Audit Committee

Mr Kok Seng Long, a Malaysian, aged 32, was appointed to the Board on 22 February 2008 and as Chairman of the Audit Committee on 2 June 2008. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He also holds a Masters Degree in Business Administration from Edinburgh Business School. He started his career with KPMG as an audit assistant in 1998 which he left in 1999 to join Intel Technology Sdn Bhd as a financial analyst. In 2002, he advanced his career to Dell Asia Pacific Sdn Bhd as a Senior Financial Analyst. In 2004, he left Dell to join Elsoft Research Berhad as its Financial Controller until 2006 when he left to join Tejari Technologies Berhad as Group Financial Controller. He left Tejari in 2007 and is currently an Independent Non-Executive Director of MQ Technology Berhad, a public company listed on the MESDAQ Market of Bursa Securities.

ALAN RAJENDRAM A/L JEYA RAJENDRAM

Executive Director

Mr Alan Rajendram A/L Jeya Rajendram, a Malaysian, aged 52, was appointed to the Board on 8 December 2006 and resigned as Executive Chairman to resume the position of Executive Director with effect from 2 June 2008. He holds a Bachelor of Commerce Degree from the University of Melbourne, Australia and is a fellow member of the Australian Society of Certified Practising Accountants and a member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Taxation. He received his early training in public accounting from Deloittes, Australia from 1977 to 1979. He then returned to Malaysia in 1981 to work for Rajendram & Co. in Penang, an accounting practice owned by his father. In 1983, he left the practice to join The Elrond And Kredin Group (a privately owned group of companies with diverse interests in manufacturing, property development and investment) as its Chief Executive Officer. After a 5-year stint, he left The Elrond And Kredin Group and returned to work for the Rajendram family-owned businesses within the Stanton Group of Companies which are involved in manufacturing, property development, investment and provision of corporate advisory, management, taxation, secretarial and accountancy services. He also sits on the Board of LFE Corporation Berhad, a public company listed on the Second Board of Bursa Securities.

ESWARAMOORTHY PILLAY S/O AMUTHER
Executive Director

Mr Eswaramoorthy Pillay S/O Amuther (Bryann), a Singaporean, aged 42, was appointed to the Board on 8 December 2006 and as Executive Director on 26 December 2006. He holds a Masters Degree in Business Studies from the University of Newport, United States of America and has extensive experience in the field information technology. He is currently not a director of any other public company listed on Bursa Securities.

MEVIN NEVIS A/L AF NEVIS
Executive Director

Mr Mevin Nevis A/L AF Nevis, a Malaysian, aged 54, was appointed to the Board on 22 February 2008 and as Executive Director on 2 June 2008. He graduated from the INSEAD EURO ASIA International Management Programme in Fontainbleau, France and holds a Masters Degree in Business Administration, Executive Management. He started his career with Standard Chartered Bank Berhad ("the Bank") in 1972. Rising through the ranks under the Bank's Executive Management Trainee program, he has held various executive and senior managerial positions in the Bank during the period from 1980 to 2007 such as Branch Manager, Area Manager for Northern/Central Region, Head of Small & Medium Enterprises, Head of Large Local Corporations and Head of Product Management for Cash Management, Trade & Securities Services. From 1990 to 1992, he was assigned to the Bank's offices in Chicago and Los Angeles in the United States of America as Senior Relationship Manager for multinational corporate businesses. His last posting before he left the Bank in October 2007 was as Director/Head of Transaction Banking. Thereafter, he joined the Linear Group in late 2007. He is currently not a director of any other public company listed on Bursa Securities.

OTHER INFORMATION

1. Save for Mr Alan Rajendram A/L Jeya Rajendram and Mr Eswaramoorthy Pillay S/O Amuther, none of the Directors are substantial shareholders of the Company.

2. There are no family relationships amongst the Directors and/or substantial shareholders of the Company.

3. None of the Directors has any conflict of interest with the Company.

4. None of the Directors has been convicted of any offence, other than traffic offences, within the past 10 years.

statement of directors' responsibility

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

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

In preparing the financial statements for the financial year ended 31 December 2007, the Directors, with the advice from the external auditors, have:-

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

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

corporate governance statement

The Board of Directors of Linear Corporation Berhad is committed to uphold and maintain sound principles of corporate governance within the Linear Group with the objective of building and enhancing long term shareholders' value. Set out below is how the Company has applied the principles and practices of good governance as set out in Parts 1 and 2 of the revised Malaysian Code on Corporate Governance 2007 ("the Code") throughout the financial year ended 31 December 2007.

1. BOARD OF DIRECTORS

Board Responsibilities

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

Board Composition

The Board currently has 6 members comprising 3 Executive Directors and 3 Independent Non-Executive Directors, thus exceeding the minimum of one-third of the Board to be independent directors as required by the Listing Requirements of Bursa Malaysia Securities Berhad ("the Listing Requirements"). Collectively, the Directors bring to the Company a broad mix of business, management, financial, legal, marketing and technical expertise and experience to provide clear and effective leadership for the Group. Brief descriptions on the background of the Directors are presented on pages 7 and 8 of this annual report.

Board Balance

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

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

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

Board Committees

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

Audit Committee	
(comprising entirely Independent Non-Executive Directors)	
Kok Seng Loong *(member of the Malaysian Institute of Accountants)*	Chairman
Pervez Rustim Maneckshа @ Paul Maneckshа	Member
Heinrich August Diehl	Member
Nomination Committee	
(comprising entirely Independent Non-Executive Directors)	
Pervez Rustim Maneckshа @ Paul Maneckshа	Chairman
Heinrich August Diehl	Member
Remuneration Committee	
(comprising entirely Independent Non-Executive Directors)	
Heinrich August Diehl	Chairman
Pervez Rustim Maneckshа @ Paul Maneckshа	Member
Risk Management and Investment Committee	
Alan Rajendram A/L Jeya Rajendram	Chairman
Eswaramoorthy Pillay S/O Amuther	Member
Mevin Nevis A/L AF Nevis	Member
Kok Seng Loong	Member
Employees' Share Options Committee	
Eswaramoorthy Pillay S/O Amuther	Chairman
Alan Rajendram A/L Jeya Rajendram	Member
Mevin Nevis A/L AF Nevis	Member

Appointments to the Board

The Nomination Committee is charged with the duty to assess and review the suitability of candidates nominated for appointment to the Board based on the candidates' qualifications, skills and experience. In the course of this review, it will ensure that the Board has the required mix of skills and experience for the effective discharge of duties. The Nomination Committee will then make its recommendations to the Board and the final decision on the appointment lies with the entire Board. 2 new Directors were appointed in February 2008, namely Mr Mevin Nevis A/L AF Nevis and Mr Kok Seng Loong.

Re-election of Directors

According to the Company's Articles of Association, all Directors appointed to the Board are subject to retirement at the first annual general meeting of the Company. Thereafter, at least one-third of the Board are subject to retirement by rotation at every subsequent annual general meeting provided that all Directors including the Managing Director shall retire once in every 3 years in compliance with the Listing Requirements. The Articles of Association further provides that all new Directors shall retire at the annual general meeting subsequent to their appointment, and that all retiring Directors are eligible for re-election. The Board, upon the recommendation of the Nomination Committee, will normally nominate the retiring Directors for re-election. The Directors standing for re-election at the forthcoming annual general meeting are Mr Alan Rajendram A/L Jeya Rajendram, Mr Mevin Nevis A/L AF Nevis and Mr Kok Seng Loong. They are all eligible for re-election and have offered themselves for re-election. The Board, upon the recommendation of the Nomination Committee, has nominated the retiring Directors for re-election at the Company's forthcoming annual general meeting.

Board Meetings

Board meetings are generally held once in every quarter with additional meetings convened when necessary. There were 4 Board meetings held during the financial year ended 31 December 2007 and the record of attendance of the Directors is as follows:-

Director	Attendance
Pervez Rustim Manecksha @ Paul Manecksha	4 out of 4
Heinrich August Diehl	4 out of 4
Kok Seng Loong *(appointed on 22 February 2008)*	Not applicable
Alan Rajendram A/L Jeya Rajendram	4 out of 4
Eswaramoorthy Pillay S/O Amuther	3 out of 4
Mevin Nevis A/L AF Nevis *(appointed on 22 February 2008)*	Not applicable

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

Supply of Information

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

Directors' Training

The 2 newly appointed directors have completed the Mandatory Accreditation Programme within the stipulated time-frame and the other Directors have attended and will continue to attend training courses to equip themselves and to keep abreast with developments in corporate matters as well as industry practices for them to discharge their duties more effectively.

Directors' Remuneration

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

The remuneration of the Company's Directors derived from the Group during the financial year ended 31 December 2007 are as follows:-

Type of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Fees	–	22,000	22,000
Salaries	440,000	–	440,000
Other emoluments	32,052	–	32,052
Total	472,052	22,000	494,052

The number of Directors whose total remuneration fell within the following bands for the financial year ended 31 December 2007 are as follows:-

Remuneration Band (RM per annum)	Number of Directors Executive Directors	Non-Executive Directors	Total
Below 50,000	–	3	3
50,000 to 100,000	–	–	–
100,001 to 150,000	–	–	–
150,001 to 200,000	–	–	–
200,001 to 250,000	2	–	2
Total	**2**	**3**	**5**

2. RELATIONSHIP WITH SHAREHOLDERS

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

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

3. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible to present a true and fair assessment of the Group's financial positions and prospects in the Company's quarterly financial results and annual audited financial statements. All quarterly financial results have been reviewed by the Audit Committee and approved by the Board prior to announcement to Bursa Malaysia Securities Berhad. A statement by the Directors of their responsibilities in the preparation of the audited financial statements for the financial year ended 31 December 2007 is set out on page 9 of this annual report.

Internal Control

The Board acknowledges their responsibility to maintain a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal control procedures and guidelines. The Company has engaged external consultants to carry out the Group's internal audit function during the financial year ended 31 December 2007 and has identified a senior employee, who is independent of operational duties, as Head of Internal Audit.

The Statement on Internal Control set out on pages 19 and 20 of this annual report provides an overview of the Group's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

Relationship with the Auditors

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

4. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Group has contributed a fairly substantial amount to various charitable organisations ranging from orphanages to diverse religious groups during the financial year.

This Corporate Governance Statement was approved by the Board on 22 April 2008.

audit committee report

COMPOSITION

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

Kok Seng Loong *(member of The Malaysian Institute of Accountants)*	Chairman
Pervez Rustim Maneckshа @ Paul Maneckshа	Member
Heinrich August Diehl	Member

TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee is governed by the following Terms of Reference which have been revised by the Board on 22 November 2007 in line with the revised Malaysian Code on Corporate Governance 2007.

1. Composition of Members

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

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

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

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

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

2. Retirement and Resignation

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

3. Chairman

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

4. Secretary

The Secretary of the Audit Committee shall be the Company Secretary.

The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the Audit Committee prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board of Directors and for following up outstanding matters.

5. Meetings

The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

In the absence of the Chairman, the other independent director shall be the Chairman for that meeting.

The members of the Audit Committee, General Manager (Corporate Affairs, Finance and Administration), Finance Manager and the head of internal audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.

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

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

6. Quorum

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

7. Reporting

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

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

8. Objectives

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

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

9. Authority

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

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

10. Duties and Responsibilities

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

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

AUDIT COMMITTEE MEETINGS

The Audit Committee met 5 times during the financial year ended 31 December 2007, with 1 meeting held with the external auditors without the presence of any executive board member. All Audit Committee meetings were duly convened with sufficient notice given to all Committee members together with the agenda, reports and proposals for deliberation at the meetings.

Details of attendance of the Audit Committee members at the Audit Committee meetings held during the year ended 31 December 2007 are as follows:

Audit Committee member	Attendance
Kok Seng Loong *(appointed in 22 February 2008)*	Not applicable
Pervez Rustim Maneckshа @ Paul Maneckshа	5 out of 5
Heinrich August Diehl	5 out of 5
Alan Rajendram A/L Jeya Rajendram *(resigned on 22 February 2008)*	4 out of 5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2007, the Audit Committee carried out the following activities in the discharge of its duties:

- Reviewed all quarterly financial results and the audited financial statements of the Company before recommending them to the Board for approval;
- Reviewed the external auditors' scope and approach of audit as presented in their audit plan before commencement of audit;
- Reviewed the work done and reports from the internal auditors and considered their findings and the Management's response thereto to ensure that appropriate actions are taken by the Management;
- Reviewed the external auditors' audit report and considered the areas of concern raised by the external auditors;
- Reviewed all recurrent related party transactions on a quarterly basis;
- Reviewed the status of employees' share option allocations on a quarterly basis.

EMPLOYEES' SHARE OPTION SCHEME

The Board had, on 13 May 2008, extended the duration of the Company's Employees' Share Option Scheme ("ESOS"), which was implemented on 14 August 2003, for another 5 years up to 13 August 2013, increased the total number of new ordinary shares in the Company available for allotment and issue pursuant to the exercise of options under the ESOS from 10% to 15% of the total issued and paid-up share capital of the Company at any point in time, and included non-executive and independent non-executive directors of the Group to participate in the ESOS, as permitted under the Listing Requirements of Bursa Malaysia Securities Berhad. The By-Laws governing the ESOS was amended accordingly, on 13 May 2008, to effect the aforesaid.

