

**LINEAR CORPORATION BERHAD (288687-W)**  
**Condensed Consolidated Financial Statements For The Financial Period Ended 31 December 2008**

**Explanatory Notes (As per FRS 134)**

**A1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the year ended 31 December 2007.

**Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") issued by The Malaysian Accounting Standard Board ("MASB") effective for the financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above mentioned FRSs is not expected to have any significant impact on the Group. The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

**A2 Seasonal or Cyclical Factors**

The operations of the Group were not materially affected by any factor of a seasonal or cyclical nature for the current financial period.

**A3 Exceptional Items**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current financial period.

**A4 Changes in Estimates**

There were no material changes in estimates that have a material effect in the current financial period.

**A5 Issuance and Repayment of Debt and Equity Securities**

Saved as disclosed below, there were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31 December 2008.

- a) As at 31 December 2008, the issued and paid-up share capital of the Company stood at RM75,104,777 inclusive of 2,949,700 shares held as treasury shares.
- b) Total number of outstanding share options granted under the Linear Employees' Share Option Scheme and not exercised as at 31 December 2008 amounts to 1,398,000.

#### A6 Dividends Paid

No dividend was paid by the Company during the current financial period.

#### A7 Segmental Information

Segments	Investment holdings RM'000	Manufacturing RM'000	Engineering RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>							
External sales	-	21,010	5,898	25,594	928	-	53,430
Inter-segment sales	79	3,372	-	-	353	(4,535)	(731)
	<u>79</u>	<u>24,382</u>	<u>5,898</u>	<u>25,594</u>	<u>1,281</u>	<u>(4,535)</u>	<u>52,699</u>
<b>Results</b>							
Results from operations	4,565	(1,463)	(404)	4,129	101	-	6,928
Finance costs	-	(1,505)	(1,276)	-	-	-	(2,781)
Share of loss of associated companies	-	-	205	-	-	-	205
	<u>4,565</u>	<u>(2,968)</u>	<u>(1,475)</u>	<u>4,129</u>	<u>100</u>	<u>-</u>	<u>4,352</u>

#### A8 Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

#### A9 Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the financial period ended 31 December 2008 that have not been reflected in the current financial statements.

#### A10 Changes in the Composition of the Group

Saved as disclosed below, there were no changes in the composition of the Group for the current quarter.

On 26 December 2008, the Company disposed of its entire 70% equity interest in LETC Engineering Sdn Bhd ("LETC") comprising 1,400,000 ordinary shares of RM1.00 each for a total cash consideration of RM1.00 thereby resulting in LETC ceasing to be a subsidiary of the Company with effect there from.

#### A11 Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet and there were no contingent assets as at the end of the current financial period.

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**Explanatory Notes (As per Bursa Malaysia Securities Berhad Listing Requirements)**

**B1 Review of Performance**

For the year ended 31 December 2008, the Group registered a revenue of RM52.7 million as compared to RM156.5 million for the preceding year's corresponding period. The Group reported a gain after tax of RM4.3 million for the current year under review as compared to a profit after tax of RM4.9 million in the preceding year.

The decrease in revenue was mainly due to the slow demand in market for cooling tower spare parts, manufacturing components and solar panel sales.

The increase in the current year's profits is partly derived from the gain on disposal of subsidiary companies during the year namely, LETC Engineering Sdn Bhd amounting to RM5 million, Times Engineering System Co., Ltd amounting to RM4 million and Linear TES Co., Ltd amounting to RM6 thousand.

**B2 Comparison with Preceding Quarter's Results**

The Group recorded lower revenue of RM4.9 million in the quarter under review as compared to the immediate preceding quarter of RM102.9 million. Arising from the decrease in revenue in particular the solar panel sales, the Group reported a loss after tax of approximately RM2.0 million in the current quarter against a profit after tax of RM5.9 million in the immediate preceding quarter.

**B3 Audit Report of Preceding Annual Financial Statements**

The audit report of the Group's annual financial statements for the year ended 31 December 2007 was qualified as follows:

- (a) Unaudited financial statements of Times Engineering System Co. Ltd. ("TES") have been used for the preparation of the consolidated 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 of 31 December 2007 of TES that have been consolidated based on its unaudited financial statements amounted to RM4,471,180, RM1,633,773 and RM5,702,960 respectively. The external auditors were unable to ascertain the possible adjustments to the consolidated financial statements that might have been necessary had the audited financial statements of TES been made available.
- (b) 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, the external auditors were unable to obtain adequate documentary evidence to satisfy themselves as to the fairness of the opening balance 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.

**B4 Current Year Prospect**

The Group after considering the current conditions is expected to achieve satisfactory performance for financial year ending 2008.

**B5 Variances from Profit Forecast and Profit Guarantee**

There was no profit forecast or profit guarantee issued by the Group.

**B6 Taxation**

	4 <sup>st</sup> Quarter Ended		12 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	30.12.2007
	RM'000	RM'000	RM'000	RM'000
Current Tax	742	1,404	742	1,407
Deferred tax	(32)	254	(32)	254
	<u>710</u>	<u>1,658</u>	<u>710</u>	<u>1,661</u>

**B7 Profit on Sale of Unquoted investments and/or Properties**

There were no sales of unquoted investments and/or properties completed for the current quarter and current financial period to-date.

**B8 Purchase or Disposal of Quoted Securities**

- a) There were no purchases or disposal of quoted securities for the current quarter and current financial period to-date.
- b) Investment in quoted securities as at 31 December 2008 is as follows: -

	RM'000
At cost	9,632
Provision for diminution in value	<u>(8,636)</u>
At book value	<u>995</u>
At market value	<u>1,066</u>

**B9 Status on Corporate Proposals**

There is no corporate proposal announced that is pending completion as at the date of this quarterly report.

**B10 Group Borrowings and Debt Securities**

	As at 31/12/2008 RM'000
Short term borrowings	
- Secured	1,000
- Unsecured	21,816
Long term borrowings	
- Secured	16,485
- Unsecured	Nil

**B11 Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

**B12 Changes In Material Litigation**

There is no material litigation as at the date of this announcement.

**B13 Proposed Dividends**

No dividend has been proposed or declared for the financial period ended 31 December 2008.

**B14 Earnings Per Share****a) Basic Earnings Per Share**

The calculation of the basic earnings per share of the Group is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of shares in issue during the period as follows:

	<b>4th Quarter Ended</b>		<b>12 Months Ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to shareholders (RM'000)	(1,964)	6,029	4,352	5,061
Weighted average number of ordinary shares in issue ('000)	75,105	75,105	75,105	75,105
Basic earnings per share (sen)	(2.62)	8.03	5.79	6.74

**b) Diluted Earnings per share**

Diluted earnings per share is not disclosed for the financial period ended 31 December 2008 as the exercise price of the existing warrants and share options based on the assumed exercised of the warrants and share options is higher than the average market price of the shares during the financial period.

**B15 Authorisation for Issue**

This unaudited interim financial statements were authorised for issue by the Board of Directors on 23 February 2009.