

Company No. 288687-W

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

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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 2008**.

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 have disposed of three subsidiary companies, Times Engineering Systems Co. Ltd., Linear TES Co. Ltd. and LETC Engineering Sdn. Bhd. as disclosed in Note 7 to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	<u>4,194,192</u>	<u>(1,913,951)</u>
Attributable to:		
Equity holders of the Company	4,261,401	(1,913,951)
Minority interest	<u>(67,209)</u>	<u>0</u>
	<u>4,194,192</u>	<u>(1,913,951)</u>

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 bad debts written off and allowance for doubtful debts as mentioned in Note 25 to the financial statements; and
- (b) the gain on disposal of subsidiary companies as mentioned in Note 7 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. The exercise period of the warrants expired on 24 September 2008 and all of the remaining unexercised warrants have lapse and became null and void on the expiry date.

EMPLOYEES' SHARE OPTIONS SCHEME

The Company's Employees' Share Option Scheme ("ESOS") which became effective on 14 August 2003 for a period of 5 years was extended for another 5 years up to 13 August 2013 during the financial year.

Details of the ESOS are set out in Note 16 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. No options under the ESOS has been granted by the Company to any person during the 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
 Kok Seng Loong

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:-

<u>Shareholdings in the Company</u>	Number of Ordinary Shares of RM1 each			
	At 1-1-2008	Bought	Sold	At 31-12-2008
Direct interest				
Alan Rajendram A/L Jeya Rajendram	1,461,000	0	(1,461,000)	0
Mevin Nevis A/L AF Nevis	0	100,000	0	100,000
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 #	100,000	0	0	100,000
<u>Warrants in the Company</u>	Number of warrants of RM1 each			
	At 1-1-2008	Bought	Sold	Lapsed At 31-12-2008
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)

DIRECTORS' INTERESTS (CONTINUED)

- * Deemed interested by virtue of their shareholdings in Linear Holding Sdn. Bhd.
- # Deemed interested by virtue of his shareholding in Manecksha Enterprise.

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

Details of significant events during the financial year are disclosed in Note 30 to the financial statements.

Company No. 288687-W

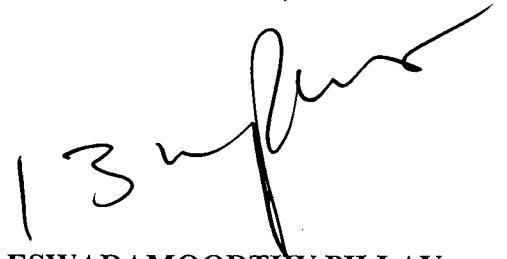
AUDITORS

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

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



**ALAN RAJENDRAM A/L
JEYA RAJENDRAM**
Director



**ESWARAMOORTHY PILLAY
S/O AMUTHER**
Director

Dated: 20 APR 2009

Company No. 288687-W

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

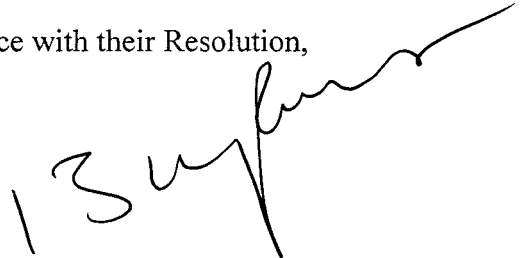
STATEMENT BY DIRECTORS

The Directors of **LINEAR CORPORATION BERHAD**, state that, in their opinion, the financial statements set out on pages 12 to 77 are drawn up in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at **31 December 2008** 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: 20 APR 2009

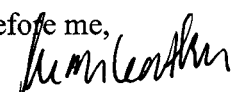
STATUTORY DECLARATION

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 77 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.

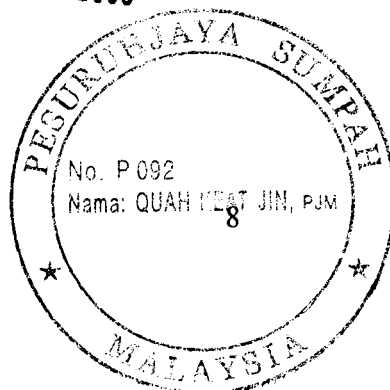
Subscribed and solemnly declared by the)
abovenamed **ALAN RAJENDRAM A/L**)
JEYA RAJENDRAM at Georgetown in)
the State of Penang this 20 APR 2009)



**ALAN RAJENDRAM A/L
JEYA RAJENDRAM**

Before me,

Commissioner for Oaths

No. 53-3-05,
JALAN SULTAN AHMAD SHAH,
MBF TOWER
10050 GEORGETOWN, PENANG



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **LINEAR CORPORATION BERHAD**, which comprise the balance sheets as at **31 December 2008** of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 77.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LINEAR CORPORATION BERHAD (CONTINUED)**

(Company No. 288687-W)

(Incorporated in Malaysia)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2008** and of their financial performance and cash flows for the financial year then ended.

