

ENVAIR HOLDING BERHAD

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

Quarterly report on consolidated results for the 3rd quarter ended 30 September 2011

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 |
| | 30 September 2011 RM'000 | 30 September 2010 RM'000 | 30 September 2011 RM'000 | 30 September 2010 RM'000 |
| Revenue | 283 | 343 | 599 | 6,629 |
| Operating expenses | (930) | (1,391) | (1,588) | (8,724) |
| Other operating income | 40 | 34 | 148 | 90 |
| Depreciation | (143) | (154) | (437) | (464) |
| Finance costs | (150) | (118) | (438) | (367) |
| Loss before taxation | <u>(900)</u> | <u>(1,286)</u> | <u>(1,716)</u> | <u>(2,836)</u> |
| Taxation | - | - | - | - |
| Loss after taxation | <u>(900)</u> | <u>(1,286)</u> | <u>(1,716)</u> | <u>(2,836)</u> |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive loss for the period | <u><u>(900)</u></u> | <u><u>(1,286)</u></u> | <u><u>(1,716)</u></u> | <u><u>(2,836)</u></u> |
| Loss per share (sen) | | | | |
| (a) Basic | <u><u>(0.76)</u></u> | <u><u>(1.08)</u></u> | <u><u>(1.45)</u></u> | <u><u>(2.43)</u></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 2010 and the accompanying explanatory notes attached to the financial statements hereto.

ENVAIR HOLDING BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

Quarterly report on consolidated results for the 3rd quarter ended 30 September 2011

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(These figures have not been audited)

| | Unaudited As at end of current quarter ended 30 September 2011 RM'000 | Audited As at preceding financial year ended 31 December 2010 RM'000 |
|---|---|--|
| ASSETS | | |
| <u>Non-Current Assets</u> | | |
| Property, plant and equipment | 9,744 | 10,204 |
| | 9,744 | 10,204 |
| <u>Current Assets</u> | | |
| Inventories | 2,953 | 3,262 |
| Trade receivables | 913 | 1,193 |
| Other receivables and prepaid expenses | 1,834 | 3,243 |
| Tax recoverable | - | 43 |
| Cash and bank balances | 15 | 130 |
| Total Current Assets | 5,715 | 7,871 |
| TOTAL ASSETS | 15,459 | 18,075 |
| EQUITY AND LIABILITIES | | |
| <u>Capital and Reserves</u> | | |
| Issued capital | 11,856 | 11,856 |
| Share premium reserve | 8,187 | 8,187 |
| Revaluation reserve | 2,554 | 2,554 |
| Accumulated loss | (14,823) | (13,107) |
| Total Equity | 7,774 | 9,490 |
| <u>Non-Current Liabilities</u> | | |
| Borrowing (Secured) | 5,130 | 4,026 |
| Deferred tax liabilities | 19 | 19 |
| | 5,149 | 4,045 |
| <u>Current Liabilities</u> | | |
| Trade payables | 392 | 440 |
| Other payables and accruals | 1,018 | 1,486 |
| Amount owing to director | 88 | 256 |
| Borrowings : Bank overdrafts | 879 | 951 |
| : Others | 157 | 1,405 |
| Tax liabilities | 2 | 2 |
| Total Current Liabilities | 2,536 | 4,540 |
| Total Liabilities | 7,685 | 8,585 |
| TOTAL EQUITY AND LIABILITIES | 15,459 | 18,075 |
| Net assets per share of RM0.10 each (sen) | 6.56 | 8.00 |

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 2010 and the accompanying explanatory notes attached to the financial statements hereto.

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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 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 | | <u>11,856</u> | <u>8,187</u> | <u>2,554</u> | <u>(10,056)</u> | <u>12,541</u> |
| (Unaudited) | | | | | | |
| At 1 January 2011 | | 11,856 | 8,187 | 2,554 | (13,107) | 9,490 |
| Total comprehensive loss for the period | | - | - | - | (1,716) | (1,716) |
| At 30 September 2011 | | <u>11,856</u> | <u>8,187</u> | <u>2,554</u> | <u>(14,823)</u> | <u>7,774</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 2010 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 3rd quarter ended 30 September 2011

