

AUTOAIR HOLDINGS BERHAD (Company No. 414010-M)
(Incorporated in Malaysia)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010
(Figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2010 RM'000	Preceding Year Corresponding Quarter 31.12.2009 RM'000 As restated	Current Year To Date 31.12.2010 RM'000	Preceding Year Corresponding Period 31.12.2009 RM'000 As restated
Revenue	4,795	4,214	9,808	8,333
Cost of sales	(5,232)	(4,612)	(11,155)	(9,725)
Gross loss	(437)	(398)	(1,347)	(1,392)
Operating income/ (expenses)	(700)	(791)	(2,225)	(1,500)
Loss from operation	(1,137)	(1,189)	(3,572)	(2,892)
Finance costs	(200)	(372)	(399)	(762)
Loss before tax	(1,337)	(1,561)	(3,971)	(3,654)
Income tax expense	-	(67)	-	(75)
Net loss for the period	(1,337)	(1,628)	(3,971)	(3,729)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(1,337)	(1,628)	(3,971)	(3,729)
Loss attributable to :				
Equity holders of the Company	(1,337)	(1,628)	(3,971)	(3,729)
Non-controlling interests	-	-	-	-
	(1,337)	(1,628)	(3,971)	(3,729)
Total comprehensive loss attributable to :				
Equity holders of the Company	(1,337)	(1,628)	(3,971)	(3,729)
Non-controlling interests	-	-	-	-
	(1,337)	(1,628)	(3,971)	(3,729)
Loss per share attribute to :				
Equity holders of the Company				
- Basic (Sen)	(3.0)	(3.7)	(9.0)	(8.5)
- Diluted (Sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report of the Group for the year ended 30 June 2010)

AUTOAIR HOLDINGS BERHAD (Company No. 414010-M)

(Incorporated in Malaysia)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010**

(Figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.12.2010 RM'000	AUDITED AS AT 30.06.2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,943	22,597
	<u>20,943</u>	<u>22,597</u>
Current assets		
Property development costs	5,714	5,678
Inventories	10,956	11,803
Trade and other receivables	7,608	9,591
Tax recoverable	122	109
Cash and bank balances	443	473
	<u>24,843</u>	<u>27,654</u>
TOTAL ASSETS	<u><u>45,786</u></u>	<u><u>50,251</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	44,000	44,000
Share premium	42	42
Accumulated losses	(19,120)	(15,150)
Shareholders' equity	<u>24,922</u>	<u>28,892</u>
Non-current liabilities		
Hire purchase liabilities	12	19
Long term borrowings	3,712	2,434
Deferred tax liabilities	-	-
	<u>3,724</u>	<u>2,453</u>
Current liabilities		
Trade and other payables	8,779	9,551
Bank overdrafts	3,134	3,720
Hire purchase liabilities	41	115
Short term borrowings	5,180	5,514
Tax payable	6	6
	<u>17,140</u>	<u>18,906</u>
Total liabilities	<u>20,864</u>	<u>21,359</u>
TOTAL EQUITY AND LIABILITIES	<u><u>45,786</u></u>	<u><u>50,251</u></u>
Net assets per share attributable to equity holders of the Company (RM)		
	<u>0.57</u>	<u>0.66</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report of the Group for the year ended 30 June 2010)

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(Figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →			Shareholders' Equity
	Share Capital	Non-Distributable Share Premium	Retained Losses	
	RM'000	RM'000	RM'000	
At 1 July 2010	44,000	42	(15,149)	28,893
Total comprehensive loss for the period	-	-	(3,971)	(3,971)
At 31 December 2010	44,000	42	(19,120)	24,922
At 1 July 2009	44,000	42	(10,749)	33,293
Total comprehensive loss for the period	-	-	(3,729)	(3,729)
At 31 December 2009	44,000	42	(14,473)	29,564