Emphasis of Matter

Without qualifying our opinion, there were certain subsidiaries which show a capital deficiency and net current liabilities of RM13,235,599 and RM43,419,658 respectively. These subsidiaries also incurred a net loss after taxation of RM1,951,092 during the financial year. These factors raise concern that these subsidiaries will be able to continue as a going concern. The appropriateness of preparing the financial statements on the going concern basis depends on financial support from their shareholder and creditors and on these subsidiaries achieving future profitability and cash flows to meet their liabilities when they fall due.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LINEAR CORPORATION BERHAD (CONTINUED)**

(Company No. 288687-W)

(Incorporated in Malaysia)

- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



UHY DIONG
No. AF-1411
Chartered Accountants



KOAY THEAM HOCK
No. 2141/04/11 (J)
Chartered Accountant

Penang

Dated : 20 APR 2009

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

BALANCE SHEETS AS AT 31 DECEMBER 2008

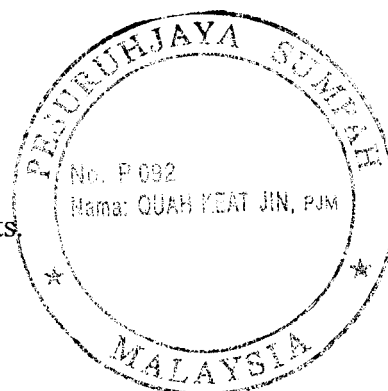
	NOTE	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	54,958,871	44,527,417	1,097,250	1,389,850
Prepaid land lease payments	6	4,140,000	4,230,000	0	0
Investment in subsidiary companies	7	0	0	33,830,027	33,830,027
Investment in associated companies	8	4,308,260	3,851,324	4,830,000	4,830,000
Other investments	9	1,308,173	1,802,773	11	11
Goodwill on consolidation	10	0	90,862	0	0
Deferred tax assets	11	0	0	0	0
		<u>64,715,304</u>	<u>54,502,376</u>	<u>39,757,288</u>	<u>40,049,888</u>
CURRENT ASSETS					
Inventories	12	6,219,668	17,589,111	0	0
Receivables, deposits and prepayments	13	42,229,693	130,280,707	40,842,681	38,599,212
Tax recoverable		168,836	230,307	0	78,342
Deposits with a licensed bank	14	487,521	470,126	0	0
Cash and bank balances	15	24,830,827	3,102,632	31,506	1,966,701
		<u>73,936,545</u>	<u>151,672,883</u>	<u>40,874,187</u>	<u>40,644,255</u>
TOTAL ASSETS		<u>138,651,849</u>	<u>206,175,259</u>	<u>80,631,475</u>	<u>80,694,143</u>

Inilah Ekshibit bertanda
yang disebutkan di dalam Akuan
Berkanun / Affidavit
yang diikrarkan pada 20 APR 2009

Wan Rajendran M. Jaya Rajendran
Kumle M
Pesuruhjaya Sumpah

No. 53-3-05,
JALAN SULTAN AHMAD SHAH,
MBF TOWER
10050 PULAU PINANG

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 2008 (CONTINUED)