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(These figures have not been audited)

| | Cumulative Current Year-to-date 30 September 2011 RM('000) | Preceding Year Corresponding Year-to-date 30 September 2010 RM('000) |
|---|--|--|
| Cash Flows from Operating Activities | | |
| Loss before taxation | (1,716) | (2,836) |
| Adjustments for: | | |
| Allowance for doubtful debts | 511 | 663 |
| Bad debts written off | 27 | |
| Depreciation of property, plant and equipment | 437 | 464 |
| Finance costs | 438 | 367 |
| Gain on disposal of property, plant and equipment | (78) | - |
| Operating loss before working capital changes | <u>(381)</u> | <u>(1,342)</u> |
| Net changes in current assets | 1,503 | 2,225 |
| Net changes in current liabilities | <u>(684)</u> | <u>(847)</u> |
| Cash generated from operations | 438 | 36 |
| Interest paid | <u>(438)</u> | <u>(367)</u> |
| Tax refund | - | 7 |
| Net cash used in operating activities | <u>-</u> | <u>(324)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | - | (50) |
| Proceeds from disposal of property, plant and equipment | 101 | - |
| Decrease in fixed deposit pledged | - | 2,022 |
| Net cash from investing activities | <u>101</u> | <u>1,972</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from issuance of shares | - | 1,078 |
| Addition of term loans | 974 | - |
| Repayment of finance lease obligations | <u>(101)</u> | - |
| Decrease in bank borrowings other than bank overdrafts and long term borrowings - current portion | <u>(1,017)</u> | <u>(2,436)</u> |
| Net cash used in financing activities | <u>(144)</u> | <u>(1,358)</u> |
| Net increase/(decrease) in cash and cash equivalents | (43) | 290 |
| Cash and cash equivalents at beginning of period | <u>(821)</u> | <u>(1,247)</u> |
| Cash and cash equivalents at end of period | <u>(864)</u> | <u>(957)</u> |
| Cash and cash equivalents at end of period comprise: | | |
| Fixed deposits with licensed bank | - | 176 |
| Less: Fixed Deposits Pledged to financial institution | <u>-</u> | <u>(176)</u> |
| Cash and bank balances | 15 | 143 |
| Bank overdrafts | <u>(879)</u> | <u>(1,100)</u> |
| | <u>(864)</u> | <u>(957)</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on consolidated results for the 3rd quarter ended 30 September 2011

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 2010. 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 2010.

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 2010 except for the adoption of the following new FRS, Amendments to FRSs and Interpretations that are effective for the financial periods beginning on or after 1 July 2010 and 1 January 2011:

Effective for financial periods beginning on or after 1 July 2010:

- FRS 1: First-time Adoption of Financial Reporting Standard
- FRS 3: Business Combination (Revised)
- FRS 127: Consolidated and Separate Financial Statements (Amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011:

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosure fro First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRSs 'Improvements to FRSs (2010)'
- IC Interpretation 4: Determining whether an Arrangement contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- Improvements to FRS issued in 2010

The adoption of the above mentioned FRS, Amendments to FRS and Interpretation will have no material 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.

However the filtration and manufacturing sectors were affected by the current competitive environment.

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 | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
| | 30 September 2011 | 30 September 2010 | 30 September 2011 | 30 September 2010 |
| | RM('000) | RM('000) | RM('000) | RM('000) |

Segment Revenue

| | | | | |
|--|------|------|------|---------|
| Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services | 33 | 120 | 223 | 466 |
| Liquid Filtration System | - | 93 | - | 5,773 |
| Manufacturing | 274 | 171 | 446 | 1,484 |
| Total including inter-segment sales | 307 | 384 | 669 | 7,723 |
| Elimination of inter-segment sales | (24) | (41) | (70) | (1,094) |
| Total Revenue | 283 | 343 | 599 | 6,629 |

Segment Loss Before Tax

| | | | | |
|--|-------|---------|---------|---------|
| Investment Holding | (651) | (105) | (981) | (453) |
| Air Filtration System, Fast Moving Consumer Product & Ancillary Support Services | (72) | (583) | (81) | (1,349) |
| Liquid Filtration System | (2) | (170) | (5) | (102) |
| Manufacturing | (175) | (428) | (649) | (932) |
| Total Loss Before Tax | (900) | (1,286) | (1,716) | (2,836) |

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 other than as follows:

- i) On 18 October 2011, the Group (via its wholly owned subsidiary, Envair Energy Sdn. Bhd. "Envair Energy" (formerly known as Vokes Air (M) Sdn. Bhd.) entered into Joint Marketing Agreement with Resscom Petroleum Sdn. Bhd. for the distribution and trading of lubricant, diesel and liquidified petroleum gas whereby Envair Energy Sdn. Bhd. agrees to pay 5% of the gross profit generated from the products as stipulated in the Agreement, to Resscom Petroleum Sdn. Bhd.
- ii) The Group had on 28 October 2011 announced that it has received an offer from ZAI Corporate Finance Ltd (London Investment Bank) to subscribe up to 30% of the ordinary shares in the Company.
- iii) The Group had on 31 October 2011 announced that it has received a Letter of Intent from An Hong Shenzhen, a company incorporated in the People's Republic of China to purchase two million barrels of light crude oil monthly over a period of sixty months.

