

ENVAIR HOLDING BERHAD (412406-T)

QUARTERLY REPORT

On consolidated results for the fourth quarter ended 31 December 2010
The figures have not been audited.

SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2010 RM'000	Preceding Year Corresponding Quarter 31.12.2009 RM'000	Current Year To Date 31.12.2010 RM'000	Preceding Year Corresponding Period 31.12.2009 RM'000
Revenue	237	4,973	6,866	11,617
Loss before tax	(2,553)	(1,612)	(5,389)	(3,603)
Taxation	8	(14)	8	(14)
Loss for the period	<u>(2,545)</u>	<u>(1,626)</u>	<u>(5,381)</u>	<u>(3,617)</u>
Loss attributable to ordinary equity holders of the parent	(2,545)	(1,626)	(5,381)	(3,617)
Basic loss per share (sen)	(2.15)	(1.51)	(4.54)	(3.36)
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>8.43</u>	<u>13.27</u>

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

ENVAIR HOLDING BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

Quarterly report on consolidated results for the 4th quarter ended 31 December 2010

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Revenue	237	4,973	6,866	11,617
Operating expenses	(2,481)	(7,025)	(11,205)	(14,901)
Other operating income	(27)	828	63	992
Depreciation	(157)	(203)	(621)	(725)
Finance costs	(125)	(185)	(492)	(586)
Loss before taxation	<u>(2,553)</u>	<u>(1,612)</u>	<u>(5,389)</u>	<u>(3,603)</u>
Taxation	8	(14)	8	(14)
Loss after taxation	<u>(2,545)</u>	<u>(1,626)</u>	<u>(5,381)</u>	<u>(3,617)</u>
Other comprehensive income, net of tax	-	-	-	2,554
Total comprehensive loss for the period	<u><u>(2,545)</u></u>	<u><u>(1,626)</u></u>	<u><u>(5,381)</u></u>	<u><u>(1,063)</u></u>
Loss per share (sen)				
(a) Basic	<u>(2.15)</u>	<u>(1.51)</u>	<u>(4.54)</u>	<u>(3.36)</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

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Quarterly report on consolidated results for the 4th quarter ended 31 December 2010

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(These figures have not been audited)

	Unaudited As at end of current quarter ended 31 December 2010 RM'000	Audited As at preceding financial year ended 31 December 2009 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	10,208	10,770
Research and development expenditure	48	48
	<u>10,256</u>	<u>10,818</u>
Current Assets		
Inventories	3,262	4,205
Trade receivables	2,956	6,541
Other receivables and prepaid expenses	3,466	4,268
Tax recoverable	-	56
Fixed deposits with licensed banks	-	2,198
Cash and bank balances	109	64
Total current assets	<u>9,793</u>	<u>17,332</u>
TOTAL ASSETS	<u>20,049</u>	<u>28,150</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Issued capital	11,856	10,778
Share premium reserve	8,187	8,187
Revaluation reserve	2,554	2,554
Accumulated loss	(12,601)	(7,220)
Total Equity	<u>9,996</u>	<u>14,299</u>
Non-Current Liabilities		
Borrowing (Secured)	3,947	4,197
Deferred tax liabilities	15	15
	<u>3,962</u>	<u>4,212</u>
Current Liabilities		
Trade payables	1,995	3,759
Other payables and accruals	963	820
Amount owing to director	75	42
Amount owing to shareholders	615	-
Borrowings : Bank overdrafts	997	1,311
: Others	1,446	3,707
Total Current Liabilities	<u>6,091</u>	<u>9,639</u>
Total Liabilities	<u>10,053</u>	<u>13,851</u>
TOTAL EQUITY AND LIABILITIES	<u>20,049</u>	<u>28,150</u>
Net assets per share of RM0.10 each (sen)	<u>8.43</u>	<u>13.27</u>

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.

