

ENVAIR HOLDING BERHAD (412406-T)

QUARTERLY REPORT

On consolidated results for the third quarter ended 30 September 2010

The figures have not been audited.

SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2010 RM'000	Preceding Year Corresponding Quarter 30.09.2009 RM'000	Current Year To Date 30.09.2010 RM'000	Preceding Year Corresponding Period 30.09.2009 RM'000
Revenue	343	2,128	6,629	6,644
Loss before tax	(1,286)	(621)	(2,836)	(1,991)
Taxation	-	-	-	-
Loss for the period	<u>(1,286)</u>	<u>(621)</u>	<u>(2,836)</u>	<u>(1,991)</u>
Loss attributable to ordinary equity holders of the parent	(1,286)	(621)	(2,836)	(1,991)
Basic loss per share (sen)	(1.08)	(0.58)	(2.43)	(1.85)
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A
			As At End of Current Quarter	As At Preceding Financial Year End
Net assets per share attributable to ordinary equity holders of the parent (sen)			<u>10.58</u>	<u>13.27</u>

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements of ENVAIR for the financial year ended 31 December 2009.

ENVAIR HOLDING BERHAD (412406-T)

QUARTERLY REPORT

(The figures have not been audited.)

Condensed Consolidated Statement of Comprehensive Income for the third quarter ended 30 September 2010

	Individual Quarter		Cumulative Quarter	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	RM'000	Quarter	RM'000	Period
		RM'000		RM'000
Revenue	343	2,128	6,629	6,644
Operating expenses	(1,391)	(2,542)	(8,724)	(7,876)
Other operating income	34	70	90	164
Depreciation	(154)	(173)	(464)	(522)
Finance costs	(118)	(104)	(367)	(401)
Loss before taxation	<u>(1,286)</u>	<u>(621)</u>	<u>(2,836)</u>	<u>(1,991)</u>
Taxation	-	-	-	-
Loss after taxation	<u>(1,286)</u>	<u>(621)</u>	<u>(2,836)</u>	<u>(1,991)</u>
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	<u><u>(1,286)</u></u>	<u><u>(621)</u></u>	<u><u>(2,836)</u></u>	<u><u>(1,991)</u></u>
Loss per share (sen)				
(a) Basic	<u>(1.08)</u>	<u>(0.58)</u>	<u>(2.43)</u>	<u>(1.85)</u>
(b) Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements hereto.

ENVAIR HOLDING BERHAD (412406-T)

Condensed Consolidated Statement of Financial Position as at 30 September 2010

	Unaudited As at end of current quarter end 30 September 2010 RM'000	Audited As at preceding financial year end 31 December 2009 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	10,356	10,770
Research and development expenditure	48	48
	10,404	10,818
CURRENT ASSETS		
Inventories	3,435	4,205
Trade receivables	3,270	5,557
Amount owing by contract customer	594	984
Other receivables and prepaid expenses	4,868	4,309
Tax recoverable	-	8
Fixed deposits with licensed banks	176	2,198
Cash and bank balances	143	64
	12,486	17,325
Less: CURRENT LIABILITIES		
Trade payables	2,224	3,913
Other payables and accruals	954	656
Amount owing to director	72	42
Amount owing to shareholders	514	-
Tax liabilities	2	3
Borrowings : Bank overdrafts	1,100	1,311
: Others	1,395	3,668
	6,261	9,593
NET CURRENT ASSETS	6,225	7,732
NON- CURRENT LIABILITIES		
Borrowing (Secured)	4,073	4,236
Deferred tax liabilities	15	15
	(4,088)	(4,251)
	12,541	14,299
Financed by:		
SHARE CAPITAL AND RESERVES		
Share capital	11,856	10,778
Share premium reserve	8,187	8,187
Revaluation reserve	2,554	2,554
Accumulated loss	(10,056)	(7,220)
SHAREHOLDERS' EQUITY	12,541	14,299
Net assets per share of RM0.10 each (sen)	10.58	13.27

Note :

The condensed consolidated statement of financial position should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements hereto.