All the above announcement are subject to the Board deliberation and approval.

A12 Changes in the composition of the Group

There has been no material change in the composition of the Group during the quarter under review.

A13 Changes in contingent liabilities or contingent assets

As at 30 September 2011, the Group is contingently liable for corporate guarantees issued to financial institutions for banking facilities extended to certain subsidiaries amounting to RM7,733,000.

A14 Capital commitments

The Group does not have any capital commitment as at 30 September 2011.

A15 Significant related party transactions

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

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NOTES

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

B1 Review of performance

The Group recorded a 17% decrease in revenue for the current financial quarter as compared to that achieved in the same quarter preceding year. The decrease in the revenue is a result of lower trading activities of the filtration products & system for the current quarter.

The Group's loss before tax has also dropped significantly by almost 30% due to lower operating expenses for the current quarter.

B2 Variation of results against preceding quarter

| | Current quarter 30 September 2011 RM'000 | Preceding quarter 30 June 2011 RM'000 |
|-----------------|--|---|
| Revenue | 283 | 170 |
| Loss before tax | (900) | (290) |

The increase in revenue for the current quarter as compared to the preceding quarter of 66% is mainly due to the increase in sales of water filtration system.

The Group's loss before tax of RM900,000 for the current quarter was higher as compared to the previous quarter of RM290,000 mainly due to the additional RM511,000 allowance for doubtful debts made and RM27,000 of bad debts written off for the current quarter.

B3 Prospects for current financial year

The management is aware of the poor financial results of the Group due to the competitive environment for the filtration sectors and are deliberating on the viability of the existing business of the Group and are considering options available to improve its long term and sustainable future growth. The Group has also entered into a joint collaboration to venture into the oil and gas services sector. The Group expects that the proposed collaboration will contribute positively to the earnings of the Group for the next financial year. The Group does not expect any positive contribution in the last quarter.

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

No taxation was provided in the financial statements as the Group incurred a losses during the quarter under review.

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 30 September 2011. 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 other than as stated in Section A11.

B9 Group borrowings and debt securities

The following are the bank borrowings of the Group as at 30 September 2011:

| | As at 30 September 2011 RM'000 | As at 30 September 2010 RM'000 |
|-------------------------------------|---|---|
| Short-Term Borrowings: | | |
| Bank Overdraft | 879 | 1,100 |
| Bankers Acceptance / Trust Receipts | 36 | 1,007 |
| Hire Purchase Creditors | 121 | 184 |
| Term Loan (Secured) | - | 204 |
| Total | <u>1,036</u> | <u>2,495</u> |
| Non Current Borrowings: | | |
| Hire Purchase Creditors | 40 | 113 |
| Term Loan (Secured) | 5,090 | 3,960 |
| Total | <u>5,130</u> | <u>4,073</u> |

B10 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.

B11 Dividends

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

B12 Loss per share ("LPS")

| | Individual quarter ended 30 September 2011 | Individual quarter ended 30 September 2010 | Cumulative quarter ended 30 September 2011 | Cumulative quarter ended 30 September 2010 |
|--------------------------------|---|---|---|---|
| Basic LPS | | | | |
| Loss for the period (RM'000) | (900) | (1,286) | (1,716) | (2,836) |
| Ordinary Shares in Issue('000) | 118,556 | 118,556 | 118,556 | 116,900 |
| Basic LPS (sen) | <u>(0.76)</u> | <u>(1.08)</u> | <u>(1.45)</u> | <u>(2.43)</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.

B13 Realised and Unrealised Profits

| | As at 30 September 2011 RM '000 |
|---|---|
| Total accumulated losses of the Company and its subsidiaries: | |
| - Realised | (14,804) |
| - Unrealised | <u>(19)</u> |
| Total group accumulated losses as per consolidated accounts | <u>(14,823)</u> |

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 30 November 2011.

By Order Of The Board
Mohd Anuar Bin Mohd Hanadzlah

Shah Alam
Selangor Darul Ehsan
30 November 2011