LINEAR CORPORATION BERHAD

(Company No. 288687-W)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	ALAN RAJENDRAM A/L JEYA RAJENDRAM ESWARAMOORTHY PILLAY S/O AMUTHER PERVEZ RUSTIM MANECKSHA @ PAUL MANECKSHA HEINRICH AUGUST DIEHL MEVIN NEVIS A/L AF NEVIS KOK SENG LOONG
SECRETARY	NG WAI PENG
REGISTERED OFFICE	PLOT 20A JALAN PERUSAHAAN PRAI INDUSTRIAL ESTATE 4 13600 PRAI PENANG
BUSINESS ADDRESS	PLOT 20A JALAN PERUSAHAAN PRAI INDUSTRIAL ESTATE 4 13600 PRAI PENANG
AUDITORS	UHY DIONG CHARTERED ACCOUNTANTS
BANKERS	EON BANK BERHAD HSBC BANK MALAYSIA BERHAD MALAYAN BANKING BERHAD OCBC BANK (MALAYSIA) BERHAD

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

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)	0
	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 Notes 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 Manecksha @Paul Manecksha	
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	0	1,461,000	0	1,461,000
Indirect interest				
Alan Rajendram A/L Jeya Rajendram *	14,372,518	0	0	14,372,518
Eswaramoorthy Pillay S/O Amuther *	14,372,518	0	0	14,372,518
Pervez Rustim Manecksha @ Paul Manecksha #	0	100,000	0	100,000

***** Deemed interested by virtue of their shareholdings in Linear Holding Sdn. Bhd.

Deemed interested by virtue of his shareholdings in Manecksha Enterprise.

DIRECTORS' INTERESTS (CONTINUED)

	Number of warrants of RM1 each			
Warrants in the Company	At 1-1-2007	Bought	Sold	At 31-12-2007
Indirect interest				
Alan Rajendram A/L Jeya Rajendram *	4,819,518	0	0	4,819,518
Eswaramoorthy Pillay S/O Amuther *	4,819,518	0	0	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.

OTHER STATUTORY INFORMATION (CONTINUED)

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.

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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

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	**ESWARAMOORTHY PILLAY S/O AMUTHER**
Director	Director

Dated: 28 April 2008

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

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

REPORT OF THE AUDITORS TO THE MEMBERS OF
LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

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.

REPORT OF THE AUDITORS TO THE MEMBERS OF LINEAR CORPORATION BERHAD (CONTINUED)
(Company No. 288687-W)
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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.

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.

REPORT OF THE AUDITORS TO THE MEMBERS OF LINEAR CORPORATION BERHAD (CONTINUED)
(Company No. 288687-W)
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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

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2007

		Group		Company	
		2007	**2006**	**2007**	**2006**
	NOTE	**RM**	**RM**	**RM**	**RM**
NON-CURRENT ASSETS					
Property, plant and equipment	5	44,527,417	45,869,866	1,389,850	0
Prepaid land lease payments	6	4,230,000	4,320,000	0	0
Investment in subsidiary companies	7	0	0	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	90,862	2,198,337	0	0
Deferred tax assets	11	0	206,000	0	0
		54,502,376	60,782,128	40,049,888	41,336,139
CURRENT ASSETS					
Inventories	12	17,589,111	18,961,954	0	0
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	0	0
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	0	2,800,000	0	0
		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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2007 (CONTINUED)