ENVAIR HOLDING BERHAD (412406-T)

Condensed Consolidated Statement of Changes in Equity for the Third Quarter Ended 30 September 2010

Group	Note	Share Capital RM'000	Non Distributable Share Premium RM'000	Reserve on Revaluation RM'000	Distributable Retained Profits RM'000	Total RM'000
(Audited)						
At 1 January 2009		10,778	8,187	-	(3,603)	15,362
Gain on revaluation of property		-	-	2,554	-	2,554
Total comprehensive loss for the year		-	-	-	(3,617)	(3,617)
At 31 December 2009		10,778	8,187	2,554	(7,220)	14,299
(Unaudited)						
At 1 January 2010		10,778	8,187	2,554	(7,220)	14,299
Issuance of shares during the period		1,078	-	-	-	1,078
Total comprehensive loss for the period		-	-	-	(2,836)	(2,836)
At 30 September 2010		11,856	8,187	2,554	(10,056)	12,541

Note :

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements hereto.

ENVAIR HOLDING BERHAD (412406-T)

Condensed Consolidated Statement of Cash Flows For The Third Quarter Ended 30 September 2010

	Cumulative Current Year-to-date 30 September 2010 RM('000)	Preceding Year Corresponding Year-to-date 30 September 2009 RM('000)
Cash Flows from Operating Activities		
Loss before taxation	(2,836)	(1,991)
Adjustments for:		
Allowance for doubtful debts	663	-
Depreciation	464	522
Interest expense	367	401
Operating loss before working capital changes	<u>(1,342)</u>	<u>(1,068)</u>
Net changes in current assets	2,225	1,054
Net changes in current liabilities	(847)	194
Cash generated from / (used in) operations	<u>36</u>	<u>180</u>
Interest paid	(367)	(130)
Tax refund	7	136
Net cash from / (used in) operating activities	<u>(324)</u>	<u>186</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(50)	12
Research and development expenditure	-	(23)
Decrease in fixed deposit pledged	2,022	-
Net cash from / (used in) investing activities	<u>1,972</u>	<u>(11)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of shares	1,078	-
Repayment of hire purchase liabilities	-	(423)
Repayment of term loan	-	(133)
Decrease in bank borrowings other than bank overdrafts	(2,436)	(240)
Net cash used in financing activities	<u>(1,358)</u>	<u>(796)</u>
Net increase / (decrease) in cash and cash equivalents	290	(621)
Cash and cash equivalents at beginning of period	<u>(1,247)</u>	<u>(1,975)</u>
Cash and cash equivalents at end of period	<u>(957)</u>	<u>(2,596)</u>
Cash and cash equivalents at end of period comprise:		
Fixed deposits with licensed bank	176	2,399
Less: Fixed deposits pledged to financial institution	<u>(176)</u>	<u>(3,006)</u>
	-	(607)
Cash and bank balances	143	133
Bank overdrafts	<u>(1,100)</u>	<u>(2,122)</u>
	<u>(957)</u>	<u>(2,596)</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENVAIR HOLDING BERHAD (412406-T)

Notes on the quarterly report - 30 September 2010

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS")

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standard ("FRS")134 - Interim Financial Reporting and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Securities Exchange") for the ACE Market, and should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2009. The accounting policies and methods of computation adopted by the Group in the interim unaudited financial statements are consistent with those adopted for the financial year ended 31 December 2009.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009 except for the following new/revised FRSs, Amendments to FRSs and Interpretations, which the Group applied the standards from financial year beginning on 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Financial Instruments : Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Cash Flow Statements
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases

Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosures of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 128	Investment in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure and IC Interpretation 9
Amendments to FRS 140	Reassessment of Embedded Derivatives Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new standards does not have significant financial impact on the financial statements of the Group.