There were no new allocation of options under the ESOS during the financial year ended 31 December 2007 and no exercise of options during the same financial year. The total number of options granted under the ESOS as at the date of this Report represents 2.22% of the total issued and paid-up share capital of the Company.

This Audit Committee Report was approved by the Audit Committee on 22 April 2008.

statement on internal control

Introduction

The revised Malaysian Code on Corporate Governance 2007 ("the Code") states 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 Listing Requirements of Bursa Malaysia Securities Berhad ("the Listing Requirements") requires all public companies listed on Bursa Malaysia Securities Berhad to include in their annual reports a statement about the state of internal control of the listed company as a group. The Board of Directors of Linear Corporation Berhad is pleased to provide the following statement which outlines the nature and scope of internal control of the Linear Group during the financial year ended 31 December 2007.

Board Responsibility

Even though the Audit Committee is charged with the responsibility to review the adequacy and integrity of the internal control system of the Group, the Board is ultimately responsible to ensure that the Group has put in place a sound system of internal controls and proper management of risks in order to safeguard shareholders' investment and assets of the Group.

There are inherent limitations in any system of internal control. As such, the system put in place by the 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 but not absolute assurance against material misstatement or loss. Nevertheless, the Group is continuously looking into means and methods to improve the adequacy and integrity of its internal control system.

Internal Audit Function

The Company has continued to outsource the internal audit function to an independent external consultant to provide the Audit Committee and the Board, the level of assurance required on the adequacy and the integrity of the Group's internal control system.

The internal auditors have completed 2 internal audit reviews during the financial year ended 31 December 2007 on the manufacturing division and the finance department, and has reported its audit findings and recommendations to the Audit Committee and the Board. All appropriate corrective actions recommended by the internal auditors were approved by the Board for implementation, upon the recommendation of the Audit Committee.

Key Elements 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 prior to announcement to Bursa Malaysia Securities Berhad.

- Accounting records are kept in an orderly, reliable and 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 adequate training and development programs to ensure that the Group is able to attract and retain competent and skilled employees.

- A clearly defined line of responsibility and accountability 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 the independent external consultant to provide assurance that the system of internal control is still intact.
- The manufacturing subsidiary, Linear Cooling Industries Sdn Bhd, has a formalised Quality Procedure Manual ISO 9001 & 2000 ("ISO") to provide guidance to employees in carrying out their daily tasks and to ensure that there is a clear understanding of the operations of the subsidiary; and
- ISO compliance audits are held once a year to ensure full compliance with the ISO requirements.
- Regular reporting of operational and financial performance of key business units are submitted to the Management for effective monitoring and decision making.

Risk Management

The Board is fully aware of the principal risks faced by the Group and is cognizance of the need to inculcate a culture based on transparency and good governance in order to keep the risks at controllable levels. As such, the Board has instructed the Management to thoroughly re-examine and re-assess the entire structure and all existing work processes of the Group with the objective to eliminate all weaknesses, if any, in internal controls and to implement changes that can propel the Group to become a more vibrant and dynamic force.

Weaknesses in Internal Controls that Result in Material Losses

There were no material or significant losses incurred during the financial year ended 31 December 2007 as a result of weakness in internal control. Notwithstanding, the Board and the Management will continue to take appropriate measures to improve and strengthen the control environment within the Group.

This Statement on Internal Control was reviewed by the Audit Committee and approved by the Board on 22 April 2008.

additional compliance information

1. Fund Raising Corporate Exercises

The Company did not undertake any fund raising corporate exercises during the financial year ended 31 December 2007 ("the financial year").

2. Share Buybacks

The Company bought back a total of 100 of its issued shares from the open market at the purchase price of RM0.355 per share during the financial year. The repurchase were financed by internally generated funds and all of the repurchased shares are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

3. Options, Warrants or Convertible Securities

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

There were no exercise of the Company's Warrants 2003/2008 ("Warrants") during the financial year. The exercise period for the 17,249,444 Warrants which were issued on 25 September 2003 will expire at 5.00 p.m. on 24 September 2008 upon the expiration of the 5 year period from 25 September 2003. There will not be any extension of the exercise period for the Warrants pursuant to the Deed Poll constituting the Warrants.

4. Related Party Transactions

The recurrent related party transactions ("RRPT") entered into by the Group during the financial year pursuant to the Shareholders' Mandate granted by the Company's shareholders at the annual general meeting held on 27 June 2007 are as follows:-

	RM
• Purchase of cooling tower components by BAC Cooling Technology Sdn Bhd# from Baltimore Aircoil Inc.* Group of Companies	1,041,989
• Sale of cooling tower components by BAC Cooling Technology Sdn Bhd# to Baltimore Aircoil Inc.*Group of Companies	1,371,001
• Sale of cooling towers by Nihon Spindle (M) Sdn Bhd ^ to LFE Corporation Berhad@ Group of Companies	+188,000

BAC Cooling Technology Sdn Bhd is a 70% subsidiary of Linear Corporation Berhad.
* *Baltimore Aircoil Inc. is a major shareholder holding 30% direct equity interest in BAC Cooling Technology Sdn Bhd.*
^ *Nihon Spindle (M) Sdn Bhd is a 100% subsidiary of Linear Corporation Berhad.*
@ *LFE Corporation Berhad is a person connected with the Company's Executive Director and major shareholder, Mr Alan Rajendram A/L Jeya Rajendram by virtue of Section 122A (3)(c) of the Companies Act, 1965.*
\+ *This transaction was entered into subsequent to 27 June 2007.*

5. Sanctions & Penalties

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

6. Non-audit Fees

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

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

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

8. Profit Guarantee

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

9. Material Contracts

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

10. Revaluation of Landed Properties

The Group has reclassified some of the landed properties during the financial year in accordance with the Financial Reporting Standards. Notwithstanding, there was no revaluation of any landed properties undertaken by the Company or the Group during the financial year.

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

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

financial statements

directors' report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

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

There have been no significant changes in the nature of these activities during the financial year except that the Group ceased to manufacture energy efficient hot water system as a result of the disposal of a subsidiary company, Quantum Water Heaters Sdn. Bhd. as disclosed in Note 7 to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	4,983,966	(12,670,688)
Attributable to:		
Equity holders of the Company	5,026,520	(12,670,688)
Minority interest	(42,554)	–
	4,983,966	(12,670,688)

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

a) the changes in accounting policies as disclosed in Note 3 to the financial statements; and

b) the bad debts written off and allowance for doubtful debts as mentioned in Note 26 to the financial statements.

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

WARRANTS

On 25 September 2003, 17,249,444 detachable warrants were granted by the Company to the subscribers of the rights shares. The warrants may be exercised at any time on or after the issue date but not later than 5.00 p.m. on 24 September 2008. Each warrant entitles its registered holder, at any time during the exercise period of the warrants, to subscribe for one new ordinary share. The exercise price of each warrant is fixed at RM1.00 per share for cash subject to adjustments in accordance with the provisions of the Deed Poll. As at 31 December 2007, all the 17,249,444 warrants remained unexercised.

EMPLOYEES' SHARE OPTIONS SCHEME

Under the Company's Employees' Share Option Scheme ("ESOS") which became effective on 14 August 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.

Details of the ESOS are set out in Note 17 to the financial statements.

According to Section 169 (11) of the Companies Act, 1965, the Company is required to disclose the name of persons to whom any option has been granted during the financial year. 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.

DIRECTORS

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

Alan Rajendram A/L Jeya Rajendram	
Eswaramoorthy Pillay S/O Amuther	
Pervez Rustim Maneckshа @Paul Maneckshа	
Heinrich August Diehl	
Mevin Nevis A/L AF Nevis	(appointed on 22 February 2008)
Kok Seng Loong	(appointed on 22 February 2008)
Chin Soong Jin	(resigned on 9 January 2008)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 each			
Shareholdings in the Company	**At 1-1-2007**	**Bought**	**Sold**	**At 31-12-2007**
Direct interest				
Alan Rajendram A/L Jeya Rajendram	–	1,461,000	–	1 ,461,000
Indirect interest				
Alan Rajendram A/L Jeya Rajendram *	1 4,372,518	–	–	14,372,518
Eswaramoorthy Pillay S/O Amuther *	1 4,372,518	–	–	14,372,518
Pervez Rustim Maneckshа @ Paul Maneckshа #	–	100,000	–	100,000

* *Deemed interested by virtue of their shareholdings in Linear Holding Sdn. Bhd.*
\# *Deemed interested by virtue of his shareholdings in Maneckshа Enterprise.*

DIRECTORS' INTERESTS (CONT'D)

Warrants in the Company	Number of Warrants of RM1 each At 1-1-2007	Bought	Sold	At 31-12-2007
Indirect interest				
Alan Rajendram A/L Jeya Rajendram *	4,819,518	–	–	4 ,819,518
Eswaramoorthy Pillay S/O Amuther *	4,819,518	–	–	4 ,819,518

By virtue of their interest in the shares of the Company, Mr. Alan Rajendram A/L Jeya Rajendram and Mr. Eswaramoorthy Pillay S/O Amuther are also deemed to have an interest in the shares of all the subsidiary companies of Linear Corporation Berhad to the extent the Company has an interest.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the warrants granted by the Company and options over shares granted by the Company to eligible employees including Directors of the Company to subscribe for shares in the Company pursuant to the Company's Employees' Share Option Scheme.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except that the Directors received remuneration as directors of related corporations.

OTHER STATUTORY INFORMATION

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

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

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

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(c) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(d) not otherwise dealt with in this report or financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D)

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 24 July 2007, the Group disposed of its entire issued and paid-up capital held in Quantum Water Heaters Sdn. Bhd., comprising 693,508 ordinary shares of RM1.00 each and 1,225,000 Class "A" ordinary shares of RM1.00 each for a total cash sale consideration of RM1.00.

During the financial year, the Group had acquired 20% equity interest in Sunrise Linear DCS Sdn. Bhd. ("Sunrise Linear") for RM100,000 and subsequently disposed of its entire equity interest in Sunrise Linear for a total cash sale consideration of RM90,000.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 35 to the financial statements.

AUDITORS

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

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

ALAN RAJENDRAM A/L JEYA RAJENDRAM
Director

ESWARAMOORTHY PILLAY S/O AMUTHER
Director

Dated: 28 April 2008

statement by directors

The Directors of **LINEAR CORPORATION BERHAD**, state that, in their opinion, the financial statements set out on pages 12 to 79* are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at **31 December 2007** and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

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

ALAN RAJENDRAM A/L JEYA RAJENDRAM
Director

ESWARAMOORTHY PILLAY S/O AMUTHER
Director

Dated: 28 April 2008

statutory declaration

I, **ALAN RAJENDRAM A/L JEYA RAJENDRAM**, being the Director primarily responsible for the financial management of **LINEAR CORPORATION BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 79* are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **ALAN RAJENDRAM A/L**)
JEYA RAJENDRAM at Georgetown in)
the State of Penang this 28 April 2008) **ALAN RAJENDRAM A/L JEYA RAJENDRAM**

Before me,

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

Note:
** Pages 31 to 75 of this annual report*

report of the auditors

to the members of Linear Corporation Berhad

We have audited the financial statements of LINEAR CORPORATION BERHAD set out on pages 12 to 79*. 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 the 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 to any other person for the content of this report.

We conducted our audit in accordance with Approved Auditing Standards in Malaysia. Those 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.

As at 31 December 2007, certain subsidiary companies have incurred losses and are in capital deficiency position. We are unable to satisfy ourselves as to the full recoverability of these debts amounting to RM6,437,467 as at 31 December 2007 where no allowance for doubtful debts has been made.

Unaudited financial statements of a subsidiary company, Times Engineering Systems Co. Ltd. ("TES") have been used for the preparation of the financial statements of the Group due to the unavailability of its audited financial statements. The net profit for the year, total assets and total liabilities as at 31 December 2007 of this subsidiary company that have been consolidated based on its unaudited financial statements amounted to RM4,471,180, RM1,633,773 and RM5,702,960 respectively. We are unable to ascertain the possible adjustments to the consolidated financial statements that might have been necessary had the audited financial statements of this subsidiary been made available.

All the accounting records of LETC Engineering Sdn. Bhd. ("LETC") for the financial year ended 31 December 2006 were destroyed in a fire. Owing to the nature of LETC's records, we are unable to obtain adequate documentary evidence to satisfy ourselves as to the fairness of the opening balances of property, plant and equipment of RM167,018, trade and other payables of RM4,419,029 and accumulated losses of RM5,033,924 as at 1 January 2007 by means of other auditing procedures.

In our opinion, except for the effects of such adjustments that may be deemed necessary, had we been able to satisfy ourselves as to the recoverability of the debts owing by the subsidiary companies and the fairness of the results, assets and liabilities, cash flow and changes in equity of LETC and TES which have been consolidated based on the unaudited financial statements as mentioned in the preceding paragraphs, the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

(i) the state of affairs of the Group and of the Company as at 31 December 2007 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.

Except for the accounting records of LETC, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Note:

* *Pages 31 to 75 of this annual report*

Except for TES whereby the audited financial statements are not available, we have considered the financial statements and the auditors' reports of all the other subsidiary companies, of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements. The names of these subsidiary companies are indicated in Note 7 to the financial statements.