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Quarterly report on consolidated results for the 4th quarter ended 31 December 2010

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(These figures have not been audited)

Group	Note	Attributable to equity holders of the Company				Total
		Share Capital	Share Premium	Reserve on Revaluation	Accumulated Loss	
		RM'000	RM'000	RM'000	RM'000	RM'000
(Audited)						
At 1 January 2009		10,778	8,187	-	(3,603)	15,362
Total comprehensive loss for the year		-	-	2,554	(3,617)	(1,063)
At 31 December 2009		<u>10,778</u>	<u>8,187</u>	<u>2,554</u>	<u>(7,220)</u>	<u>14,299</u>
(Unaudited)						
At 1 January 2010		10,778	8,187	2,554	(7,220)	14,299
Issuance of shares during the year		1,078	-	-	-	1,078
Total comprehensive loss for the year		-	-	-	(5,381)	(5,381)
At 31 December 2010		<u>11,856</u>	<u>8,187</u>	<u>2,554</u>	<u>(12,601)</u>	<u>9,996</u>

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

(Company No: 412406-T)

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Quarterly report on consolidated results for the 4th quarter ended 31 December 2010

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(These figures have not been audited)

	Cumulative Current Year-to-date 31 December 2010 RM('000)	Preceding Year Corresponding Year-to-date 31 December 2009 RM('000)
Cash Flows from Operating Activities		
Loss before taxation	(5,389)	(3,603)
Adjustments for:		
Allowance for doubtful debts	4,756	570
Bad debts written off	-	1,282
Depreciation	621	726
Group Loss on disposal of subsidiary	-	(605)
Loss on disposal of property, plant and equipment	-	65
Amortisation of intangible assets (R&D)	-	67
Property, plant and equipment written off	-	137
Interest income	-	(69)
Interest expense	492	586
Operating profit / (loss) before working capital changes	<u>480</u>	<u>(844)</u>
Net changes in current assets	573	(8,481)
Net changes in current liabilities	(972)	8,232
Cash generated from / (used in) operations	<u>81</u>	<u>(1,093)</u>
Interest received	-	69
Interest paid	(492)	(151)
Tax refund	65	34
Net cash used in operating activities	<u>(346)</u>	<u>(1,141)</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(59)	(668)
Proceeds from disposal of property, plant and equipment	-	508
Purchase of intangible assets	-	(23)
Proceeds from disposal of subsidiary	-	799
Net cash from investing activities	<u>(59)</u>	<u>616</u>
Cash Flows from Financing Activities		
Proceeds from issuance of shares	1,078	-
Uplift of fixed deposits pledged to financial institution	2,198	586
Repayment of term loans	-	(176)
Repayment of finance lease obligations	-	(422)
Increase/ (Decrease) in bank borrowings other than bank overdrafts	(2,512)	1,265
Net cash from financing activities	<u>764</u>	<u>1,253</u>
Net increase in cash and cash equivalents	359	728
Cash and cash equivalents at beginning of period	(1,247)	(1,975)
Cash and cash equivalents at end of period	<u>(888)</u>	<u>(1,247)</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	109	64
Bank overdrafts	(997)	(1,311)
	<u>(888)</u>	<u>(1,247)</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

(Company No: 412406-T)

(Incorporated in Malaysia)

Quarterly report on consolidated results for the 4th quarter ended 31 December 2010

NOTES

A EXPLANATORY NOTES PURSUANT TO FRS134 INTERIM FINANCIAL REPORTING

A1 Accounting Policies and Basic 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 Reassessment of Embedded Derivatives
Amendments to FRS 140	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 securities