		Group		Company	
		2007	**2006**	**2007**	**2006**
	NOTE	**RM**	**RM**	**RM**	**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	0	0
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	0	0
Hire purchase payables	20	1,744,894	678,172	1,208,538	0
Deferred tax liabilities	21	2,147,664	1,893,412	0	0
		12,297,318	11,571,584	1,208,538	0
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	0	0
Hire purchase payables	20	751,940	354,204	173,881	0
Taxation		1,233,222	833,726	0	0
		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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Group		Company	
		2007	2006	2007	2006
	NOTE	RM	RM	RM	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)	0	0
Changes in inventories of finished goods and work-in-progress		1,854,028	1,077,891	0	0
Raw materials and consumables used		(15,998,921)	(21,497,982)	0	0
Purchase of trading merchandise		(105,909,670)	(13,408)	0	0
Amortisation of prepaid land lease payments		(90,000)	(90,000)	0	0
Depreciation		(2,785,290)	(3,454,447)	(73,150)	0
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)	0	0
Impairment loss of investment in subsidiary companies		0	0	(351,053)	(14,529,942)
Impairment of goodwill		0	(6,729,671)	0	0
Other expenses		(25,292,743)	(21,756,099)	(12,791,449)	(516,109)
Finance costs	25	(2,468,728)	(2,831,228)	(7,849)	0
PROFIT/(LOSS) BEFORE TAXATION	26	6,664,620	(20,335,525)	(12,670,688)	(15,855,231)
Taxation	27	(1,680,654)	335,703	0	0
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	0	0
		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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		Non-distributable								
	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
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	0	0	0	(775,688)	0	0	2,712,025	1,936,337	0	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	0	0	0	0	0	(821)	0	(821)	0	(821)
Translation difference in subsidiary companies	0	0	0	0	275,058	0	0	275,058	0	275,058
Transfer of revaluation surplus	0	0	0	(135,388)	0	0	135,388	0	0	0
Net income and expense recognised directly in equity	0	0	0	(135,388)	275,058	0	135,388	275,058	0	275,058
Loss for the year	0	0	0	0	0	0	(20,270,864)	(20,270,864)	271,042	(19,999,822)
Total recognised income and expense	0	0	0	(135,388)	275,058	0	(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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

		Non-distributable								
	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
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	0	0	0	0	0	(49)	0	(49)	0	(49)
Translation difference in subsidiary companies	0	0	0	0	(90,718)	0	0	(90,718)	0	(90,718)
Disposal of a subsidiary company (Note 7)	0	0	0	0	0	0	0	0	112,372	112,372
Transfer of revaluation surplus	0	0	0	(114,643)	0	0	114,643	0	0	0
Net income and expense recognised directly in equity	0	0	0	(114,643)	(90,718)	0	114,643	(90,718)	112,372	21,654
Profit for the year	0	0	0	0	0	0	5,026,520	5,026,520	(42,554)	4,983,966
Total recognised income and expense	0	0	0	(114,643)	(90,718)	0	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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		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	0	0	0	0	(821)	0	(821)
Loss for the year	0	0	0	0	0	(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	0	0	0	0	(49)	0	(49)
Loss for the year	0	0	0	0	0	(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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

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	0	0
Allowance for doubtful debts	5,778,688	4,674,328	5,669,864	1,224
Allowance for doubtful debts no longer required	(26,187)	0	(5,228)	0
Allowance for slow moving inventories	0	2,642,256	0	0
Bad debts written off	8,518,765	1,391,999	5,536,139	6,450
Depreciation	2,785,290	3,454,447	73,150	0
Dividend income	0	(105,684)	0	(105,684)
Gain on disposal of investment in quoted shares	(856,738)	0	(856,738)	0
Gain on disposal of a subsidiary company	(13,033)	0	0	0
Gain on disposal of property, plant and equipment	0	(55,508)	0	0
Over amortisation of goodwill in prior year	(147,385)	0	0	0
Impairment loss of investment in subsidiary companies	0	0	351,053	14,529,940
Impairment of goodwill	0	6,729,671	0	0
Impairment loss of non-current asset held for sale	0	538,710	0	0
Interest income	(19,308)	(396,019)	(2,358)	(357,630)
Interest on bank borrowings	1,473,177	1,915,800	0	0
Interest on hire purchase	88,969	86,431	7,849	0
Interest on term loans	812,762	683,925	0	0
Balance carried forward	25,149,620	1,314,831	(1,896,957)	(1,780,931)

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Balance brought forward	25,149,620	1,314,831	(1,896,957)	(1,780,931)
Loss on disposal of an associated company	10,000	0	0	0
Loss on disposal of property, plant and equipment	2,666	0	0	0
Property, plant and equipment written off	143,953	108,163	0	0
Share of loss of associated companies	208,780	178,201	0	0
Unrealised loss on foreign exchange	1,905,395	259,087	1,120,636	0
Operating profit/(loss) before working capital changes	27,420,414	1,860,282	(776,321)	(1,780,931)
Inventories	692,877	(2,269,757)	0	0
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)	0	0
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.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