Except as discussed in the preceding paragraphs, 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.

Our auditors' report on the financial statements of a subsidiary company, LETC had included comments made under Subsection (3) of Section 174 of the Act. The particulars of the comments made under Subsection (3) have been included in the sixth paragraph above. Also, the auditors' reports have included an emphasis of matter as to the appropriateness of the going concern assumption in the preparation of the financial statements of this subsidiary. The ability of this subsidiary to continue as a going concern is dependent on its ability to obtain continued financial support from its shareholder.

Other than as stated above, the auditors' reports on the financial statements of the other subsidiary companies were not subject to any qualification and did not include any comments made under Subsection (3) of Section 174 of the Act.

UHY DIONG
No. AF-1411
Chartered Accountants

KOAY THEAM HOCK
No. 2141/04/09 (J)
Partner

Dated : 28 April 2008

balance sheets

as at 31 December 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	44,527,417	45,869,866	1,389,850	–
Prepaid land lease payments	6	4,230,000	4,320,000	–	–
Investment in subsidiary companies	7	–	–	33,830,027	34,181,080
Investment in associated companies	8	3,851,324	4,060,104	4,830,000	4,830,000
Other investments	9	1,802,773	4,127,821	11	2,325,059
Goodwill on consolidation	10	9 0,862	2,198,337	–	–
Deferred tax assets	11	–	206,000	–	–
		54,502,376	60,782,128	40,049,888	41,336,139
CURRENT ASSETS					
Inventories	12	17,589,111	18,961,954	–	–
Receivables, deposits and prepayments	13	130,280,707	44,645,634	38,599,212	51,957,812
Tax recoverable		230,307	942,696	78,342	148,342
Deposits with a licensed bank	14	470,126	453,352	–	–
Cash and bank balances	15	3,102,632	3,412,599	1,966,701	693,091
		151,672,883	68,416,235	40,644,255	52,799,245
Non-current assets held for sale	16	–	2,800,000	–	–
		151,672,883	71,216,235	40,644,255	52,799,245
TOTAL ASSETS		206,175,259	131,998,363	80,694,143	94,135,384

The annexed notes form part of the financial statements.

balance sheets as at 31 December 2007 (cont'd)

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
EQUITY AND LIABILITIES					
Share capital	17	75,104,777	75,104,777	75,104,777	75,104,777
Less: Treasury shares, at cost	17	(1,999,279)	(1,999,230)	(1,999,279)	(1,999,230)
Accumulated losses		(2,604,920)	(7,746,083)	(39,871,526)	(27,200,838)
Other reserves	18	3,583,756	3,789,117	20,771,125	20,771,125
Equity attributable to equity holders of the Company		74,084,334	69,148,581	54,005,097	66,675,834
Minority interest		2,171,731	2,101,913	–	–
TOTAL EQUITY		76,256,065	71,250,494	54,005,097	66,675,834
NON-CURRENT LIABILITIES					
Bank borrowings	19	8,404,760	9,000,000	–	–
Hire purchase payables	20	1,744,894	678,172	1,208,538	–
Deferred tax liabilities	21	2,147,664	1,893,412	–	–
		12,297,318	11,571,584	1 ,208,538	–
CURRENT LIABILITIES					
Payables	22	93,949,979	22,555,806	25,306,627	27,459,550
Bank borrowings	19	21,686,735	25,432,549	–	–
Hire purchase payables	20	751,940	354,204	173,881	–
Taxation		1,233,222	833,726	–	–
		117,621,876	49,176,285	25,480,508	27,459,550
TOTAL LIABILITIES		129,919,194	60,747,869	26,689,046	27,459,550
TOTAL EQUITY AND LIABILITIES		206,175,259	131,998,363	80,694,143	94,135,384

The annexed notes form part of the financial statements.

income statements

for the financial year ended 31 December 2007

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Revenue	23	158,235,357	44,512,633	267,100	172,084
Other income		6,941,073	1,554,598	1,864,324	357,630
Contract cost		(1,134,586)	(3,430,763)	–	–
Changes in inventories of finished goods and work-in-progress		1,854,028	1,077,891	–	–
Raw materials and consumables used		(15,998,921)	(21,497,982)	–	–
Purchase of trading merchandise		(105,909,670)	(13,408)	–	–
Amortisation of prepaid land lease payments		(90,000)	(90,000)	–	–
Depreciation		(2,785,290)	(3,454,447)	(73,150)	–
Staff costs	24	(6,477,120)	(7,498,848)	(1,578,611)	(1,338,894)
Share of loss of associated companies		(208,780)	(178,201)	–	–
Impairment loss of investment in subsidiary companies		–	–	(351,053)	(14,529,942)
Impairment of goodwill		–	(6,729,671)	–	–
Other expenses		(25,292,743)	(21,756,099)	(12,791,449)	(516,109)
Finance costs	25	(2,468,728)	(2,831,228)	(7,849)	–
PROFIT/(LOSS) BEFORE TAXATION	26	6,664,620	(20,335,525)	(12,670,688)	(15,855,231)
Taxation	27	(1,680,654)	335,703	–	–
PROFIT/(LOSS) FOR THE YEAR		4,983,966	(19,999,822)	(12,670,688)	(15,855,231)
Attributable to:					
Equity holders of the Company		5,026,520	(20,270,864)	(12,670,688)	(15,855,231)
Minority interest		(42,554)	271,042	–	–
		4,983,966	(19,999,822)	(12,670,688)	(15,855,231)
EARNINGS/(LOSS) PER SHARE					
Basic earnings/(loss) per share (sen)	28	6.97	(28.09)		

The annexed notes form part of the financial statements.

statements of changes in equity

for the financial year ended 31 December 2007

	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Translation reserve RM	Treasury shares RM	Accumulated losses RM	Attributable to equity holders of the parent RM	Minority interest RM	Total equity RM
		Non-distributable								
Group										
At 1 January 2006	75,104,777	1,439,631	301,000	2,622,589	61,915	(1,998,409)	9,677,368	87,208,871	1,830,871	89,039,742
Effect of changes in accounting policies	–	–	–	(775,688)	–	–	2,712,025	1,936,337	–	1,936,337
As restated	75,104,777	1,439,631	301,000	1,846,901	61,915	(1,998,409)	12,389,393	89,145,208	1,830,871	90,976,079
Repurchase of 2,000 treasury shares	–	–	–	–	–	(821)	–	(821)	–	(821)
Translation difference in subsidiary companies	–	–	–	–	275,058	–	–	275,058	–	275,058
Transfer of revaluation surplus	–	–	–	(135,388)	–	–	135,388	–	–	–
Net income and expense recognised directly in equity	–	–	–	(135,388)	275,058	–	135,388	275,058	–	275,058
Loss for the year	–	–	–	–	–	–	(20,270,864)	(20,270,864)	271,042	(19,999,822)
Total recognised income and expense	–	–	–	(135,388)	275,058	–	(20,135,476)	(19,995,806)	271,042	(19,724,764)
At 31 December 2006	75,104,777	1,439,631	301,000	1,711,513	336,973	(1,999,230)	(7,746,083)	69,148,581	2,101,913	71,250,494

The annexed notes form part of the financial statements.

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

The annexed notes form part of the financial statements.

statements of changes in equity
for the financial year ended 31 December 2007 (cont'd)

	Non-distributable						
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Treasury shares RM	Accumulated losses RM	Total equity RM
Company							
At 1 January 2006	75,104,777	1,439,631	301,000	19,030,494	(1,998,409)	(11,345,607)	82,531,886
Repurchase of 2,000 treasury shares	–	–	–	–	(821)	–	(821)
Loss for the year	–	–	–	–	–	(15,855,231)	(15,855,231)
At 31 December 2006	75,104,777	1,439,631	301,000	19,030,494	(1,999,230)	(27,200,838)	66,675,834
At 1 January 2007	75,104,777	1,439,631	301,000	19,030,494	(1,999,230)	(27,200,838)	66,675,834
Repurchase of 100 treasury shares	–	–	–	–	(49)	–	(49)
Loss for the year	–	–	–	–	–	(12,670,688)	(12,670,688)
At 31 December 2007	75,104,777	1,439,631	301,000	19,030,494	(1,999,279)	(39,871,526)	54,005,097

The annexed notes form part of the financial statements.

cash flow statements

for the financial year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	6,664,620	(20,335,525)	(12,670,688)	(15,855,231)
Adjustments for:				
Amortisation of prepaid land lease payments	90,000	90,000	–	–
Allowance for doubtful debts	5,778,688	4,674,328	5 ,669,864	1,224
Allowance for doubtful debts no longer required	(26,187)	–	(5,228)	–
Allowance for slow moving inventories	–	2,642,256	–	–
Bad debts written off	8,518,765	1,391,999	5,536,139	6,450
Depreciation	2,785,290	3,454,447	7 3,150	–
Dividend income	–	(105,684)	–	(105,684)
Gain on disposal of investment in quoted shares	(856,738)	–	(856,738)	–
Gain on disposal of a subsidiary company	(13,033)	–	–	–
Gain on disposal of property, plant and equipment	–	(55,508)	–	–
Over amortisation of goodwill in prior year	(147,385)	–	–	–
Impairment loss of investment in subsidiary companies	–	–	351,053	14,529,940
Impairment of goodwill	–	6,729,671	–	–
Impairment loss of non-current asset held for sale	–	538,710	–	–
Interest income	(19,308)	(396,019)	(2,358)	(357,630)
Interest on bank borrowings	1,473,177	1,915,800	–	–
Interest on hire purchase	88,969	86,431	7,849	–
Interest on term loans	812,762	683,925	–	–
Loss on disposal of an associated company	10,000	–	–	–
Loss on disposal of property, plant and equipment	2,666	–	–	–
Property, plant and equipment written off	143,953	108,163	–	–
Share of loss of associated companies	208,780	178,201	–	–
Unrealised loss on foreign exchange	1,905,395	259,087	1,120,636	–
Operating profit/(loss) before working capital changes	27,420,414	1,860,282	(776,321)	(1,780,931)
Inventories	692,877	(2,269,757)	–	–
Receivables, deposits and prepayments	(104,482,789)	(14,357,169)	1,037,189	(12,680,672)
Payables	79,023,135	5,931,724	(2,152,923)	(2,315,110)
	2,653,637	(8,834,920)	(1,892,055)	(16,776,713)
Taxation paid	(178,517)	(632,800)	–	–
Taxation refunded	70,000	139,414	70,000	13,407
Net cash flow from operating activities	2,545,120	(9,328,306)	(1,822,055)	(16,763,306)

The annexed notes form part of the financial statements.

cash flow statements
for the financial year ended 31 December 2007 (cont'd)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOW FROM INVESTING ACTIVITIES				
Dividend received	–	76,092	–	76,092
Goodwill arising on acquisition of a subsidiary company	–	(2,523)	–	–
Interest received	2,534	602,253	2,358	357,630
Purchase of investment in an associated company	(100,000)	–	–	–
Purchase of property, plant and equipment (Note a)	(375,342)	(1,082,115)	(60,000)	–
Proceeds from disposal of investment in an associated company	90,000	–	–	–
Proceeds from disposal of investment in quoted shares	3,181,786	–	3,181,786	–
Proceeds from disposal of non-current asset held for sales	2,800,000	–	–	–
Proceeds from disposal of property, plant and equipment	145,457	718,450	–	–
Net cash outflow on disposal of a subsidiary company (Note 7)	(17,640)	–	–	–
Net cash flow from investing activities	5,726,795	312,157	3,124,144	433,722
CASH FLOW FROM FINANCING ACTIVITIES				
Amount owing to Directors	(1,591,738)	197,428	–	–
Interest paid	(2,374,908)	(2,723,319)	–	–
Proceeds from long term loans	–	5,000,000	–	–
Repayment of bank borrowings	(2,974,375)	(9,321,927)	–	–
Repayment of hire purchase payables	(252,417)	(782,712)	(28,430)	–
Repayment of long term loans	(595,240)	(90,824)	–	–
Repurchase of treasury shares	(49)	(821)	(49)	(821)
Deposits released from security value	–	7,037,706	–	6,000,000
Net cash flow from financing activities	(7,788,727)	(684,469)	(28,479)	5,999,179
NET CHANGE IN CASH AND CASH EQUIVALENTS	483,188	(9,700,618)	1,273,610	(10,330,405)
Effect of exchange difference	(21,716)	132,420	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(8,301,598)	1,266,600	693,091	11,023,496
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note b)	(7,840,126)	(8,301,598)	1,966,701	693,091

Represented by :

(a) Purchase of property, plant and equipment:				
– financed by hire purchase arrangements	1,716,875	52,100	1,403,000	–
– financed by cash	375,342	1,082,115	60,000	–
– additions during the year (Note 5)	2,092,217	1,134,215	1,463,000	–
(b) Analysis of cash and cash equivalents:				
– cash and bank balances	3,102,632	3,412,599	1,966,701	693,091
– bank overdraft (Note 19)	(10,942,758)	(11,714,197)	–	–
	(7,840,126)	(8,301,598)	1,966,701	693,091

The annexed notes form part of the financial statements.

notes to the financial statements

for the financial year ended 31 December 2007

1. GENERAL INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2008.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

Basis of accounting

The financial statements of the Group and of the Company expressed in Ringgit Malaysia ("RM") have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

3. SIGNIFICANT ACCOUNTING POLICIES

Standards that are effective

During the financial year, the Group and the Company have adopted the new and revised Financial Reporting Standards ("FRSs") of MASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007 as follows:

FRS 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS 119	Employee Benefits

The adoption of these new FRSs have no effect on the financial statements of the Group and of the Company except for the adoption of the FRS 117 as follows:

FRS 117 Leases

In prior years, leasehold land held for own use was classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. Upon adoption of FRS 117 on 1 January 2007, the leasehold land held for own use is allocated for as being held under an operating lease, with the unamortised carrying amount classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and certain comparatives have been restated. There were no effects on the balance sheet as at 31 December 2007 and on the income statement for the financial year ended 31 December 2007.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The effects of adoption of FRS 117 on the financial statements of the Group is as follow:

(i) Effects on the income statement for the financial year ended 31 December 2007

	Increase/ (Decrease) RM
Amortisation of prepaid land lease payments	90,000
Depreciation of property, plant and equipment	(90,000)

(ii) Effects on balance sheet as at 31 December 2007

Property, plant and equipment	(4,230,000)
Prepaid land lease payments	4,230,000

(iii) Effects on balance sheet as at 31 December 2006

	Previously stated RM	Changes in accounting policies RM	Restated RM
Property, plant and equipment	50,189,866	(4,320,000)	45,869,866
Prepaid land lease payments	–	4,320,000	4,320,000

Standards and amendment to published standard that are not yet effective and have not been early adopted

(a) FRS 107 Cash Flow Statements (Effective for annual periods beginning on or after 1 July 2007).