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

A8 Dividend

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

A9 Segment reporting

BUSINESS SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 December 2010 RM('000)	PRECEDING YEAR CORRESPONDING QUARTER 31 December 2009 RM('000)	CURRENT YEAR TO DATE 31 December 2010 RM('000)	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2009 RM('000)
<u>Segment Revenue</u>				
Investment Holding	-	209	-	209
Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services	106	1,013	572	6,568
Liquid Filtration System	-	2,180	5,773	3,322
Manufacturing	246	(55)	1,730	1,518
Total including inter-segment sales	352	3,347	8,075	11,617
Elimination of inter-segment sales	(115)	1,626	(1,209)	-
Total Revenue	237	4,973	6,866	11,617
<u>Segment Loss Before Tax</u>				
Investment Holding	(809)	(4,003)	(1,262)	(4,532)
Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services	(732)	(705)	(2,081)	(1,656)
Liquid Filtration System	(183)	222	(285)	90
Manufacturing	(783)	(597)	(1,715)	(976)
Unallocated Cost / Elimination	(45)	3,471	(45)	3,471
Total Loss Before Tax	(2,553)	(1,612)	(5,389)	(3,603)

A10 Valuation of property, plant and equipment

There has been no revaluation of property, plant 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 during the quarter under review, 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 31 December 2010, the Group has the following contingent liabilities:

- i) Corporate guarantees provided by the Company 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 commitments

The Group does not have any capital commitment as at 31 December 2010.

A15 Significant related party transactions

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

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(Company No: 412406-T)
(Incorporated in Malaysia)

Quarterly report on consolidated results for the 4th quarter ended 31 December 2010

NOTES

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

B1 Review of performance

The Group's turnover stood at RM237,000 during the current financial quarter under review, a substantial dip of about RM4.7 million as compared to the same quarter last year. The drop in the revenue is a result of lower project and trading activities.

B2 Variation of results against preceding quarter

	Current quarter 31 December 2010 RM'000	Preceding quarter 30 September 2010 RM'000
Revenue	237	343
Loss before tax	(2,553)	(1,286)

The drop in revenue for the current quarter as compared to the preceding quarter of 31% is mainly due to lower project and trading activities.

The Group's loss before tax of RM2.553 million for the current quarter was higher in view of lower revenue, as compared to the previous quarter of RM1.286 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 and profit guarantee

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

B5 Taxation

There was an overprovision of taxation of RM8,000 for the Group during the period.

B6 Unquoted investments and 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 31 December 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. The Company had on 11 February 2011 announced that the Share Sale Agreement dated 9 April 2010 between the Company and the vendors of Guan Fang International Marketing (M) Sdn Bhd ("SSA") has expired and has not been extended.

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 the Company ("Envair Shares") ("Proposed Rights Issue"). The Proposed Rights Issue superseded 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 31 December 2010:

	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000
Short-Term Borrowings:		
Bank Overdraft	997	1,311
Bankers Acceptance / Trust Receipts	1,053	3,213
Hire Purchase Creditors	189	284
Term Loan (Secured)	204	210
Total	<u>2,443</u>	<u>5,018</u>
Non Current Borrowings:		
Hire Purchase Creditors	101	149
Term Loan (Secured)	3,846	4,048
Total	<u>3,947</u>	<u>4,197</u>

B10 Off balance sheet financial instruments

There was no off balance sheet financial instrument 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 save as what had been announced on 16 and 25 February 2011.

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 31 December 2010	Individual quarter ended 31 December 2009	Cumulative quarter ended 31 December 2010	Cumulative quarter ended 31 December 2009
Basic LPS				
Loss for the period (RM'000)	(2,545)	(1,626)	(5,381)	(3,617)
Ordinary Shares in Issue('000)	118,556	107,778	118,556	107,778
Basic LPS (sen)	<u>(2.15)</u>	<u>(1.51)</u>	<u>(4.54)</u>	<u>(3.36)</u>

Basic LPS is calculated by dividing the net loss for the period under 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 LPS.

B14. Realised and Unrealised Profits

	As at 31 December 2010 RM '000
Total accumulated losses of the Company and its subsidiaries:	
- Realised	(12,601)
- Unrealised	<u>-</u>
Total group accumulated losses as per consolidated accounts	<u>(12,601)</u>

B15. 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 28th February 2011

By Order Of The Board
Wong Yu Sun

Shah Alam
Selangor Darul Ehsan
28 February 2011