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report of the Group for the year ended 30 June 2010)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	CURRENT YEAR ENDED 31.12.2010 RM'000	CORRESPONDING ENDED 31.12.2009 RM'000
Cash flow from operating activities		
Profit/(Loss) for the period	(3,971)	(2,093)
Adjustments for non-cash flow items:		
Depreciation	1,789	1,043
Finance cost (net of interest income)	382	380
Others	(24)	-
Operating profit/(loss) before changes in working capital	(1,824)	(670)
Net change in current assets	2,797	2,286
Net change in current liabilities	(751)	822
Cashflow from operations	222	2,438
Taxes paid	(12)	(18)
Net cash (used in)/from operating activities	210	2,420
Cash flow from investing activities		
Additions to property, plant and equipment	(135)	(10)
Others	2	1
Net cash (used in)/from investing activities	(133)	(9)
Cash flow from financing activities		
Drawdown of borrowings	1,878	-
Repayment of borrowings	(1,015)	(1,600)
Interest payment	(384)	(381)
Net cash (used in)/from financing activities	479	(1,981)
Net increase/(decrease) in cash and cash equivalents	556	430
Cash and cash equivalents at beginning of the quarter	(3,247)	(3,874)
Cash and cash equivalents at end of the quarter	(2,691)	(3,444)
Cash and cash equivalents comprises:		
Cash and bank balances	443	510
Bank overdrafts	(3,134)	(3,954)
	(2,691)	(3,444)

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report of the Group for the year ended 30 June 2010)

NOTES TO THE FINANCIAL INFORMATION
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010
(Figures have not been audited)

(A) **IN COMPLIANCE WITH FINANCIAL REPORTING STANDARD (FRS) 134**

A1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with FRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the audited financial statements for the year ended 30 June 2010.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 30 June 2010. In addition, the Group had also adopted the new and revised Financial Reporting Standard ("FRS"), Amendments to FRSs, Interpretations and Technical Releases that become mandatory for the current financial period. The adoption of the new and revised FRSs, Amendments to FRSs, Interpretations and Technical Releases does not have significant impact on the financial statements of the Group other than as follows:

FRS 101 (Revised), Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income (which can be presented as a single statement or two statements comprising the income statement and statement of comprehensive income), a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The total comprehensive income is presented as a one line item in the statement of changes in equity. This standard only affects the presentation aspects and does not have any impact on the earnings/(loss) per share for the current quarter ended 31 December 2010 and its preceding year's corresponding period.

FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives are recognized on their settlement dates. Outstanding derivatives at the balance sheet date were not recognized.

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments. All financial assets and financial liabilities, including derivatives, are recognized at contract dates when the Company or any of its subsidiary becomes a party to the contractual provisions of the instruments.

The financial instruments of the Group are categorized, recognized and measured as follows:

Financial Assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorized as loans and receivables are subsequently measured at amortized cost using the effective interest method.

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management.

With the adoption of FRS 139, an impairment loss is recognized for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

All financial assets are subject to review for impairment.

A1. Basis of preparation (continued)

Financial Assets (continued)

Loans and receivables (continued)

A financial asset or part of it is derecognized when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in equity is recognized in the profit and loss.

Financial Liabilities

All financial liabilities are subsequently measured at amortized cost, other than those measured at fair value.

A financial liability or a part of it is derecognized when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognized in the profit and loss.

In accordance with the transitional provisions of FRS 139, the required changes are applied prospectively from 1 July 2010 and the comparative information is not restated. The effects of the remeasurement on 1 July 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening accumulated losses and other opening reserves as disclosed in the Condensed Consolidated Statement of Changes in Equity for the current quarter ended 31 December 2010, if any.

This standard does not have any material impact on the results and financial position of the Group for the current quarter ended 31 December 2010 and its preceding year's corresponding period.

A2. Qualified audit report

There was no qualification in the auditors' report on the Group's preceding audited annual financial statements for the year ended 30 June 2010.

A3. Seasonal or cyclical factors

The Group's operations for the current quarter and financial year to date are not significantly affected by seasonal or cyclical factors.

A4. Unusual item affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the current quarter and financial year to date.

A5. Changes in estimates

There were no changes in the estimates of amounts reported in the prior financial years which have a material effect in the current quarter or the financial year to date.

A6. Issuance or repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current quarter and financial year to date.

A7. Dividend

There was no dividend paid in the current quarter and the financial year to date.

A8. Segment Information

Segment information is presented in respect of the Group's business segment:

	Investment holdings RM'000	Manufacturing and marketing of automotive components RM'000	Property development RM'000	Eliminations RM'000	Consolidated RM'000
Current Year-To-Date Ended 31.12.2010					
REVENUE					
External revenue		9,808	-	-	9,808
Inter-segment revenue	58	3,335	-	(3,393)	-
Total Revenue	58	13,143	-	(3,393)	9,808
RESULTS					
Segment result	(76)	(3,396)	(102)		(3,574)
Interest income					2
Finance costs					(399)
Loss before tax					(3,971)
Taxation					-
Net loss					(3,971)

A8. Segment Information (continued)

	Investment holdings RM'000	Manufacturing and marketing of automotive components RM'000	Property development RM'000	Eliminations RM'000	Consolidated RM'000
Preceding Year-To-Date Ended 31.12.2009					
REVENUE					
External revenue	-	8,333	-	-	8,333
Inter-segment revenue	-	3,610	-	(3,610)	-
Total Revenue	-	11,943	-	(3,610)	8,333
RESULTS					
Segment result	(139)	(2,720)	(34)		(2,893)
Interest income					1
Finance costs					(762)
Loss before tax					(3,654)
Income tax expense					(75)
Net loss					(3,729)

The Group's operations are solely based in Malaysia.