(b) FRS 112 Income Taxes (Effective for annual periods beginning on or after 1 July 2007).

(c) FRS 118 Revenue (Effective for annual periods beginning on or after 1 July 2007).

(d) Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net investments in a Foreign Operation (Effective for annual periods beginning on or after 1 July 2007).

(e) FRS 134 Interim Financial Reporting (Effective for annual periods beginning on or after 1 July 2007).

(f) FRS 137 Provisions, Contingent Liabilities and Contingent Assets (Effective for annual periods beginning on or after 1 July 2007).

(g) FRS 139 Financial Instruments: Recognition and Measurement (Effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Company will apply this standard when effective.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standards and IC Interpretations that are not yet effective and not relevant to the Company's operations

(a) FRS 111 Construction Contracts (Effective for annual periods beginning on or after 1 July 2007).

(b) FRS 120 Accounting for Government Grants and Disclosures of Government Assistance (Effective for annual periods beginning on or after 1 July 2007).

(c) IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (Effective for annual periods beginning on or after 1 July 2007).

(d) IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Effective for annual periods beginning on or after 1 July 2007).

(e) IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (Effective for annual periods beginning on or after 1 July 2007).

(f) IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical andElectronic Equipment (Effective for annual periods beginning on or after 1 July 2007).

(g) IC Interpretation 7 Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies (Effective for annual periods beginning on or after 1 July 2007).

(h) IC Interpretation 8 Scope of FRS 2 (Effective for annual periods beginning on or after 1 July 2007).

3.1 Basis of consolidation

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

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

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

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

Minority interest is measured at the minorities' share of post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.23.

The Group carried its buildings, apartments and flats at revalued amounts. These assets shall be revalued at a regular interval of at least once every 5 years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued property differs materially from the market value.

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

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

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

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

3.3 Operating lease

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

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

3.4 Construction contract

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that the contract costs incurred for work performed todate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Construction contract (cont'd)

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

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

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

3.5 Investments in subsidiary companies

Subsidiary companies are companies where the Group has control through the power to govern the financial and operating policies of the companies so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the company.

Investment in subsidiary companies, which are eliminated on consolidation, is stated at cost or at 1999 valuation by the Directors on the basis of net tangible asset values of the subsidiary companies as approved by the Securities Commission. It was not the intention of the Directors then to adopt a policy for revaluation of its long term investments in the subsidiary companies at a regular interval. Accordingly, the Company continues to state its investments in subsidiary companies at its 1998 valuation which was approved by Securities Commission in 1999. When there is an indication of impairment in the value of the assets, the carrying amount of the investments is assessed and written down immediately to its recoverable amount.

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

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

3.6 Investments in associated companies

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

The Group's investment in associated companies is accounted for under equity method of accounting based on the latest audited financial statements of the associated companies made up to 31 December 2007. Under this method of accounting, the Group's interest in the post-acquisition profit and reserves of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Other investments

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

Investments in club memberships are stated at cost.

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

3.8 Goodwill

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

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

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

3.9 Inventories

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

Cost is determined principally on the first-in, first out basis. Cost of raw materials, spare and components, construction materials, trading goods and indirect material consists of purchase price plus the cost of bringing the inventories to their present location. Cost of work-in-progress and finished goods consists of cost of raw-materials, direct labour and an appropriate proportion of factory overhead.

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

3.10 Receivables

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

3.11 Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Non-current assets held for sale

Non-current assets are classified as held for sales if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement of non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in the income statement.

3.13 Equity instrument

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

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

3.14 Treasury shares

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

3.15 Payables

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

3.16 Borrowings

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

3.17 Hire purchase

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

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

3.18 Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Income tax

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

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

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

3.20 Foreign currency conversion

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

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

3.21 Contingent liabilities

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

3.22 Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Revenue recognition (cont'd)

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

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

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

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

3.23 Impairment of assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.24 Financial instruments

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

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

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

3.25 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Employees equity compensation benefits

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

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

3.26 Research and development expenditure

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Group	At 1 January RM	Transfer to investment properties RM	Transfer RM	Additions RM	Disposals RM	Translation reserve RM	At 31 December RM
Cost unless stated otherwise							
2006							
At 2004 valuation							
Short leasehold land	1,700,000	(1,700,000)	–	–	–	–	–
Buildings	16,750,000	(1,750,000)	–	–	–	–	15,000,000
Flats	395,000	–	–	–	–	–	395,000
Apartments	1,461,609	–	–	–	–	98,723	1,560,332
At cost							
Freehold land	2,079,366	–	–	–	–	6,234	2,085,600
Buildings	54,185	–	–	–	–	–	54,185
District cooling plant	–	–	24,116,377	–	–	–	24,116,377
Plant and machinery	13,291,005	–	–	33,285	(2,293,606)	117,166	11,147,850
Moulds, tools and equipment	5,661,511	–	–	14,949	(255,184)	13,255	5,434,531
Office equipment, furniture and fittings	2,483,668	–	–	98,156	(36,658)	16,434	2,561,600
Motor vehicles	3,611,846	–	–	76,100	(1,202,887)	22,588	2,507,647
Renovation	423,158	–	–	–	–	–	423,158
Assets in progress	23,294,280	–	(24,116,377)	911,725	–	5,667	95,295
	71,205,628	(3,450,000)	–	1,134,215	(3,788,335)	280,067	65,381,575

Group	At 1 January RM	Transfer to investment properties RM	Current charge RM	Disposals RM	Translation reserve RM	At 31 December RM
Accumulated depreciation						
2006						
At 2004 valuation						
Short leasehold land	54,838	(54,838)	–	–	–	–
Buildings	356,452	(56,452)	300,000	–	–	600,000
Flats	7,900	–	7,900	–	–	15,800
Apartments	64,849	–	86,181	–	22,827	173,857
At cost						
Buildings	955	–	1,084	–	–	2,039
District cooling plant	–	–	904,168	–	–	904,168
Plant and machinery	9,904,348	–	1,182,811	(2,286,989)	94,527	8,894,697
Moulds, tools and equipment	5,083,504	–	172,136	(168,259)	6,906	5,094,287
Office equipment, furniture and fittings	1,774,903	–	226,206	(22,036)	13,205	1,992,278
Motor vehicles	1,587,819	–	531,645	(539,946)	11,724	1,591,242
Renovation	201,025	–	42,316	–	–	243,341
	19,036,593	(111,290)	3,454,447	(3,017,230)	149,189	19,511,709

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

Net book value	Group 2007 RM	Group 2006 RM
At 2004 valuation		
Buildings	14,100,000	14,400,000
Flats	371,300	379,200
Apartments	1,304,787	1,386,475
At cost		
Freehold land	2,182,130	2,085,600
Buildings	71,944	52,146
District cooling plant	22,201,547	23,212,209
Plant and machinery	1,556,439	2,253,153
Moulds, tools and equipment	158,641	340,244
Office equipment, furniture and fittings	445,157	569,322
Motor vehicles	1,923,196	916,405
Renovation	116,545	179,817
Assets in progress	95,731	95,295
	44,527,417	45,869,866

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

Certain property, plant and equipment of the Group with net book value amounting to RM24,732,260 (2006: RM25,643,578) have been pledged to banks for banking facilities granted to a subsidiary company as referred to in Note 19.

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

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

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Net book value				
Motor vehicles	1,865,169	819,751	1,389,850	–
Plant and machinery	231,447	423,192	–	–
	2,096,616	1,242,943	1,389,850	–

The buildings, flats and apartments of the Group were revalued by the Directors in 2004 based on a valuation exercise carried out by independent firms of professional valuers, using the open market value on existing use basis. The resulting revaluation surplus net of related deferred tax has been credited to revaluation reserve account.

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

	Group	
	2007 RM	2006 RM
Cost	15,916,469	15,916,469
Less: Accumulated depreciation	(4,110,638)	(3,792,310)
Carrying amount	11,805,831	12,124,159

6. PREPAID LAND LEASE PAYMENTS

	Group	
	2007 RM	2006 RM
At 1 January	4,320,000	4,410,000
Amortisation for the year	(90,000)	(90,000)
At 31 December	4,230,000	4,320,000
Analysed as:		
Short term leasehold land	4,230,000	4,320,000

The unexpired lease period of the short leasehold land is 45 years.

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

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Group 2007 RM	Group 2006 RM
Unquoted shares		
At cost	37,578,233	37,578,233
Less: Accumulated impairment loss	(35,847,222)	(35,496,169)
	1,731,011	2,082,064
At 1999 valuation	32,099,016	32,099,016
	33,830,027	34,181,080

Details of the subsidiary companies are as follows:

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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of direct subsidiary companies	Place of incorporation	Effective interest 2007	Effective interest 2006	Principal activities
Linear Cooling Technology Sdn. Bhd.	Malaysia	100%	100%	Trading of cooling towers
Nihon Spindle (M) Sdn. Bhd.	Malaysia	100%	100%	Trading of cooling towers and parts
Linear Cooling Industries Pte. Ltd.*	Singapore	100%	100%	Dormant
Times Engineering Systems Co. Ltd.#	Thailand	70%	70%	Providing mechanical and engineering services and construction, however, the company had ceased operations and became dormant since year 2006
Linear TES Co. Ltd.^*	Thailand	43.75%	43.75%	Investment holding
Unified Systems Pte. Ltd.*	Singapore	70%	70%	Providing computer programming, consultancy and other computer related services
Quantum Water Heaters Sdn. Bhd.	Malaysia	0%	59.5%	Manufacture energy efficient hot water system
Ko Lim BAC Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Linear Composites Marketing Sdn. Bhd.	Malaysia	100%	100%	Sale and distributor of and dealer of fibreglass, reinforce plastics, however, the company had ceased operation and became dormant since year 2005
Idea-Hub.Com Limited*	Hong Kong	51%	51%	Investment holding and providing ICT related services
BAC Cooling Technology Pte. Ltd.*	Singapore	0%	100%	The company had been struck off from the register of Accounting and Corporate Regulatory Authority of Singapore

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

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

\# The audited financial statements of this company is not available.

© An "except for" opinion was given on the fairness of the opening balances of the property, plant and equipment, trade and other payables and accumulated losses as at 1 January 2007 as all accounting records of the company were destroyed in a fire in year 2006 and there is uncertainty as to the company's ability to continue as a going-concern.

An emphasis of matter was given on the preparation of the financial statements on a going concern basis.

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

a) Disposal of a subsidiary company

On 24 July 2007, the Group disposed of its 59.5% equity interest in Quantum Water Heater Sdn. Bhd. for a total cash sale consideration of RM1.00.