		Group		Company	
	NOTE	2008 RM	2007 RM	2008 RM	2007 RM
EQUITY AND LIABILITIES					
Share capital	16	75,104,777	75,104,777	75,104,777	75,104,777
Less: Treasury shares, at cost	16	(1,999,279)	(1,999,279)	(1,999,279)	(1,999,279)
Retained profit/(Accumulated losses)		1,777,981	(2,604,920)	(41,785,477)	(39,871,526)
Other reserves	17	3,496,222	3,583,756	20,771,125	20,771,125
Equity attributable to equity holders of the Company		78,379,701	74,084,334	52,091,146	54,005,097
Minority interest		2,104,522	2,171,731	0	0
TOTAL EQUITY		80,484,223	76,256,065	52,091,146	54,005,097
NON-CURRENT LIABILITIES					
Bank borrowings	18	12,483,705	8,404,760	0	0
Hire purchase payables	19	1,594,776	1,744,894	1,025,427	1,208,538
Deferred tax liabilities	20	2,097,100	2,147,664	0	0
		16,175,581	12,297,318	1,025,427	1,208,538
CURRENT LIABILITIES					
Payables	21	15,395,605	93,949,979	27,331,791	25,306,627
Bank borrowings	18	24,678,649	21,686,735	0	0
Hire purchase payables	19	544,808	751,940	183,111	173,881
Taxation		1,372,983	1,233,222	0	0
		41,992,045	117,621,876	27,514,902	25,480,508
TOTAL LIABILITIES		58,167,626	129,919,194	28,540,329	26,689,046
TOTAL EQUITY AND LIABILITIES		138,651,849	206,175,259	80,631,475	80,694,143

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	NOTE	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	22	52,699,320	158,235,357	78,600	267,100
Other income		12,247,049	6,941,073	14,887,592	1,864,324
Contract cost		0	(1,134,586)	0	0
Changes in inventories of finished goods and work-in-progress		(6,505,165)	1,854,028	0	0
Raw materials and consumables used		(10,976,362)	(15,998,921)	0	0
Purchase of trading merchandise		(17,504,958)	(105,909,670)	0	0
Amortisation of prepaid land lease payments		(90,000)	(90,000)	0	0
Depreciation		(2,427,523)	(2,785,290)	(292,600)	(73,150)
Staff costs	23	(5,222,019)	(6,477,120)	(1,350,801)	(1,578,611)
Share of profit/(loss) of associated companies		456,936	(208,780)	0	0
Impairment loss of investment in subsidiary companies		0	0	0	(351,053)
Other expenses		(14,975,594)	(25,292,743)	(15,184,245)	(12,791,449)
Finance costs	24	(2,797,244)	(2,468,728)	(59,255)	(7,849)
PROFIT/(LOSS) BEFORE TAX	25	4,904,440	6,664,620	(1,920,709)	(12,670,688)
Tax expense	26	(710,248)	(1,680,654)	6,758	0
PROFIT/(LOSS) FOR THE YEAR		<u>4,194,192</u>	<u>4,983,966</u>	<u>(1,913,951)</u>	<u>(12,670,688)</u>
Attributable to:					
Equity holders of the Company		4,261,401	5,026,520	(1,913,951)	(12,670,688)
Minority interest		(67,209)	(42,554)	0	0
		<u>4,194,192</u>	<u>4,983,966</u>	<u>(1,913,951)</u>	<u>(12,670,688)</u>
EARNINGS PER SHARE					
Basic earnings per share (sen)	27	<u>5.91</u>	<u>6.97</u>		

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

Group	Non-distributable							Total equity RM		
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Translation reserve RM	Treasury shares RM	Accumulated losses of the parent RM		Attributable to equity holders RM	Minority interest RM
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	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)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

Group	Non-distributable						Total equity RM			
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Translation reserve RM	Treasury shares RM		(Accumulated losses)/ Retained profit RM	Attributable to equity holders of the parent RM	Minority interest RM
At 1 January 2008	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
Disposal of revalued assets	0	0	0	(7,013)	0	0	7,013	0	0	0
Disposal of subsidiary companies (Note 7)	0	0	0	0	33,966	0	0	33,966	0	33,966
Transfer of revaluation surplus	0	0	0	(114,487)	0	0	114,487	0	0	0
Net income and expense recognised directly in equity	0	0	0	(121,500)	33,966	0	121,500	33,966	0	33,966
Profit for the year	0	0	0	0	0	0	4,261,401	4,261,401	(67,209)	4,194,192
Total recognised income and expense	0	0	0	(121,500)	33,966	0	4,382,901	4,295,367	(67,209)	4,228,158
At 31 December 2008	75,104,777	1,439,631	301,000	1,475,370	280,221	(1,999,279)	1,777,981	78,379,701	2,104,522	80,484,223