A3. Auditors' report

The auditors' report of the preceding annual financial statements was not subject to any qualification.

A4. Seasonality or cyclicity of interim operations

The Group's interim operations were not affected by seasonal or cyclical factors.

A5. Unusual items

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A6. Changes in estimates

There were no major changes in the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have had a material effect on the results in the quarter review.

A7. Issuance, cancellations, repurchases, resale and repayments of debt and equity

There were no major issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A8. Dividends

No dividend has been declared or paid during the period under review.

A9. Segmental reporting

	Individual quarter ended 3 Months Ended		Cumulative quarter ended 9 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Segment Revenue				
Investment Holding	-	-	-	-
Air Filtration System, Fast Moving Consumer Product & Ancillary				
Support Services	120	583	466	3,240
Liquid Filtration System	93	1,007	5,773	1,139
Manufacturing	171	868	1,484	1,121
Total including inter-segment sales	384	2,458	7,723	5,500
Elimination of inter-segment sales	(41)	(330)	(1,094)	(1,275)
Total Revenue	343	2,128	6,629	4,225
Segment Loss Before Tax				
Investment Holding	(105)	(126)	(453)	(529)
Air Filtration System, Fast Moving Consumer Product & Ancillary				
Support Services	(583)	(448)	(1,349)	(951)
Liquid Filtration System	(170)	(42)	(102)	(132)
Manufacturing	(428)	(5)	(932)	(379)
Unallocated Cost / Elimination	-	-	-	-
Total Loss Before Tax	(1,286)	(621)	(2,836)	(1,991)

A10. Valuation of plant, property and equipment

There has been no revaluation of plant, property and equipment during the financial quarter under review.

A11. Subsequent material events

There were no other material events subsequent to the end of the quarter under review which is likely to substantially affect the results of the operations of the Group for the quarter under review.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current year quarter other than as follows:

A wholly owned subsidiary, Quest Liquid Separation Sdn Bhd, has been wound-up by the High Court of Malaya Kuala Lumpur and the Official Receiver of the State of Malaya has been appointed as Liquidator. The loss of investment in Quest Liquid Separation Sdn Bhd amounting to RM103,000 has been recognised in the financial statements of the Company.

A13. Changes in contingent liabilities or contingent assets

As at 30 September 2010, the Group has the following contingent liabilities:

- i) Corporate guarantees provided by ENVAIR to third parties for performance of contracts awarded to its subsidiaries amounting to RM 78,800 (31 December 2009: RM 788,000).
- ii) Corporate guarantees issued to financial institutions for banking facilities extended to certain subsidiaries amounting to RM 7,733,000.

A14. Capital Commitment

The Group does not have any capital commitment as at 30 September 2010.

A15. Significant Related Party Transactions

There were no significant related party transactions during the quarter under review.

ENVAIR HOLDING BERHAD (412406-T)

Notes on the quarterly report - 30 September 2010

B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of performance

The Group's turnover stood at RM343,000 during the current financial quarter under review, a substantial dip of about RM1.8 million as compared to the same quarter last year. The drop in the revenue is a result of lower project and trading activities.

The Group suffered a higher loss amounting to RM1.2 million mainly due to lower revenue generated as well as additional allowance of doubtful debts provided.

B2. Variation of results against the preceding quarter

	Current quarter September 2010 RM'000	Preceding quarter 30 June 2010 RM'000
Revenue	343	1,902
Loss before tax	(1,286)	(563)

The substantial drop in revenue for the current quarter as compared to the preceding quarter of 82% is mainly due to lower project and trading activities.

The Group's loss before tax of RM1.286 million for the current quarter was higher in view of lower revenue, as compared to the previous quarter of RM0.563 million. The increase in losses was a result of lower revenue generated and higher operating costs mainly due to the increase in right issue expenses and additional allowance for doubtful debts provided.