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

	2007 RM
Revenue	1,727,334
Profit for the year	128,234

The effect of the disposal on the financial position of the Group as at 31 December 2007 was as follows:

	RM
Property, plant and equipment	365,654
Inventories	679,966
Receivables, deposits and prepayments	560,933
Cash and bank balances	17,641
Payables	(4,004,458)
Net assets disposed of	(2,380,264)
Attributable unamortised goodwill	2,254,860
Minority interest	112,372
	(13,032)
Total disposal proceeds	(1)
Gain on disposal to the Group	(13,033)
Disposal proceeds settled by:	
Cash	1
Cash inflow arising from disposal:	
Cash consideration, representing cash inflow of the Group	1
Less: Cash and cash equivalents of the subsidiary company disposed of	(17,641)
Net cash outflow of the Group	(17,640)

8. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares				
At cost	4,830,000	4,830,000	4,830,000	4,830,000
Share of post-acquisition results and reserves, net of dividend received	(978,676)	(769,896)	–	–
	3,851,324	4,060,104	4,830,000	4,830,000

8. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

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

	Group 2007 RM	Group 2006 RM
Total assets	30,192,680	32,091,585
Total liabilities	20,560,535	21,937,490
Revenue	9,608,198	8,299,472
Loss for the year	(521,950)	(446,182)

Associated companies	Place of incorporation	Effective interest 2007	Effective interest 2006	Principal activities
Boustead Linear Corporation Sdn. Bhd.	Malaysia	40%	40%	Construct, own and operate a district cooling plant to produce and supply of chilled water
Borneo Pacific Linear Sdn. Bhd.	Malaysia	30%	30%	Retail of cooling technology products and parts, and provision of related services

9. OTHER INVESTMENTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Quoted shares in Malaysia, at cost	9,638,125	15,979,165	31	6,341,071
Less: Allowance for diminution in value of investments	(7,931,827)	(11,947,819)	(20)	(4,016,012)
	1,706,298	4,031,346	11	2,325,059
Unquoted shares in Malaysia, at cost	11,960,000	13,860,000	–	–
Less: Allowance for diminution in value of investments	(11,960,000)	(13,860,000)	–	–
	–	–	–	–
Investment in club memberships, at cost	96,475	96,475	–	–
	1,802,773	4,127,821	11	2,325,059
At market value				
Quoted shares in Malaysia	2,276,292	4,488,936	13	2,583,482

10. GOODWILL ON CONSOLIDATION

	Group 2007 RM	Group 2006 RM
At 1 January	2,198,337	7,473,784
Effect of changes in accounting policies	–	1,451,701
Goodwill on consolidation arising from the acquisition of a subsidiary company	–	2,523
Over amortisation of goodwill in prior years	147,385	–
Disposal of a subsidiary company (Note 7)	(2,254,860)	–
Impairment loss	–	(6,729,671)
At 31 December	90,862	2,198,337

During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with two subsidiary companies was impaired by RM Nil (2006: RM6,729,671). The recoverable amount of these two subsidiary companies was assessed by reference to value in use.

The main factor contributing to the impairment of the cash-generating unit was due to cessation of operations by these two subsidiary companies.

11. DEFERRED TAX ASSETS

	Group 2007 RM	Group 2006 RM
At 1 January	206,000	–
Recognised in the income statement (Note 27)	(226,700)	206,000
Underprovision in respect of prior years	20,700	–
At 31 December	–	206,000
Subject to income tax:		
Deferred tax liability (before offsetting)		
Property, plant and equipment	–	43,000
Offsetting	–	(43,000)
Deferred tax liability (after offsetting)	–	–
Deferred tax assets (before offsetting)		
Allowance for slow moving inventories	–	51,000
Property, plant and equipment	–	–
Unabsorbed tax losses	–	–
Other temporary differences	–	198,000
Offsetting	–	(43,000)
Deferred tax assets (after offsetting)	–	206,000

11. DEFERRED TAX ASSETS (CONT'D)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Allowance for slow moving inventories	67,500	380,000	–	–
Property, plant and equipment	432,490	1,901,300	(7,600)	–
Unabsorbed tax losses	1,986,700	3,831,400	228,700	–
Other temporary differences	97,910	58,300	–	–
	2,584,600	6,171,000	221,100	–

12. INVENTORIES

	Group	
	2007 RM	2006 RM
Raw materials	6,197,453	7,695,711
Spare and components	1,746,820	2,665,591
Indirect materials	19,445	48,844
Work-in-progress	3,990,465	3,067,886
Finished goods	5,634,928	5,483,922
	17,589,111	18,961,954

The cost of inventories of the Group recognised as an expense during the year was RM68,039,026 (2006:RM32,477,469).

The cost of inventories of the Group recognised as an expense included RMNil (2006: RM2,642,256) in respect of inventory written down to net realisable value.

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	122,096,839	28,679,430	–	–
Less: Allowance for doubtful debts	(8,927,974)	(18,533,036)	–	–
	113,168,865	10,146,394	–	–
Non-trade receivables	13,263,139	32,609,676	7,448,378	24,398,546
Less: Allowance for doubtful debts	(713,077)	(2,977,314)	–	–
	12,550,062	29,632,362	7,448,378	24,398,546
Amount owing by subsidiary companies	–	–	31,132,604	27,194,665
Less: Allowance for doubtful debts	–	–	–	(5,228)
	–	–	31,132,604	27,189,437
Amount owing by associated companies	1,224	3,353,780	1,224	1,224
Less: Allowance for doubtful debts	(1,224)	(5,942)	(1,224)	(1,224)
	–	3,347,838	–	–
Amount owing by contract customers	–	42,532	–	–
Deposits	138,862	139,762	770	770
Prepayments	4,422,918	1,336,746	17,460	369,059
	130,280,707	44,645,634	38,599,212	51,957,812

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

The credit terms of trade receivables given by the Group vary from 30 days to 180 days (2006: 30 to 120 days).

Subsequent to 31 December 2007, the Group has received payment from its trade receivables amounting to RM71,203,758.

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

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	24,401,457	27,537,959	31,072,605	42,958,969
United States Dollars	77,456,036	12,240,111	7,508,377	8,629,014
Pound Sterling	23,586,990	–	–	–
Singapore Dollars	–	2,897,004	–	–
Thai Baht	273,049	271,806	–	–
Euro	1,395	222,246	–	–
	125,718,927	43,169,126	38,580,982	51,587,983

14. DEPOSITS WITH A LICENSED BANK

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

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

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Deposits with a licensed bank	3.70	2.30 - 3.70	–	2.30 - 3.70

The deposits of the Group are maturing in January 2008.

15. CASH AND BANK BALANCES

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	3,082,880	3,260,528	1,966,701	693,091
United States Dollars	8,492	144,614	–	–
Singapore Dollars	–	623	–	–
Thai Baht	8,441	2,833	–	–
Euro	2,819	4,001	–	–
	3,102,632	3,412,599	1,966,701	693,091

16. NON-CURRENT ASSETS HELD FOR SALE (2006 ONLY)

	Group RM
Short leasehold land and building held for sale	3,338,710
Less: Impairment loss	(528,710)
Carrying amount at end of the year	2,810,000

During the financial year, the short leasehold land and building have been disposed for a consideration of RM2,800,000.

17. SHARE CAPITAL

	Group/Company	
	2007 RM	2006 RM
Authorised		
500,000,000 ordinary shares of RM1 each	500,000,000	500,000,000
Issued and fully paid		
75,104,777 ordinary shares of RM1 each	75,104,777	75,104,777

At an Annual General Meeting held on 23 June 2004, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buyback exercise, the Company is authorised to purchase up to a maximum of 10% of the total issued and paid-up share capital. The share buyback exercise is undertaken to enhance the value of the Company and is applied in the best interests of the Company and its shareholders. This mandate requires annual renewal and was extended annually at the Annual General Meeting held on 27 June 2007.

During the financial year, the Company has repurchased 100 (2006: 2,000) of its issued and fully paid ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM0.48 (2006: RM0.41) per ordinary share. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

As at 31 December 2007, out of the total 75,104,777 issued and paid-up share capital, 2,949,700 (2006:2,949,600) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 72,155,077 (2006: 72,155,177) ordinary shares of RM1 each.

Warrants

On 25 September 2003, 17,249,444 detachable warrants were granted by the Company to the subscribers of the rights shares. The warrants may be exercised at any time on or after the issue date but not later than 5.00 p.m. on 24 September 2008. Each warrant entitles its registered holder, at any time during the exercise period of the warrants, to subscribe for one new ordinary share. The exercise price of each warrants is fixed at RM1.00 per share for cash subject to adjustments in accordance with the provisions of the Deed Poll. As at 31 December 2007, 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 14 August 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.

17. SHARE CAPITAL (CONT'D)

Employees' Share Option Scheme (cont'd)

The principal features of the ESOS are as follows:

(a) The total number of share options offered under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.

(b) Subject to any adjustments, which may be made under By-Law 13, the number of new shares that may be offered and allotted to any of the eligible employees of the Group who are entitled to participate in the Scheme shall be at the discretion of the Option Committee after taking into consideration of the performance, seniority and length of service of the eligible employee in the Group subject to the following:

   (i) the number of share allocated, in aggregate, to Directors and senior management of the Group shall not exceed 50% of the total shares available under the Scheme; and

   (ii) the number of shares allocated to any individual Director or employee who, either singly or collectively through his/her associates (as defined under the Act), hold 20% or more in the issued and paid-up capital of the Company shall not exceed 10% of the total shares available under the Scheme.

(c) Any employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme, if as at the offer date, the executive:

   (i) has attained the age of eighteen (18) years;

   (ii) is employed under full-time by and is on the payroll of a company within the Group (other than a company which is dormant); and

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

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

(d) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as shown in the daily official list of the Bursa Malaysia Securities Berhad 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.

	Exercise	No. of options over ordinary shares of RM1 each				
Date of offer	Exercise price per ordinary share RM	Balance as at 1-1-2007	Granted	Exercised	Cancelled	Balance as at 31-12-2007
25 August 2003	1.16	3,041,000	–	–	(1,437,000)	1,604,000
15 October 2003	1.22	79,000	–	–	(79,000)	–

18. OTHER RESERVES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Capital redemption reserve	301,000	301,000	301,000	301,000
Revaluation reserve	1,596,870	1,711,513	19,030,494	19,030,494
Share premium	1,439,631	1,439,631	1,439,631	1,439,631
Translation reserve	246,255	336,973	–	–
	3,583,756	3,789,117	20,771,125	20,771,125

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

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

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

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

19. BANK BORROWINGS

	Group	
	2007	2006
	RM	RM
Short Term Borrowings		
Unsecured		
Bank overdraft	9,129,975	11,714,197
Bankers' acceptance	9,505,399	9,993,000
Revolving credit	0	1,500,000
Trust receipt	238,578	1,225,352
	18,873,952	24,432,549
Secured		
Bank overdraft	1,812,783	–
Term loans	1,000,000	1,000,000
	21,686,735	25,432,549
Long Term Borrowings		
Secured		
Term loans	8,404,760	9,000,000

19. BANK BORROWINGS (CONT'D)

	Group 2007 RM	Group 2006 RM
Total Borrowings		
Unsecured		
Bank overdraft	9,129,975	11,714,197
Bankers' acceptance	9,505,399	9,993,000
Revolving credit	–	1,500,000
Trust receipt	238,578	1,225,352
	18,873,952	24,432,549
Secured		
Bank overdraft	1,812,783	–
Term loans	9,404,760	10,000,000
	11,217,543	10,000,000
	30,091,495	34,432,549
The bank borrowings are represented as follows:-		
Not later than 1 year	21,686,735	25,432,549
Later than 1 years and not later than 5 years	8,404,760	9,000,000
	30,091,495	34,432,549

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

The annual effective interest rates are as follows:

	Group 2007 %	Group 2006 %
Bank overdraft	7.75 - 8.75	7.75 - 8.75
Bankers' acceptance	3.62 - 6.85	3.62 - 6.97
Revolving credit	–	8.00 - 8.25
Term loans	7.50	4.75 - 7.50
Trust receipt	6.00 - 6.65	7.00 - 8.75

The unsecured bank borrowings are covered by the following:

(a) negative pledge on all assets of certain subsidiary companies, both present and future;

(b) corporate guarantee from the Company;

(c) blanket counter indemnity;

19. BANK BORROWINGS (CONT'D)

The unsecured bank borrowings are covered by the following (cont'd):

(d) general security agreement relating to goods;

(e) trade financing general agreement;

(f) blanket deed of assignment of contract proceeds; and

(g) Deposits with a licensed bank (Note 14);

The secured term loans are covered by the following:

(a) A legal charge over a subsidiary company's freehold land and district cooling plant;

(b) Debenture on all current and future assets of a subsidiary company; and

(c) Corporate guarantee from the Company.

The bankers' acceptance and trust receipt are maturing within January 2008 to May 2008.

20. HIRE PURCHASE PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Representing hire purchase liabilities				
– current	751,940	354,204	173,881	–
– non-current	1,744,894	678,172	1,208,538	–
	2,496,834	1,032,376	1,382,419	–
Hire purchase liabilities:				
Minimum hire purchase repayments				
– not later than 1 year	875,874	421,584	233,136	–
– later than 1 year but not later than 5 years	1,555,511	313,540	932,544	–
– later than 5 years	437,720	493,639	437,720	–
	2,869,105	1,228,763	1,603,400	–
Future finance charges on hire purchase	(372,271)	(196,387)	(220,981)	–
Present value of hire purchase liabilities	2,496,834	1,032,376	1,382,419	–
Present value of hire purchase liabilities				
– not later than 1 year	751,940	354,204	173,881	–
– later than 1 year but not later than 5 years	1,324,182	263,429	787,826	–
– later than 5 years	420,712	414,743	420,712	–
	2,496,834	1,032,376	1,382,419	–

The hire purchase payables bear interest at the rate of 2.33% to 4.25%. (2006: 2.87% to 4.25%) per annum.

The hire purchase payables are secured by the financial institutions' charges over the assets under hire purchase and personal guarantee from a Director of the Company.