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

Company	Non-distributable						Total equity RM
	Share capital RM	Share premium RM	Capital redemption reserve RM	Revaluation reserve RM	Treasury shares RM	Accumulated losses RM	
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	<u>75,104,777</u>	<u>1,439,631</u>	<u>301,000</u>	<u>19,030,494</u>	<u>(1,999,279)</u>	<u>(39,871,526)</u>	<u>54,005,097</u>
At 1 January 2008	75,104,777	1,439,631	301,000	19,030,494	(1,999,279)	(39,871,526)	54,005,097
Loss for the year	0	0	0	0	0	(1,913,951)	(1,913,951)
At 31 December 2008	<u>75,104,777</u>	<u>1,439,631</u>	<u>301,000</u>	<u>19,030,494</u>	<u>(1,999,279)</u>	<u>(41,785,477)</u>	<u>52,091,146</u>

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	4,904,440	6,664,620	(1,920,709)	(12,670,688)
Adjustments for:				
Amortisation of prepaid land lease payments	90,000	90,000	0	0
Allowance for doubtful debts	892,333	5,778,688	0	5,669,864
Allowance for doubtful debts no longer required	(80,615)	(26,187)	0	(5,228)
Allowance for slow moving inventories	60,000	0	0	0
Bad debts written off	3,416,562	8,518,765	138,425	5,536,139
Depreciation	2,427,523	2,785,290	292,600	73,150
Gain on disposal of investment in quoted shares	0	(856,738)	0	(856,738)
Gain on disposal of subsidiary companies	(9,009,850)	(13,033)	0	0
Over amortisation of goodwill in prior year	0	(147,385)	0	0
Impairment loss of investment in subsidiary companies	0	0	0	351,053
Impairment of goodwill	90,862	0	0	0
Impairment loss of investment in quoted shares	494,600	0	0	0
Loss on disposal of investment in subsidiary companies	0	0	14,529,939	0
Reversal of impairment loss of investment in subsidiary companies no longer required	0	0	(14,529,942)	0
Unrealised gain in foreign exchange	(1,907,939)	0	(357,650)	0
Balance carried forward	1,377,916	22,794,020	(1,847,337)	(1,902,448)

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Balance brought forward	1,377,916	22,794,020	(1,847,337)	(1,902,448)
Loss on disposal of an associated company	0	10,000	0	0
Loss on disposal of property, plant and equipment	961,155	2,666	0	0
Property, plant and equipment written off	0	143,953	0	0
Share of profit/(loss) of associated companies	(456,936)	208,780	0	0
Unrealised loss on foreign exchange	0	1,905,395	0	1,120,636
Waiver of debts	(100,000)	0	0	0
Interest income	(17,452)	(19,308)	0	(2,358)
Interest on bank borrowings	1,487,705	1,473,177	0	0
Interest on hire purchase	174,187	88,969	59,255	7,849
Interest on term loans	1,103,485	812,762	0	0
Operating profit/(loss) before working capital changes	4,530,060	27,420,414	(1,788,082)	(776,321)
Inventories	11,309,443	692,877	0	0
Receivables, deposits and prepayments	86,055,231	(104,482,789)	(2,024,244)	1,037,189
Payables	(69,699,408)	79,023,135	2,025,164	(2,152,923)
	32,195,326	2,653,637	(1,787,162)	(1,892,055)
Taxation paid	(444,913)	(178,517)	0	0
Taxation refunded	85,100	70,000	85,100	70,000
Net cash flow from operating activities	31,835,513	2,545,120	(1,702,062)	(1,822,055)

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOW FROM INVESTING ACTIVITIES				
Interest received	57	2,534	0	2,358
Purchase of investment in an associated company	0	(100,000)	0	0
Purchase of property, plant and equipment (Note a)	(18,488,206)	(375,342)	0	(60,000)
Proceeds from disposal of investment in an associated company	0	90,000	0	0
Proceeds from disposal of investment in quoted shares	0	3,181,786	0	3,181,786
Proceeds from disposal of subsidiary companies	0	0	3	0
Proceeds from disposal of non-current asset held for sales	0	2,800,000	0	0
Proceeds from disposal of property, plant and equipment	3,656,508	145,457	0	0
Disposal of subsidiary companies (Note 7)	1,247,187	(17,640)	0	0
Net cash flow from investing activities	<u>(13,584,454)</u>	<u>5,726,795</u>	<u>3</u>	<u>3,124,144</u>

The annexed notes form part of the financial statements.