B3. Prospects for current financial year

The Group does not expect any improvement in its performance and expect further losses for the coming quarter. However, the Group will continue to look into new products and will venture into new businesses so as to broaden the Group's revenue base.

B4. Profit forecast or profit guarantee

Not applicable as the Group has not previously provided a profit forecast in a public document or a profit guarantee.

B5. Taxation

No provision for income tax has been made as the Group incurred a loss for the quarter under review.

B6. Sale of unquoted investments and/or properties

There were no disposal of unquoted investments or properties during the period under review.

B7. Quoted and marketable securities

The Company/Group does not hold any quoted or marketable securities as at 30 September 2010. There were no purchases or disposals of quoted securities for the current quarter.

B8. Status of corporate proposals

As at the date of this quarterly report, there are no corporate proposals announced by the Group which are pending completion except for the following :-

On behalf of the Company, Public Investment Bank Berhad had on 12 April 2010 announced the proposed acquisition of 45% equity interest in Guan Fang International Marketing (M) Sdn Bhd for a total purchase consideration of RM 9,000,000.

On behalf of the Company, Public Investment Bank Berhad had on 25 August 2010 announced the proposed renounceable rights issue of 23,711,160 new ordinary shares of RM0.10 each in Envair ("Rights Shares") together with 47,422,320 free detachable warrants at an issue price of RM0.10 per rights share on the basis of one (1) rights shares together with two (2) free detachable warrant for every five (5) existing ordinary shares of RM0.10 each in Envair ("Envair Shares") ("Proposed Rights Issue").

On behalf of the Board of Directors of Envair ("Board"), Public Investment Bank Berhad wishes to announce that the Company proposes to undertake the proposed right issue. The proposed right issue supersedes the right issue that was announced on 11 June 2010.

Status of utilisation of the proceeds from the private placement which was completed on 12 February 2010 amounting to RM 1,078 million is set out below:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	%	Explanation
Working Capital	998	998	-	-	Fully Utilised
Expenses	80	53	27	34	Excess or savings had been utilised for working capital
	<u>1,078</u>	<u>1,051</u>	<u>27</u>	<u>34</u>	

B9. Group borrowings and debt securities

The following are the bank borrowings of the Group as at 30 September 2010:

	As at 30 September 2010 RM '000	As at 30 September 2009 RM '000
Short-Term Borrowings:		
Bank Overdraft	1,100	2,122
Bankers Acceptance / Trust Receipts	1,007	1,909
Hire Purchase Creditors	184	271
Term Loan (Secured)	204	165
Total	<u>2,495</u>	<u>4,467</u>
Non Current Borrowings:		
Hire Purchase Creditors	113	245
Term Loan (Secured)	3,960	4,272
Total	<u>4,073</u>	<u>4,517</u>

B10. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

B11. Material litigation

As at the date of this report, the Group has no material litigation which might materially and adversely affect the position or business of the Group.

B12. Dividends

The Directors do not recommend the payment of a dividend in respect of the current financial year.

B13. Loss per share ("LPS")

	Individual quarter ended 30 September 2010	Individual quarter ended 30 September 2009	Cumulative quarter ended 30 September 2010	Cumulative quarter ended 30 September 2009
Basic LPS				
Loss for the period (RM'000)	(1,286)	(621)	(2,836)	(1,991)
Ordinary Shares in Issue('000)	118,556	107,778	116,900	107,778
Basic LPS (sen)	<u>(1.08)</u>	<u>(0.58)</u>	<u>(2.43)</u>	<u>(1.85)</u>

Basic LPS is calculated by dividing the net profit or loss for the period in review by the weighted average number of ordinary shares in issue during the period.

The Company does not have any financial instrument in issue or other contract that may entitle its holder to ordinary share which may dilute its basic loss per share.

B14. Authorisation For Issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 November 2010.

ENVAIR HOLDING BERHAD

Wong Yu Sun
Executive Director
Shah Alam, Selangor Darul Ehsan
22 November 2010