21. DEFERRED TAX LIABILITIES

	Group	
	2007 RM	2006 RM
At 1 January	1,893,412	2,424,137
Recognised in the income statement (Note 27):		
– property, plant and equipment	1,420,900	–
– adjustment resulting from reduction in tax rate	29,600	–
Overprovision in respect of prior year	(1,155,500)	–
Effect of changes in accounting policy	–	(484,636)
Annual crystallisation of deferred tax on revaluation surplus	(40,748)	(46,089)
At 31 December	2,147,664	1,893,412
Subject to income tax:		
Deferred tax liabilities		
Property, plant and equipment	1,785,900	19,000
Revaluation surplus	1,833,664	1,874,412
Trade payables	266,700	–
Offsetting	(1,738,600)	–
Deferred tax liabilities (after offsetting)	2,147,664	1,893,412
Deferred tax assets (before offsetting)		
Allowance for slow moving inventories	366,000	–
Unabsorbed capital allowances	884,100	–
Trade receivables	384,300	–
Other temporary differences	104,200	–
Offsetting	(1,738,600)	–
Deferred tax assets (after offsetting)	–	–

A deferred tax income of RM40,748 (2006: RM46,089) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statement. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group. In addition, an amount of RM114,643 (2006: RM135,388) was transferred from revaluation reserve of the Group to retained profits.

22. PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	85,537,504	13,019,543	–	–
Non-trade payables	2,498,120	4,214,195	–	972,123
Amount owing to subsidiary companies	–	–	25,149,423	26,351,797
Amount owing to Directors	800,053	2,391,791	–	–
Accruals	1,885,375	2,851,113	157,204	135,630
Deposits received	228,927	79,164	–	–
Project deposit received	3,000,000	–	–	–
	93,949,979	22,555,806	25,306,627	27,459,550

The credit terms of trade payables given to the Group vary from 30 days to 90 days (2006: 30 to 90 days).

22. PAYABLES (CONT'D)

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

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

The currency exposure profile of payables is as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	20,635,604	20,173,133	25,306,627	27,459,550
Pound Sterling	16,558,292	–	–	–
United States Dollars	52,501,908	1,477,701	–	–
Japanese Yen	5,157	–	–	–
Thai Baht	4,238,267	904,972	–	–
Euro	10,751	–	–	–
	93,949,979	22,555,806	25,306,627	27,459,550

23. REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales of manufacturing goods	23,525,411	25,578,720	–	–
Sales of trading goods	131,150,985	13,140,909	–	–
Gross dividend income from quoted shares in Malaysia	–	105,684	–	105,684
Contract revenue	2,549,109	4,540,684	–	–
Management fee	–	–	267,100	66,400
Others	1,009,852	1,146,636	–	–
	158,235,357	44,512,633	267,100	172,084

24. STAFF COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Staff costs	6,477,120	7,498,848	1,578,611	1,338,894
Included in staff costs are contributions to a defined contribution plan as follows:				
Defined contribution plan	738,137	522,656	137,384	133,024
Included in staff costs are Executive Directors' remuneration as follows:				
Executive Directors' remuneration:				
– Directors' fee	22,000	36,000	22,000	36,000
– other emoluments	607,052	714,517	445,052	524,000
– defined contribution plan	46,441	85,680	27,000	62,880
	675,493	836,197	494,052	622,880

25. FINANCE COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Bank discounting and financing charges	88,731	145,072	–	–
Interest on bank borrowings	1,473,177	1,915,800	–	–
Interest on hire purchase	88,969	86,431	7,849	–
Interest on late payment	5,089	–	–	–
Interest on term loans	812,762	683,925	–	–
	2,468,728	2,831,228	7,849	–

26. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(Loss) before taxation is arrived at after charging:				
Allowance for doubtful debts	5,778,688	4,674,328	5,669,864	1,224
Allowance for slow moving inventories	–	2,642,256	–	–
Audit fee	104,888	120,908	30,000	30,000
Bad debts written off	8,518,765	1,391,999	5,536,139	6,450
Directors' remunerations				
– fee	22,000	36,000	22,000	36,000
– other emoluments	656,803	800,197	472,052	586,880
Impairment loss of non-current asset held for sale	–	538,710	–	–
Loss on disposal of associated company	10,000	–	–	–
Loss on disposal of property, plant and equipment	2,666	–	–	–
Property, plant and equipment written off	143,953	108,163	–	–
Realised loss on foreign exchange	202,961	127,622	–	–
Rental of equipment	59,698	5,202	–	–
Rental of plant and machinery	–	57,520	–	–
Rental of premises	499,367	441,597	30,468	30,423
Research and development expenditure	–	8,745	–	–
Unrealised loss on foreign exchange	1,905,395	259,087	1,120,636	–
Profit/(Loss) before taxation is arrived at after crediting :				
Allowance for doubtful debts no longer required	26,187	–	5,228	–
Dividend income	–	105,684	–	105,684
Gain on disposal of investment in quoted shares	856,738	–	856,738	–
Gain on disposal of a subsidiary company	13,033	–	–	–
Gain on disposal of property, plant and equipment	–	55,508	–	–
Over amortisation of goodwill in prior years	147,385	–	–	–
Interest income	19,308	396,019	2,358	357,630
Rental income	–	230,000	–	–

27. TAXATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
The major components of the tax expense are:				
Current tax expense based on profit for the year	1,227,000	158,000	–	–
Overprovision of taxation in respect of prior years	(6,598)	(241,614)	–	–
	1,220,402	(83,614)	–	–
Deferred tax expense (Notes 11 and 21):				
– relating to origination and reversal of temporary differences	1,420,900	(252,089)	–	–
– adjustment resulting from deduction in tax rate	29,600	–	–	–
– overprovision of deferred tax assets in respect of prior year	(949,500)	–	–	–
Annual crystallisation of deferred tax on revaluation surplus	(40,748)	–	–	–
	1,680,654	(335,703)	–	–
Reconciliation of tax expense/(income) and accounting profit/(loss):				
Accounting profit/(loss) before taxation	6,664,620	(20,335,525)	(12,670,688)	(15,855,231)
Tax at the applicable tax rate of 27% (2006: 28%)	1,799,600	(5,694,000)	(3,421,100)	(4,439,000)
Tax effect of :				
– expenses not deductible for tax purposes	4,362,992	3,770,507	3,421,100	4,439,000
– income not subject to tax	(1,312,600)	(176,000)	–	–
– different tax rate of subsidiary companies	306,840	(96,196)	–	–
– tax savings from double deduction on promotion of export and marine insurance	(175,200)	(402,000)	–	–
– tax incentive granted to offshore company	(3,122,000)	–	–	–
Overprovision of taxation in respect of prior years	(6,598)	(241,614)	–	–
Deferred tax assets not recognised during the financial year	609,450	1,984,600	–	–
Utilisation of deferred tax assets not recognised in prior year	97,350	412,000	–	–
Overprovision of deferred tax assets in respect of prior year	(949,500)	–	–	–
Permanent loss not recognised during the financial year	70,320	–	–	–
Deferred tax expense resulting from reduction in tax rate	–	107,000	–	–
Tax expense/(income) for the year	1,680,654	(335,703)	–	–

27. TAXATION (CONT'D)

Income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the financial year. In September 2007, the government announced in the yearly budget a reduction in the corporate income tax rate. For the year of assessment 2008, the rate will be reduced from 27% to 26% and for the year of assessment 2009, the rate will be reduced to 25%.

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

	Company	
	2007 RM	**2006 RM**
Unabsorbed tax losses	914,900	1,888,000

28. BASIC EARNINGS/(LOSS) PER SHARE

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

	Group	
	2007 RM	**2006 RM**
Profit/(Loss) attributable to ordinary equity holders of the Company (RM)	5,026,520	(20,270,864)
Weighted average number of ordinary shares in issue (units)	72,155,177	72,155,177
Basic earnings/(loss) per share (sen)	6.97	(28.09)

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2007 RM	**2006 RM**
Management fee charged to subsidiary companies:		
– Linear Cooling Industries Sdn. Bhd.	264,800	52,300
– Nihon Spindle (M) Sdn. Bhd.	–	10,200
– Linear Water Treatment Sdn. Bhd.	2,300	2,300
– Linear Cooling Technology Sdn. Bhd.	–	1,600
Rental charged by a subsidiary company:		
– Nihon Spindle (M) Sdn. Bhd.	30,468	30,423

	Group	
	2007 RM	**2006 RM**
Facility maintenance charged to associated company		
– Boustead Linear Corporation Sdn. Bhd.	770,200	611,761

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

30. CONTINGENT LIABILITY

	Company	
	2007 RM	2006 RM
Corporate guarantee extended to local banks for credit facility granted to and utilised by the subsidiary companies	29,260,072	32,964,471

31. SIGNIFICANT EVENT

On 24 July 2007, the Group disposed of its entire issued and paid-up capital held in Quantum Water Heaters Sdn. Bhd. comprising 693,508 ordinary shares of RM1.00 each and 1,225,000 Class "A" ordinary shares of RM1.00 each for a total cash sale consideration of RM1.00.

32. CAPITAL COMMITMENT

	Group	
	2007 RM	2006 RM
Capital expenditure contracted but not provided for in the financial statements in respect of:		
Machinery	–	328,000

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency exchange risk

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

Interest rate risk

The Group's exposures to changes in interest rate risk are related primarily to the Group's short term deposits with licensed banks and financing through bank overdraft, bank borrowings, hire purchase payables and long term loans. The short term deposits are placed with reputable banks. The Group does not use derivative financial instruments to hedge its risk.

Market risk

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

Credit risk

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

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

Cash flow risk

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

33. FINANCIAL INSTRUMENTS

Financial assets

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

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

Financial liabilities and equity instruments

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

Equity instruments are recorded at the proceeds received.

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

Fair values

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

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

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

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 31 December 2007				
Financial assets:				
Other investment – quoted shares (Note 9)	1,706,298	2,276,292	11	13
Investment in club membership (Note 9)	96,475	96,475	–	–
Financial liabilities:				
Hire purchase payables (Note 20)	2,496,834	2,717,916	1,382,419	1,500,073
Long term loan (Note 19)	9,404,760	9,404,760	–	–

33. FINANCIAL INSTRUMENTS (CONT'D)

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 31 December 2006				
Financial assets:				
Other investment – quoted shares (Note 9)	4,031,346	4,488,936	2,325,059	2,583,482
Investment in club membership (Note 9)	96,475	96,475	–	–
Financial liabilities:				
Hire purchase payables (Note 20)	1,032,376	1,032,376	–	–
Long term loan (Note 19)	10,000,000	10,000,000	–	–

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

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

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

34. SEGMENTAL REPORTING

Business Segments

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

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

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

2007	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Revenue							
External sales	–	23,525,411	2,549,109	131,150,985	1,009,852	–	158,235,357
Inter-segment sales	267,100	12,789,445	–	–	141,230	(13,197,775)	–
Total revenue	267,100	36,314,856	2,549,109	131,150,985	1,151,082	(13,197,775)	158,235,357
Results							
Segment results	(12,647,916)	206,225	2,256,898	19,228,175	298,746	–	9,342,128
Finance costs							(2,468,728)
Share of loss of associated companies							(208,780)
Profit before taxation							6,664,620
Taxation							(1,680,654)
Profit for the year							4,983,966

34. SEGMENTAL REPORTING (CONT'D)

2007	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Other information							
Capital additions	1,463,000	620,182	7,785	1,250	–	–	2,092,217
Depreciation	249,882	1,390,338	1,103,557	31,628	9,885	–	2,785,290
Impairment loss of investment in a subsidiary company	351,053	–	–	–	–	–	351,053
Non-cash expenses other than depreciation and impairment loss	12,326,639	1,984,403	1,829,901	381,651	27,168	–	16,549,762
Assets							
Segment assets	15,901,943	56,079,108	30,435,039	99,035,990	641,548	–	202,093,628
Investment in associated companies	3,851,324	–	–	–	–	–	3,851,324
Income tax assets	76,721	–	–	153,586	–	–	230,307
Total assets	19,829,988	56,079,108	30,435,039	99,189,576	641,548	–	206,175,259
Liabilities							
Segment liabilities	384,422	7,859,086	9,240,814	76,229,948	235,709	–	93,949,979
Borrowings	1,584,939	18,311,053	12,692,337	–	–	–	32,588,329
Income tax liabilities	–	2,844,743	500,701	20,000	15,442	–	3,380,886
Total liabilities	1,969,361	29,014,882	22,433,852	76,249,948	251,151	–	129,919,194
2006							
Revenue							
External sales	105,684	25,803,433	4,540,684	13,140,909	921,923	–	44,512,633
Inter-segment sales	66,400	15,674,480	–	–	224,713	(15,965,593)	–
Total revenue	172,084	41,477,913	4,540,684	13,140,909	1,146,636	(15,965,593)	44,512,633
Results							
Segment results	(2,091,943)	(393,412)	(19,359,814)	(331,286)	943,243	3,281,097	(17,952,115)
Investments revenue							626,019
Finance costs							(2,831,228)
Share of loss of associated companies							(178,201)
Loss before taxation							(20,335,525)
Taxation							335,703
Loss for the year							(19,999,822)

34. SEGMENTAL REPORTING (CONT'D)

2006	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Other information							
Capital additions	–	215,072	919,143	–	–	–	1,134,215
Depreciation of property, plant and equipment	114,214	1,829,890	1,554,755	52,026	13,562	–	3,564,447
Impairment loss on non-current assets held for sales	–	538,710	–	–	–	–	538,710
Impairment of goodwill	6,729,671	–	–	–	–	–	6,729,671
Non-cash expenses other than depreciation and impairment loss	194,453	1,788,913	16,535	6,980,932	95,000	–	9,075,833
Assets							
Segment assets	33,170,005	58,548,084	29,526,353	5,095,710	449,411	–	126,789,563
Investment in associated companies	4,060,104	–	–	–	–	–	4,060,104
Income tax assets	146,721	848,389	–	153,586	–	–	1,148,696
Total assets	37,376,830	59,396,473	29,526,353	5,249,296	449,411	–	131,998,363
Liabilities							
Segment liabilities	1,477,997	14,486,136	6,217,457	232,614	141,602	–	22,555,806
Borrowings	248,837	21,908,100	13,307,988	–	–	–	35,464,925
Income tax liabilities	–	2,209,187	500,701	–	17,250	–	2,727,138
Total liabilities	1,726,834	38,603,423	20,026,146	232,614	158,852	–	60,747,869

Geographical segments

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

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

	Sales revenue by geographical market	
	2007 RM	2006 RM
Malaysia	32,307,532	22,478,754
Other Asia Pacific Countries	8,532,993	19,523,313
United Kingdom	116,601,602	–
Middle East	556,491	2,510,566
Others	236,740	–
	158,235,358	44,512,633

34. SEGMENTAL REPORTING (CONT'D)

Geographical segments (cont'd)

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.