	Group		Company	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
CASH FLOW FROM INVESTING ACTIVITIES				
Dividend received	0	76,092	0	76,092
Goodwill arising on acquisition of a subsidiary company	0	(2,523)	0	0
Interest received	2,534	602,253	2,358	357,630
Purchase of investment in an associated company	(100,000)	0	0	0
Purchase of property, plant and equipment (Note a)	(375,342)	(1,082,115)	(60,000)	0
Proceeds from disposal of investment in an associated company	90,000	0	0	0
Proceeds from disposal of investment in quoted shares	3,181,786	0	3,181,786	0
Proceeds from disposal of non-current asset held for sales	2,800,000	0	0	0
Proceeds from disposal of property, plant and equipment	145,457	718,450	0	0
Net cash outflow on disposal of a subsidiary company (Note 7)	(17,640)	0	0	0
Net cash flow from investing activities	5,726,795	312,157	3,124,144	433,722

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
CASH FLOW FROM FINANCING ACTIVITIES				
Amount owing to Directors	(1,591,738)	197,428	0	0
Interest paid	(2,374,908)	(2,723,319)	0	0
Proceeds from long term loans	0	5,000,000	0	0
Repayment of bank borrowings	(2,974,375)	(9,321,927)	0	0
Repayment of hire purchase payables	(252,417)	(782,712)	(28,430)	0
Repayment of long term loans	(595,240)	(90,824)	0	0
Repurchase of treasury shares	(49)	(821)	(49)	(821)
Deposits released from security value	0	7,037,706	0	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	0	0
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

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Represented by :				
(a) Purchase of property, plant and equipment:				
- financed by hire purchase arrangements	1,716,875	52,100	1,403,000	0
- financed by cash	375,342	1,082,115	60,000	0
- additions during the year (Note 5)	2,092,217	1,134,215	1,463,000	0
(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)	0	0
	(7,840,126)	(8,301,598)	1,966,701	693,091

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD
(Company No. 288687-W)
(Incorporated in Malaysia)

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.

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)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Increase/(Decrease) RM
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	0	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 (CONTINUED)

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 and Electronic 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (CONTINUED)

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investments in associated companies (continued)

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.

3.7 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Inventories (continued)

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.

3.12 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.19 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (CONTINUED)

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	Reclassification 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	0	0	0	0	0	15,000,000
Flats	395,000	0	0	0	0	0	395,000
Apartments	1,560,332	0	0	0	0	7,596	1,567,928
At cost							
Freehold land	2,085,600	96,050	0	0	0	480	2,182,130
Buildings	54,185	0	40,521	0	(19,259)	0	75,447
District cooling plant	24,116,377	(96,050)	3,000	0	0	0	24,023,327
Plant and machinery	11,147,850	0	345,256	(925,726)	0	0	10,567,380
Moulds, tools and equipment	5,434,531	0	108,874	(36,732)	(280,342)	0	5,226,331
Office equipment, furniture and fittings	2,561,600	0	117,408	0	(83,431)	1,119	2,596,696
Motor vehicles	2,507,647	0	1,463,000	(37,400)	0	729	3,933,976
Renovation	423,158	0	14,158	0	(74,366)	0	362,950
Assets in progress	95,295	0	0	0	0	436	95,731
	65,381,575	0	2,092,217	(999,858)	(457,398)	10,360	66,026,896

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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)	0	0	0	0	0
Buildings	16,750,000	(1,750,000)	0	0	0	0	15,000,000
Flats	395,000	0	0	0	0	0	395,000
Apartments	1,461,609	0	0	0	0	98,723	1,560,332
At cost							
Freehold land	2,079,366	0	0	0	0	6,234	2,085,600
Buildings	54,185	0	0	0	0	0	54,185
District cooling plant	0	0	24,116,377	0	0	0	24,116,377
Plant and machinery	13,291,005	0	0	33,285	(2,293,606)	117,166	11,147,850
Moulds, tools and equipment	5,661,511	0	0	14,949	(255,184)	13,255	5,434,531
Office equipment, furniture and fittings	2,483,668	0	0	98,156	(36,658)	16,434	2,561,600
Motor vehicles	3,611,846	0	0	76,100	(1,202,887)	22,588	2,507,647
Renovation	423,158	0	0	0	0	0	423,158
Assets in progress	23,294,280	0	(24,116,377)	911,725	0	5,667	95,295
	71,205,628	(3,450,000)	0	1,134,215	(3,788,335)	280,067	65,381,575