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOW FROM				
FINANCING ACTIVITIES				
Amount owing to Directors	(800,053)	(1,591,738)	0	0
Interest paid	(2,765,377)	(2,374,908)	(59,255)	(7,849)
Proceeds from bank borrowings	32,263,000	40,192,214	0	0
Repayment of bank borrowings	(31,005,147)	(43,166,589)	0	0
Repayment of hire purchase payables	(549,915)	(252,417)	(173,881)	(20,581)
Proceeds from long term loans	6,618,931	0	0	0
Repayment of long term loans	(1,190,480)	(595,240)	0	0
Repurchase of treasury shares	0	(49)	0	(49)
Net cash flow from financing activities	<u>2,570,959</u>	<u>(7,788,727)</u>	<u>(233,136)</u>	<u>(28,479)</u>
NET CHANGE IN CASH AND				
CASH EQUIVALENTS	20,822,018	483,188	(1,935,195)	1,273,610
Effect of exchange difference	521,622	(21,716)	0	0
CASH AND CASH EQUIVALENTS				
AT BEGINNING OF THE YEAR	(7,840,126)	(8,301,598)	1,966,701	693,091
CASH AND CASH EQUIVALENTS				
AT END OF THE YEAR (Note b)	<u>13,503,514</u>	<u>(7,840,126)</u>	<u>31,506</u>	<u>1,966,701</u>

The annexed notes form part of the financial statements.

LINEAR CORPORATION BERHAD

(Company No. 288687-W)

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Represented by :				
(a) Purchase of property, plant and equipment:				
- financed by hire purchase arrangements	411,500	1,716,875	0	1,403,000
- financed by cash	18,488,206	375,342	0	60,000
- additions during the year (Note 5)	<u>18,899,706</u>	<u>2,092,217</u>	<u>0</u>	<u>1,463,000</u>
(b) Analysis of cash and cash equivalents:				
- cash and bank balances	24,830,827	3,102,632	31,506	1,966,701
- bank overdraft (Note 18)	(11,327,313)	(10,942,758)	0	0
	<u>13,503,514</u>	<u>(7,840,126)</u>	<u>31,506</u>	<u>1,966,701</u>

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 YEAR ENDED 31 DECEMBER 2008**

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 Berhad.

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 **20 APR 2009**

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 Financial Reporting Standards in Malaysia.

2. BASIS OF PREPARATION (CONTINUED)

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

(a) Standards that are effective

During the financial year, the Group and the Company have adopted the new and revised Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for accounting year beginning on or after 1 January 2008 as follows:

FRSs and amendments to FRSs

FRS 107:	Cash Flow Statements
FRS 112:	Income Taxes
FRS 118:	Revenue
Amendments to FRS 121:	The Effects of Changes in Foreign Exchange Rates - Net investments in a Foreign Operation
FRS 134:	Interim Financial Reporting
FRS 137:	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned new FRSs have not resulted in principal changes in accounting policies of the Group and the Company and does not have any material financial effect on the results of the Group and the Company for the current and prior financial years.

2. BASIS OF PREPARATION (CONTINUED)

(b) Standards and Issues Committee ("IC") Interpretations issued by MASB that are not yet effective and have not been early adopted

The new standards and interpretations that are mandatory for the Group and the Company's financial year beginning on or after 1 January 2010, but which the Group and the Company has not early adopted, are as follows:

FRSs and IC		Effective for financial year beginning on or after
FRS 4:	Insurance Contracts	1 January 2010
FRS 7:	Financial Instruments: Disclosures	1 January 2010
FRS 8:	Operating Segments	1 July 2009
FRS 139:	Financial Instruments: Recognition and Measurement	1 January 2010
IC 9:	Reassessment of Embedded Derivatives	1 January 2010
IC 10:	Interim Financial Reporting and Impairment	1 January 2010

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year except as disclosed in Note 2.

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 represent the portion of profit and loss and net assets in subsidiary companies not held by the Group. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities share of changes in the subsidiary companies' equity since then.

3. SUMMARY OF 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 3.22.

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 recognised in 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. SUMMARY OF 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 recognised in 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 to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that 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 to date and portion of profit or loss attributable to work performed to date over progress billings while amount owing to contract customers represents the excess of progress billings over costs incurred to date and portion of profit or loss attributable to work performed to date.

3. SUMMARY OF 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 2008. 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. SUMMARY OF 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. SUMMARY OF 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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 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.

3.14 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.

3.15 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.

3.16 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.

3.17 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 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.

3.19 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.

3.20 Contingent liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Revenue recognition

Revenue of the Group represents gross invoiced values of sales less returns 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.

3.22 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Impairment of assets (Continued)

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.

3.23 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Financial instruments (Continued)

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.

3.24 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.

3.25 Research and development expenditure

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