	2007		2006	
	Carrying amount of segment assets RM	Capital additions RM	Carrying amount of segment assets RM	Capital additions RM
Malaysia	204,013,847	2,092,217	122,606,173	1,132,447
Thailand	1,633,733	–	3,651,728	1,768
British Virgin Island	527,679	–	531,662	–
	206,175,259	2,092,217	126,789,563	1,134,215

35. SUBSEQUENT EVENTS

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

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

list of properties

as at 31 December 2007

Location	Title	Description/ Existing use	Tenure	Land/ Built-up area	Age of building / land (years)	Net Book Value as at 31-12-2007 RM
Plot 20A Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	PT 458, HS(D) 37842 (formerly HS(D) 570) Mukim 6, Daerah Seberang Perai Tengah Pulau Pinang	Head Office and Factory Building	Leasehold (60 years expiring on 11.5.2052)	6.42913 acres	15	14,335,000
Plot 20A Jalan Perusahaan Prai Industrial Estate 4 Prai, Penang	PT 475, HS(D) 37866 Mukim 6, PT 2994 HS(D) 17962, Mukim 11 (formerly HS(D) 596) Daerah Seberang Perai Tengah Pulau Pinang	Factory Building	Leasehold (60 years expiring on 9.5.2054)	5,412.70 square meters	10	3,995,000
T-3-1, T-3-2, T-3-15 T-3-16, T-4-1, T-4-16 Jalan Pelangi 2 Taman Pelangi Prai, Penang	Parcel Nos. 193, 194 207, 208, 209,224 Parent Lot No. 5797 Mukim 11, Daerah Seberang Perai Tengah Pulau Pinang	Workers' quarters	Leasehold (99 years expiring on 22.4.2092)	689 square feet each	12	371,300
3A-F, Marina Crescent Condominium Bt 5 1/2, Jalan Pantai Si Rusa, Port Dickson Negeri Sembilan	Lot 6100, PN 11176 (formerly PT 3088 HS (D) 13639) Mukim of Si Rusa District of Port Dickson Negeri Sembilan	Condominium	Leasehold (99 years expiring on 27.7.2094)	62 square meters	13	178,600
Mukim 6 & 7 Seberang Perai Tengah Pulau Pinang	Mukim 6 & 7, Seberang Perai Tengah Pulau Pinang	District cooling plant	Freehold land & building	1.85 acres	2	24,724,125
No. 898/16, Rama 3 Road Bangpongpang Yannawa, Bangkok 10120 Thailand	T/D No. 449, 450, 4491 6579, 8680 No. 898/16, Chong Nonsi Yannawa, Bangkok	Condominium	Freehold	292.55 square meters	12	684,521
No. 898/34, Rama 3 Road Bangpongpang Yannawa, Bangkok 10120 Thailand	T/D No. 449, 450, 4491 6579, 8680 No. 898/34, Chong Nonsi Yannawa, Bangkok	Condominium	Freehold	292.55 square meters	12	684,520
No. 61285 Bangyai, Nonthaburi	No. 61285, Bangyai Nonthaburi	Land	Freehold	2,400 square meters	–	104,783
					Total	**45,077,849**

analysis of shareholdings

as at 5 May 2008

SHARE CAPITAL

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 (1) vote per ordinary share
Number of shareholders	:	4,507

ANALYSIS OF SHAREHOLDINGS AS AT 5 MAY 2008

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	260	5.77	10,178	0.01
100 – 1,000	929	20.61	827,725	1.15
1,001 – 10,000	2,610	57.91	10,352,601	14.35
10,001 – 100,000	639	14.18	18,639,368	25.83
100,001 to less than 5% of issued share capital	68	1.51	27,953,137	38.74
5% and above of issued share capital	1	0.02	14,372,518	19.92
Total	**4,507**	**100.00**	***72,155,077**	***100.00**

Note

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

SUBSTANTIAL SHAREHOLDERS
As per the Register of Substantial Shareholders

Name	Shareholdings Direct	Indirect	#%
Linear Holding Sdn Bhd	14,372,518	–	19.92
Lum Weng Loy	1,641,600	[1]14,902,518	22.93
Alan Rajendram A/L Jeya Rajendram	1,461,100	[2]14,372,518	21.94
Eswaramoorthy Pillay S/O Amuther	–	[3]14,372,518	19.92

Notes [1] *Indirect interest by virtue of shareholding in Linear Holding Sdn Bhd and spouse's shareholdings.*
[2 & 3] *Indirect interest by virtue of shareholding in Linear Holding Sdn Bhd.*
\# *Excluding 2,949,700 shares bought back by the Company and held as treasury shares.*

DIRECTORS' INTERESTS IN SHARES
As per the Register of Directors' Shareholdings

In The Company Name	Shareholdings Direct	#%	Indirect	#%
Pervez Rustim Manecksha @ Paul Manecksha	–	–	[1]100,000	0.14
Heinrich August Diehl	–	–	–	19.92
Kok Seng Loong	–	–	–	19.92
Alan Rajendram A/L Jeya Rajendram	1,461,100	2.02	[2]14,372,518	–
Eswaramoorthy Pillay S/O Amuther	–	–	[3]14,372,518	–
Mevin Nevis A/L AF Nevis	100,000	0.14	–	–

Notes [1] *Indirect interest by virtue of shareholding in Manecksha Enterprises Sdn. Bhd.*
[2 & 3] *Indirect interest by virtue of shareholding in Linear Holding Sdn. Bhd.*
\# *Excluding 2,949,700 shares bought back by the Company and held as treasury shares.*

analysis of shareholdings
as at 5 May 2008

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Ordinary Shares	%
1.	Linear Holding Sdn Bhd	14,372,518	19.92
2.	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Lim Oon Cheng	2,822,000	3.91
3.	Ong Peng Chor	2,047,149	2.84
4.	Ong Peng Nam	1,461,556	2.03
5.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Alan Rajendram A/L Jeya Rajendram	1,461,100	2.02
6.	Lum Weng Loy	1,451,600	2.01
7.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kee Ju-Hun	1,303,100	1.81
8.	Ong Soo Cheng	1,282,033	1.78
9.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah	1,084,800	1.50
10.	CIMSEC Nominees (Asing) Sdn Bhd ING Asia Private Bank Limited for Lim Oon Hock	1,026,800	1.42
11.	Tengku Rethwan Bin Tengku Mansor	1,000,000	1.39
12.	Mayban Nominees (Asing) Sdn Bhd Nomura Singapore Limited for Nihon Spindle Manufacturing Company Ltd	833,333	1.15
13.	Ooi Saw Leong	660,000	0.91
14.	Koh Kah Wou	530,000	0.73
15.	Ang Siew Lan	498,000	0.69
16.	Ooi Lay Tin	427,000	0.59
17.	Tang Boon Heng	389,900	0.54
18.	M. Ramakrishnan A/L K. Madhavan Nair	384,800	0.53
19.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SGBR-TST-ASING)	362,800	0.50
20.	Ong Chin Kean	360,000	0.50
21.	Kee Ju-Hun	343,900	0.48
22.	Mohd Salleh Bin Hashim	335,000	0.46
23.	Ong Chin Hock	310,700	0.43
24.	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Teck Ong @ Lee Kok Chee	291,900	0.40
25.	TCL Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Anson Wang	270,300	0.37
26.	Kam Lai Yong	237,200	0.33
27.	Ratha Krishnan A/L Perumal	229,000	0.32
28.	Mayban Securities Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Lim Oon Hock	227,000	0.31
29.	Lee Teck Ong @ Lee Kok Chee	222,400	0.31
30.	Lum Weng Loy	220,000	0.30
	Total	**36,445,889**	**50.48**

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant holders	%	No. of Warrantholdings	%
1 – 99	142	7.98	6,879	0.04
100 – 1,000	748	42.02	561,759	3.26
1,001 – 10,000	683	38.37	2,263,597	13.12
10,001 – 100,000	188	10.56	5,865,091	34.00
100,001 – to less than 5% of Warrants issued	18	1.01	3,732,600	21.64
5% and above of Warrants issued	1	0.06	4,819,518	27.94
Total	**1,780**	**100.00**	**17,249,444**	**100.00**

THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant holders	No. of Warrants	%
1.	Linear Holding Sdn Bhd	4,819,518	27.94
2.	Lum Weng Loy	743,000	4.31
3.	Lee Ha Ming	389,700	2.26
4.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Choon Kwan	303,000	1.76
5.	Fua Kia Pha	282,000	1.63
6.	United Overseas Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Kian Teck	223,800	1.30
7.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hoo Khee Leng	209,300	1.21
8.	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chong Hing @ Yen Chong Hing	160,000	0.93
9.	Chai Siew Wee	157,600	0.91
10.	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Lim Oon Cheng	157,000	0.91
11.	Tan Hong Siang	137,600	0.80
12.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oi Bee Tin	135,200	0.78
13.	Tan Chuan Li	130,000	0.75
14.	Chean Seng Hong	126,400	0.73
15.	Chan Kin Hua	124,200	0.72

THIRTY (30) LARGEST WARRANT HOLDERS (CONT'D)

No.	Name of Warrant holders	No. of Warrants	%
16.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hock Sin	120,900	0.70
17.	Muniamah A/P Periasamy	120,400	0.70
18.	Low Kian Howa	107,900	0.63
19.	Chua Chin Chyang	104,600	0.61
20.	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Poh Boon	100,000	0.58
21.	Ang Chan Ooi	100,000	0.58
22.	Ang Siew Lan	100,000	0.58
23.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Merrill Lynch Pierce Fenner & Simth Incorporated (Foreign)	100,000	0.58
24.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Sey Chen	100,000	0.58
25.	Chow Man Leong	98,900	0.57
26.	Law Boon Leong	93,100	0.54
27.	Ong Peng Chor	88,837	0.52
28.	Teuh Chin Chai	88,600	0.51
29.	Ooi Teng Hai	87,000	0.50
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yiew On	86,700	0.50
	Total	**9,595,255**	**55.62**

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting ("the Meeting") of Linear Corporation Berhad ("the Company") will be convened and held at the Seminar Hall, Ground Floor, No. 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia on Monday, 30 June 2008 at 2.30 p.m. to transact the following businesses:-

AGENDA

Ordinary Business

1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors thereon. **Odinary Resolution 1**

2. To approve the payment of Directors' fees totaling RM22,000 in respect of the financial year ended 31 December 2007. **Odinary Resolution 2**

3. To re-elect the following Director who retires by rotation pursuant to Article 95 of the Company's Articles of Association and who, being eligible, has offered himself for re-election :-

   3.1 Alan Rajendram A/L Jeya Rajendram **Odinary Resolution 3**

   To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association and who, being eligible, have offered themselves for re-election :-

   3.2 Mevin Nevis A/L AF Nevis **Odinary Resolution 4**
   3.3 Kok Seng Loong **Odinary Resolution 5**

4. To re-appoint Messrs. UHY Diong as Auditors of the Company who shall hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Directors to fix their remuneration. **Odinary Resolution 6**

Special Business

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

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

"**That** subject always to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given for the Company and its subsidiaries ("the Group") to enter into the recurrent related party transactions, as detailed in section 2.4 of the Circular to Shareholders dated 6 June 2008 accompanying the Company's Annual Report 2007 ("the Circular"), which are of revenue in nature and which are transacted within and/or are necessary for the day-to-day operations of the Group and which are carried out on terms no more favourable to the related parties than those generally available to the public or non-related parties and are not to the detriment of the minority shareholders of the Company ("the Shareholders' Mandate"); **Odinary Resolution 7**

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

(i) the conclusion of the next annual general meeting of the Company, at which time it will lapse unless by a resolution passed at such meeting, such authority is renewed; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier, and that for avoidance of doubt, all such transactions entered into by the Group prior to the date of this resolution be and is hereby approved;

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

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

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

Odinary Resolution 8

"**That** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other relevant applicable laws, regulations and guidelines and the approvals of all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors from time to time through Bursa Securities and to enter into any agreement(s), arrangement(s) and guarantee(s) with any party(ies) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any condition(s), modification(s), revaluation(s), variation(s) and/or amendment(s) as may be imposed by the relevant authorities from time to time and to do all such things and acts as the Directors may deem fit and expedient in the best interest of the Company subject further to the following :-

(i) the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum (10%) of the existing issued and paid-up share capital of the Company inclusive of the 2,949,700 ordinary shares already purchased and retained as treasury shares as at 6 June 2008;

(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;

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

(i) the conclusion of the next annual general meeting ("AGM") of the Company to be held in 2009, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first but shall not prejudice the completion of purchaser(s) by the Company before the aforesaid expiry date."