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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)	0	0	0	0
Buildings	356,452	(56,452)	300,000	0	0	600,000
Flats	7,900	0	7,900	0	0	15,800
Apartments	64,849	0	86,181	0	22,827	173,857
At cost						
Buildings	955	0	1,084	0	0	2,039
District cooling plant	0	0	904,168	0	0	904,168
Plant and machinery	9,904,348	0	1,182,811	(2,286,989)	94,527	8,894,697
Moulds, tools and equipment	5,083,504	0	172,136	(168,259)	6,906	5,094,287
Office equipment, furniture and fittings	1,774,903	0	226,206	(22,036)	13,205	1,992,278
Motor vehicles	1,587,819	0	531,645	(539,946)	11,724	1,591,242
Renovation	201,025	0	42,316	0	0	243,341
	19,036,593	(111,290)	3,454,447	(3,017,230)	149,189	19,511,709

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2007	**2006**
Net book value	**RM**	**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	0
Additions	1,463,000
At 31 December 2007	1,463,000
Accumulated depreciation	
At 1 January 2007	0
Current charge	73,150
At 31 December 2007	73,150
Net book value	
At 31 December 2007	1,389,850

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Net book value				
Motor vehicles	1,865,169	819,751	1,389,850	0
Plant and machinery	231,447	423,192	0	0
	2,096,616	1,242,943	1,389,850	0

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	**2006**
	RM	**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	Group 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

	Company 2007 RM	Company 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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Name of direct subsidiary companies	Place of incorporation	Effective interest 2007	2006	Principal activities
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
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 spare 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

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Name of indirect subsidiary companies	Place of incorporation	Effective interest 2007	2006	Principal activities
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 (CONTINUED)

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	2006	2007	2006
	RM	RM	RM	RM
Unquoted shares				
At cost	4,830,000	4,830,000	4,830,000	4,830,000
Share of post-acquisition results and reserves, net of dividend received	(978,676)	(769,896)	0	0
	3,851,324	4,060,104	4,830,000	4,830,000

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

	Group	
	2007	2006
	RM	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		Company	
	2007	2006	2007	2006
	RM	RM	RM	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	0	0
Less: Allowance for diminution in value of investments	(11,960,000)	(13,860,000)	0	0
	0	0	0	0
Investment in club memberships, at cost	96,475	96,475	0	0
	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	2006
	RM	RM
At 1 January	2,198,337	7,473,784
Effect of changes in accounting policies	0	1,451,701
Goodwill on consolidation arising from the acquisition of a subsidiary company	0	2,523
Over amortisation of goodwill in prior years	147,385	0
Disposal of a subsidiary company (Note 7)	(2,254,860)	0
Impairment loss	0	(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	2006
	RM	RM
At 1 January	206,000	0
Recognised in the income statement (Note 27)	(226,700)	206,000
Underprovision in respect of prior years	20,700	0
At 31 December	0	206,000
Subject to income tax:		
Deferred tax liability (before offsetting)		
Property, plant and equipment	0	43,000
Offsetting	0	(43,000)
Deferred tax liability (after offsetting)	0	0
Deferred tax assets (before offsetting)		
Allowance for slow moving inventories	0	51,000
Property, plant and equipment	0	0
Unabsorbed tax losses	0	0
Other temporary differences	0	198,000
Offsetting	0	(43,000)
Deferred tax assets (after offsetting)	0	206,000

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	2006	2007	2006
	RM	RM	RM	RM
Allowance for slow moving inventories	67,500	380,000	0	0
Property, plant and equipment	432,490	1,901,300	(7,600)	0
Unabsorbed tax losses	1,986,700	3,831,400	228,700	0
Other temporary differences	97,910	58,300	0	0
	2,584,600	6,171,000	221,100	0

12. INVENTORIES

	Group 2007 RM	Group 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 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Trade receivables	122,096,839	28,679,430	0	0
Less: Allowance for doubtful debts	(8,927,974)	(18,533,036)	0	0
	113,168,865	10,146,394	0	0
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)	0	0
	12,550,062	29,632,362	7,448,378	24,398,546
Amount owing by subsidiary companies	0	0	31,132,604	27,194,665
Less: Allowance for doubtful debts	0	0	0	(5,228)
	0	0	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)
	0	3,347,838	0	0
Amount owing by contract customers	0	42,532	0	0
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 (CONTINUED)

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	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**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	0	0	0
Singapore Dollars	0	2,897,004	0	0
Thai Baht	273,049	271,806	0	0
Euro	1,395	222,246	0	0
	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	0	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	2006	2007	2006
	RM	RM	RM	RM
Ringgit Malaysia	3,082,880	3,260,528	1,966,701	693,091
United States Dollars	8,492	144,614	0	0
Singapore Dollars	0	623	0	0
Thai Baht	8,441	2,833	0	0
Euro	2,819	4,001	0	0
	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	2006
	RM	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.

17. SHARE CAPITAL (CONTINUED)

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.

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.

17. SHARE CAPITAL (CONTINUED)

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

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

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

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

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

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

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

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

		No. of options over ordinary shares of RM1 each				
Date of offer	**Exercise price per ordinary share RM**	**Balance as at 01-01-2007**	**Granted**	**Exercised**	**Cancelled**	**Balance as at 31-12-2007**
25 August 2003	1.16	3,041,000	0	0	(1,437,000)	1,604,000
15 October 2003	1.22	79,000	0	0	(79,000)	0

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	0	0
	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 RM	Group 2006 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	0
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
Total 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	0
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:-

	2007 RM	2006 RM
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.

19. BANK BORROWINGS (CONTINUED)

The annual effective interest rates are as follows:

	Group	
	2007	2006
	%	%
Bank overdraft	7.75 - 8.75	7.75 - 8.75
Bankers' acceptance	3.62 - 6.85	3.62 - 6.97
Revolving credit	0	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;

(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 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Representing hire purchase liabilities				
- current	751,940	354,204	173,881	0
- non-current	1,744,894	678,172	1,208,538	0
	2,496,834	1,032,376	1,382,419	0
Hire purchase liabilities:				
Minimum hire purchase repayments				
- not later than 1 year	875,874	421,584	233,136	0
- later than 1 year but not later than 5 years	1,555,511	313,540	932,544	0
- later than 5 years	437,720	493,639	437,720	0
	2,869,105	1,228,763	1,603,400	0
Future finance charges on hire purchase	(372,271)	(196,387)	(220,981)	0
Present value of hire purchase liabilities	2,496,834	1,032,376	1,382,419	0
Present value of hire purchase liabilities				
- not later than 1 year	751,940	354,204	173,881	0
- later than 1 year but not later than 5 years	1,324,182	263,429	787,826	0
- later than 5 years	420,712	414,743	420,712	0
	2,496,834	1,032,376	1,382,419	0

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	Group 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	0
- adjustment resulting from reduction in tax rate	29,600	0
Overprovision in respect of prior year	(1,155,500)	0
Effect of changes in accounting policy	0	(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	0
Offsetting	(1,738,600)	0
Deferred tax liabilities (after offsetting)	2,147,664	1,893,412
Deferred tax assets (before offsetting)		
Allowance for slow moving inventories	366,000	0
Unabsorbed capital allowances	884,100	0
Trade receivables	384,300	0
Other temporary differences	104,200	0
Offsetting	(1,738,600)	0
Deferred tax assets (after offsetting)	0	0

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	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Trade payables	85,537,504	13,019,543	0	0
Non-trade payables	2,498,120	4,214,195	0	972,123
Amount owing to subsidiary companies	0	0	25,149,423	26,351,797
Amount owing to Directors	800,053	2,391,791	0	0
Accruals	1,885,375	2,851,113	157,204	135,630
Deposits received	228,927	79,164	0	0
Project deposit received	3,000,000	0	0	0
	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).