7. Authority For Directors To Allot And Issue New Ordinary Shares

"**That** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals, rules and regulations of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965 to allot and issue new ordinary shares in the share capital of the Company at any time, from time to time, at such price(s) and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (other than as a bonus or rights issue or pursuant to the Company's Employees' Share Option Scheme) provided that the aggregate number of new ordinary shares to be allotted and issued pursuant to this resolution shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such new ordinary shares and in any one (1) financial year ; **And That** such authority shall remain in force until the conclusion of the next annual general meeting of the Company ." **Odinary Resolution 9**

8. Authority For Directors To Allot And Issue New Ordinary Shares Pursuant To The Company's Employees' Share Option Scheme

"**That** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals, rules and regulations of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot and issue, at any time, from time to time, such number of new ordinary shares in the share capital of the Company as may be required to be allotted and issued pursuant to the exercise of share options under the Company's Employees' Share Option Scheme ("ESOS") provided that the total number of new ordinary shares to be allotted and issued pursuant to the ESOS shall not exceed fifteen percent (15%) of the total issued and paid-up share capital of the Company at any point in time ; **And That** such authority shall remain in force until the expiration of the duration of the ESOS." **Odinary Resolution 10**

9. Proposed Allocation Of Employees' Share Options To Pervez Rustim Manecksha @ Paul Manecksha, Chairman and Independent Non-Executive Director

"**That** the Board of Directors and/or the Employees' Share Options Committee of the Company be and are hereby authorised to, at any time, from time to time, offer and grant to Pervez Rustim Manecksha @ Paul Manecksha, Chairman and Independent Non-Executive Director of the Company, options to subscribe for new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") **Provided That**:- **Odinary Resolution 11**

(i) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees (as defined in the By-Laws governing the ESOS) who are Directors and senior management of the Company and its subsidiaries which are not dormant;

(ii) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee; and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws governing the ESOS."

10. Proposed Allocation Of Employees' Share Options To Heinrich August Diehl, Independent Non-Executive Director

"**That** the Board of Directors and/or the Employees' Share Options Committee of the Company be and are hereby authorised to, at any time, from time to time, offer and grant to Heinrich August Diehl, Independent Non-Executive Director of the Company, options to subscribe for new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") **Provided That**:- **Odinary Resolution 12**

(iii) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees (as defined in the By-Laws governing the ESOS) who are Directors and senior management of the Company and its subsidiaries which are not dormant;

(iv) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee; and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws governing the ESOS."

11. Proposed Allocation Of Employees' Share Options To Kok Seng Loong, Independent Non-Executive Director

"**That** the Board of Directors and/or the Employees' Share Options Committee of the Company be and are hereby authorised to, at any time, from time to time, offer and grant to Kok Seng Loong, Independent Non-Executive Director of the Company, options to subscribe for new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") **Provided That**:- **Odinary Resolution 13**

(v) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees (as defined in the By-Laws governing the ESOS) who are Directors and senior management of the Company and its subsidiaries which are not dormant ;

(vi) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee; and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws governing the ESOS."

12. Proposed Allocation Of Employees' Share Options To Alan Rajendram A/L Jeya Rajendram, Executive Director

"**That** the Board of Directors and/or the Employees' Share Options Committee of the Company be and are hereby authorised to, at any time, from time to time, offer and grant to Alan Rajendram A/L Jeya Rajendram, Executive Director of the Company, options to subscribe for new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") **Provided That** :- **Odinary Resolution 14**

(i) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees (as defined in the By-Laws governing the ESOS) who are Directors and senior management of the Company and its subsidiaries which are not dormant;

(ii) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee; and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws governing the ESOS."

13. Proposed Allocation Of Employees' Share Options To Eswaramoorthy Pillay S/O Amuther, Executive Director

"**That** the Board of Directors and/or the Employees' Share Options Committee of the Company be and are hereby authorised to, at any time, from time to time, offer and grant to Eswaramoorthy Pillay S/O Amuther, Executive Director of the Company, options to subscribe for new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") **Provided That** :- **Odinary Resolution 15**

(i) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees (as defined in the By-Laws governing the ESOS) who are Directors and senior management of the Company and its subsidiaries which are not dormant;

(ii) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee; and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws governing the ESOS."

14. Proposed Allocation Of Employees' Share Options To Mevin Nevis A/L AF Nevis, Executive Director

"**That** the Board of Directors and/or the Employees' Share Options Committee of the Company be and are hereby authorised to, at any time, from time to time, offer and grant to Mevin Nevis A/L AF Nevis, Executive Director of the Company, options to subscribe for new ordinary shares in the Company pursuant to the Company's Employees' Share Option Scheme ("ESOS") **Provided That**:- **Odinary Resolution 16**

(i) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees (as defined in the By-Laws governing the ESOS) who are Directors and senior management of the Company and its subsidiaries which are not dormant;

(ii) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad), holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee; and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws governing the ESOS."

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

Penang, Malaysia
6 June 2008

NOTES

1. Appointment of Proxy

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

The Form of Proxy must be deposited at the Company's Registered Office, No. 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

2. Statement Accompanying The Notice of Annual General Meeting

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

3. Explanatory Notes on Special Businesses

a) Ordinary Resolution 7, if passed, will allow the Company and its subsidiaries ("the Group") to enter into recurrent related party transactions ("Shareholders Mandate") pursuant to paragraph 10.09 (1) of the Listing Requirements of Bursa Securities. The details of the Shareholders' Mandate are set out in the Circular to Shareholders dated 6 June 2008 accompanying this annual report.

b) Ordinary Resolution 8, if passed, will allow the Company to buy back its own shares up to 10% of the issued and paid-up share capital of the Company ("Share Buy-Back"). This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next annual general meeting of the Company. Further details on the Share Buy-Back are set out in the Share Buy-Back Statement dated 6 June 2008 accompanying this annual report.

c) Ordinary Resolution 9, if passed, will allow the Board of Directors to allot and issue new ordinary shares up to ten percent (10%) of the total issued and paid-up share capital of the Company as at the date of allotment of such new ordinary shares in any one (1) financial year, for such purposes and upon such terms as the Directors consider would be in the best interest of the Company (other than as a bonus or rights issue or pursuant to the Company's Employees' Share Option Scheme). This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next annual general meeting of the Company.

d) Ordinary Resolution 10, if passed, will allow the Board of Directors ("the Board") to allot and issue new ordinary shares up to fifteen percent (15%) of the total issued and paid-up share capital of the Company at any point in time pursuant to the exercise of share options under the Company's Employees' Share Option Scheme ("ESOS"). This authority will remain in force until the expiration of the duration of the ESOS. The Board, had on 13 May 2008, modified the By-Laws governing the ESOS to increase the maximum number of new ordinary shares available under the ESOS from ten percent (10%) to fifteen percent (15%) of the total issued and paid-up share capital of the Company at any point in time and to include independent and non-executive directors who are not full-time employees of the Group to participate as eligible employees in the ESOS. The Board had also extended the duration of the ESOS for another five (5) years from 14 August 2008 to 13 August 2013 as permitted by the By-Laws governing the ESOS ("the By-Laws") and the Listing Requirements of Bursa Securities ("Listing Requirements").

e) Ordinary Resolution 11, if passed, will allow the Board of Directors and the ESOS Options Committee to offer and grant to Mr Pervez Rustim Manecksha @ Paul Manecksha, Chairman and Independent Non-Executive Director of the Company, such number of share options pursuant to the ESOS provided that:

   (i) not more than fifty percent (50%) of the total number of new ordinary shares available under the ESOS shall be allocated, in aggregate, to eligible employees who are Directors and senior management of the Company and its subsidiaries which are not dormant ; and

   (ii) not more than ten percent (10%) of the new ordinary shares available under the ESOS shall be allocated to an eligible employee who, either singly or collectively through persons connected with him/her holds twenty percent (20%) or more of the total issued and paid-up share capital of the Company at the time an offer is made to such eligible employee

   (collectively "the Maximum Allocation").

f) Ordinary Resolution 12, if passed, will allow the Board of Directors and the ESOS Options Committee to offer and grant to Mr Heinrich August Diehl, Independent Non-Executive Director of the Company, such number of share options pursuant to the ESOS subject to the Maximum Allocation.

g) Ordinary Resolution 13, if passed, will allow the Board of Directors and the ESOS Options Committee to offer and grant to Mr Kok Seng Loong, Independent Non-Executive Director of the Company, such number of share options pursuant to the ESOS subject to the Maximum Allocation.

h) Ordinary Resolution 14, if passed, will allow the Board of Directors and the ESOS Options Committee to offer and grant to Mr Alan Rajendram A/L Jeya Rajendram, Executive Director of the Company, such number of share options pursuant to the ESOS subject to the Maximum Allocation.

i) Ordinary Resolution 15, if passed, will allow the Board of Directors and the ESOS Options Committee to offer and grant to Mr Eswaramoorthy Pillay S/O Amuther, Executive Director of the Company, such number of share options pursuant to the ESOS subject to the Maximum Allocation.

j) Ordinary Resolution 16, if passed, will allow the Board of Directors and the ESOS Options Committee to offer and grant to Mr Mevin Nevis A/L AF Nevis, Executive Director of the Company, such number of share options pursuant to the ESOS subject to the Maximum Allocation.

statement accompanying the notice of annual general meeting

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

	No. of Shares held in the Company as at 5 May 2008			
Name of Director	**Direct**	**#%**	**Indirect**	**#%**
Alan Rajendram A/L Jeya Rajendram	1,461,100	2.02	(i)14,372,518	19.92
Mevin Nevis A/L AF Nevis	100,000	0.14	–	–
Kok Seng Loong	–	–	–	–

Notes:

(i) *Indirect interest by virtue of shareholding in Linear Holding Sdn. Bhd.*

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

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

The profile and details of the Directors standing for re-election are outlined in pages 7 and 8 of this annual report.

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proxy form

LINEAR
cooling redefined
LINEAR CORPORATION BERHAD (288687-W)

I/We ____

of ____

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

____

of ____

or failing whom ____

of ____

/the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the Fourteenth Annual General Meeting of the Company ("the Meeting") to be held at the Seminar Hall, Ground Floor, No. 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia on Monday, 30 June 2008 at 2.30 p.m., and at any adjournment thereof.

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

Resolution		For	Against
1	To received the Audited Financial Statements		
2	To approve payment of Directors' Fees		
3	To re-elect Alan Rajendram A/L Jeya Rajendram to the Board		
4	To re-elect Mevin Nevis A/L AF Nevis to the Board		
5	To re-elect Kok Seng Loong to the Board		
6	To re-appoint UHY Diong as Auditors		
7	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
8	Renewal of Authority for Share Buy-Back		
9	Authority For Directors To Allot And Issue New Shares		
10	Authority For Directors To Allot And Issue New Shares Pursuant To The ESOS		
11	Allocation Of ESOS Options to Pervez Rustim Manecksha @ Paul Maneckshа		
12	Allocation Of ESOS Options to Heinrich August Diehl		
13	Allocation Of ESOS Options to Kok Seng Loong		
14	Allocation Of ESOS Options to Alan Rajendram A/L Jeya Rajendram		
15	Allocation Of ESOS Options to Eswaramoorthy Pillay S/O Amuther		
16	Allocation Of ESOS Options to Mevin Nevis A/L AF Nevis		

Dated this ________ day of ________________ 2008.

No. of Shares Held

____
Signature/ common seal of shareholder

Notes

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

2. This Form of Proxy, in the case of an individual, must be signed by the appointor or by his attorney duly authorised in writing and in the case of a body corporate, it must be given under its common seal or signed on its behalf by an attorney or officer of the body corporate duly authorised in writing.

3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 100 shares held by the member.

4. Please indicate with an "X" in the appropriate column as to how you wish your proxy to vote [For or Against] each resolution. If this Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.

5. This Form of Proxy must be deposited at the Company's Registered Office, No. 20A, Jalan Perusahaan, Prai Industrial Estate 4, 13600 Prai, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

Fold along this line

Affix
Postage Stamp
Here

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

Fold along this line

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