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	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	20,635,604	20,173,133	25,306,627	27,459,550
Pound Sterling	16,558,292	0	0	0
United States Dollars	52,501,908	1,477,701	0	0
Japanese Yen	5,157	0	0	0
Thai Baht	4,238,267	904,972	0	0
Euro	10,751	0	0	0
	93,949,979	22,555,806	25,306,627	27,459,550

23. REVENUE

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Sales of manufacturing goods	23,525,411	25,578,720	0	0
Sales of trading goods	131,150,985	13,140,909	0	0
Gross dividend income from quoted shares in Malaysia	0	105,684	0	105,684
Contract revenue	2,549,109	4,540,684	0	0
Management fee	0	0	267,100	66,400
Others	1,009,852	1,146,636	0	0
	158,235,357	44,512,633	267,100	172,084

24. STAFF COSTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 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:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
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 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Bank discounting and financing charges	88,731	145,072	0	0
Interest on bank borrowings	1,473,177	1,915,800	0	0
Interest on hire purchase	88,969	86,431	7,849	0
Interest on late payment	5,089	0	0	0
Interest on term loans	812,762	683,925	0	0
	2,468,728	2,831,228	7,849	0

26. PROFIT/(LOSS) BEFORE TAXATION

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 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	0	2,642,256	0	0
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	0	538,710	0	0
Loss on disposal of associated company	10,000	0	0	0
Loss on disposal of property, plant and equipment	2,666	0	0	0
Property, plant and equipment written off	143,953	108,163	0	0
Realised loss on foreign exchange	202,961	127,622	0	0
Rental of equipment	59,698	5,202	0	0
Rental of plant and machinery	0	57,520	0	0
Rental of premises	499,367	441,597	30,468	30,423
Research and development expenditure	0	8,745	0	0
Unrealised loss on foreign exchange	1,905,395	259,087	1,120,636	0

26. PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Profit/(Loss) berore taxation is arrived at after crediting :				
Allowance for doubtful debts no longer required	26,187	0	5,228	0
Dividend income	0	105,684	0	105,684
Gain on disposal of investment in quoted shares	856,738	0	856,738	0
Gain on disposal of a subsidiary company	13,033	0	0	0
Gain on disposal of property, plant and equipment	0	55,508	0	0
Over amortisation of goodwill in prior years	147,385	0	0	0
Interest income	19,308	396,019	2,358	357,630
Rental income	0	230,000	0	0

27. TAXATION

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
The major components of the tax expense are:				
Current tax expense based on profit for the year	1,227,000	158,000	0	0
Overprovision of taxation in respect of prior years	(6,598)	(241,614)	0	0
	1,220,402	(83,614)	0	0
Deferred tax expense (Note 11 and 21):				
- relating to origination and reversal of temporary differences	1,420,900	(252,089)	0	0
- adjustment resulting from deduction in tax rate	29,600	0	0	0
- overprovision of deferred tax assets in respect of prior year	(949,500)	0	0	0
Annual crystallisation of deferred tax on revaluation surplus	(40,748)	0	0	0
	1,680,654	(335,703)	0	0

27. TAXATION (CONTINUED)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
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)	0	0
- different tax rate of subsidiary companies	306,840	(96,196)	0	0
- tax savings from double deduction on promotion of export and marine insurance	(175,200)	(402,000)	0	0
- tax incentive granted to offshore company	(3,122,000)	0	0	0
Overprovision of taxation in respect of prior years	(6,598)	(241,614)	0	0
Deferred tax assets not recognised during the financial year	609,450	1,984,600	0	0
Utilisation of deferred tax assets not recognised in prior year	97,350	412,000	0	0
Overprovision of deferred tax assets in respect of prior year	(949,500)	0	0	0
Permanent loss not recognised during the financial year	70,320	0	0	0
Deferred tax expense resulting from reduction in tax rate	0	107,000	0	0
Tax expense/(income) for the year	1,680,654	(335,703)	0	0

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%.

27. TAXATION (CONTINUED)

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

	Company	
	2007	2006
	RM	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	2006
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	2006
	RM	RM
Management fee charged to subsidiary companies:		
- Linear Cooling Industries Sdn. Bhd.	264,800	52,300
- Nihon Spindle (M) Sdn. Bhd.	0	10,200
- Linear Water Treatment Sdn. Bhd.	2,300	2,300
- Linear Cooling Technology Sdn. Bhd.	0	1,600
Rental charged by a subsidiary company:		
- Nihon Spindle (M) Sdn. Bhd.	30,468	30,423

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2007 RM	Group 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	Company 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	Group 2006 RM
Capital expenditure contracted but not provided for in the financial statements in respect of:		
Machinery	0	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.

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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

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	0	0
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	0	0
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	0	0
Financial liabilities:				
Hire purchase payables (Note 20)	1,032,376	1,032,376	0	0
Long term loan (Note 19)	10,000,000	10,000,000	0	0

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.

34. SEGMENTAL REPORTING (CONTINUED)

2007	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Revenue							
External sales	0	23,525,411	2,549,109	131,150,985	1,009,852	0	158,235,357
Inter-segment sales	267,100	12,789,445	0	0	141,230	(13,197,775)	0
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	0	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 (CONTINUED)

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	0	0	2,092,217
Depreciation	249,882	1,390,338	1,103,557	31,628	9,885	0	2,785,290
Impairment loss of investment in a subsidiary company	351,053	0	0	0	0	0	351,053
Non-cash expenses other than depreciation and impairment loss	12,326,639	1,984,403	1,829,901	381,651	27,168	0	16,549,762
Assets							
Segment assets	15,901,943	56,079,108	30,435,039	99,035,990	641,548	0	202,093,628
Investment in associated companies	3,851,324	0	0	0	0	0	3,851,324
Income tax assets	76,721	0	0	153,586	0	0	230,307
Total assets	19,829,988	56,079,108	30,435,039	99,189,576	641,548	0	206,175,259
Liabilities							
Segment liabilities	384,422	7,859,086	9,240,814	76,229,948	235,709	0	93,949,979
Borrowings	1,584,939	18,311,053	12,692,337	0	0	0	32,588,329
Income tax liabilities	0	2,844,743	500,701	20,000	15,442	0	3,380,886
Total liabilities	1,969,361	29,014,882	22,433,852	76,249,948	251,151	0	129,919,194

34. SEGMENTAL REPORTING (CONTINUED)

2006	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Revenue							
External sales	105,684	25,803,433	4,540,684	13,140,909	921,923	0	44,512,633
Inter-segment sales	66,400	15,674,480	0	0	224,713	(15,965,593)	0
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 (CONTINUED)

2006	Investment holding RM	Manufacturing RM	Engineering RM	Trading RM	Others RM	Elimination RM	Consolidated RM
Other information							
Capital additions	0	215,072	919,143	0	0	0	1,134,215
Depreciation of property, plant and equipment	114,214	1,829,890	1,554,755	52,026	13,562	0	3,564,447
Impairment loss on non-current assets held for sales	0	538,710	0	0	0	0	538,710
Impairment of goodwill	6,729,671	0	0	0	0	0	6,729,671
Non-cash expenses other than depreciation and impairment loss	194,453	1,788,913	16,535	6,980,932	95,000	0	9,075,833
Assets							
Segment assets	33,170,005	58,548,084	29,526,353	5,095,710	449,411	0	126,789,563
Investment in associated companies	4,060,104	0	0	0	0	0	4,060,104
Income tax assets	146,721	848,389	0	153,586	0	0	1,148,696
Total assets	37,376,830	59,396,473	29,526,353	5,249,296	449,411	0	131,998,363
Liabilities							
Segment liabilities	1,477,997	14,486,136	6,217,457	232,614	141,602	0	22,555,806
Borrowings	248,837	21,908,100	13,307,988	0	0	0	35,464,925
Income tax liabilities	0	2,209,187	500,701	0	17,250	0	2,727,138
Total liabilities	1,726,834	38,603,423	20,026,146	232,614	158,852	0	60,747,869

34. SEGMENTAL REPORTING (CONTINUED)

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	0
Middle East	556,491	2,510,566
Others	236,740	0
	158,235,358	44,512,633

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	0	3,651,728	1,768
British Virgin Island	527,679	0	531,662	0
	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.