A9. Valuation of property, plant and equipment

The carrying value of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

A10. Material events subsequent to the end of the period

There were no material events as at 25 February 2011 that have not been reflected in the financial statements for the current quarter and financial year to date.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year to date.

A12. Contingent liabilities

Save as disclosed below, there were no contingent liabilities or assets since the last annual Balance Sheet date.

	GROUP		COMPANY	
	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000	As at 31.12.2010 RM'000	As at 31.12.2009 RM'000
In respect of corporate guarantees given by the Company to financial institutions for banking facilities granted to subsidiaries	-	-	7,805	18,440
Total:	-	-	7,805	18,440

A13. Capital commitments

There are no capital expenditure approved and contracted for as at the end of the current quarter.

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance of the Company and its principal subsidiaries

The Group's revenue for the current quarter was higher at RM 4.795 million as compared to RM 4.214 million recorded in the corresponding quarter last year.

The Group's loss before tax for the current quarter was correspondingly lower at RM 1.337 million as compared with RM 1.561 million registered in the preceding year's corresponding quarter. The drop of loss before tax was mainly due to lower finance cost.

The results for the current quarter have not been affected by any transaction or event of a material or unusual in nature which has arisen between 31 December 2010 and the date of this announcement.

B2. Material changes in the current quarter results compared with the immediate preceding quarter

The Group recorded a loss before tax of RM 1.337 million as compared to loss before tax of RM 2.634 million in the immediate preceding quarter. The drop of loss before tax was mainly due to production efficiency and reduction in operating expenses.

B3. Prospects

Barring any unforeseen circumstances, the performance of the group may improve for the remaining period of the year.

B4. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the current quarter and financial year to date.

B5. Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	31.12.2010	Quarter	31.12.2010	Period
	RM'000	31.12.2009	31.12.2009	RM'000
	RM'000	RM'000	RM'000	RM'000
Group				
Current tax	-	(12)	-	(20)
Deferred tax	-	(55)	-	(55)
	-	(67)	-	(75)

The effective tax rates for the current and previous quarter is higher than the statutory tax rate mainly due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

B6. Sale of unquoted investments and/or properties

There was no disposal of unquoted investment and/or properties during the current quarter and financial year to date.

B7. Purchase / disposal of quoted securities

There was no purchase or disposal of quoted securities during the current quarter and financial year to date.

B8. Status of corporate proposals

There were no corporate proposals announced from the date of the last quarter report to the date of this announcement.

B9. Group borrowings and debt securities

Group borrowings	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Current			
Bank overdrafts	3,134	-	3,134
Bankers' acceptances	1,803	-	1,803
Term loans	1,278	2,099	3,377
Hire purchase liabilities	41	-	41
Sub-total of current	6,256	2,099	8,355
(b) Non-current			
Term loans	1,367	2,345	3,712
Hire purchase liabilities	12	-	12
Sub-total of non-current	1,379	2,345	3,724
Total borrowings	7,635	4,444	12,079

The above Group borrowings are all denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

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

B11. Material litigation

As at the date of this announcement, there was no material litigation against the Group.

B12. Dividends

No dividend has been recommended for the current quarter and financial year to date.

B13. Loss per share

The basic loss per share of the Group is calculated by dividing the loss for the relevant periods by the weighted average number of ordinary shares in issue during the period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2010	Preceding Year Corresponding Quarter 31.12.2009	Current Year To Date 31.12.2010	Preceding Year Corresponding Period 31.12.2009
Net loss for the period (RM'000)	(1,337)	(1,628)	(3,971)	(3,729)
Weighted average number of ordinary shares in issue ('000)	44,000	44,000	44,000	44,000
Basic loss per share (sen)	(3.0)	(3.7)	(9.0)	(8.5)

B14. Realised and unrealised retained profits/ accumulated losses

	As at 31.12.2010 RM'000	As at 30.09.2010 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised losses	(16,077)	(14,740)
- Unrealised losses	(2,442)	(2,442)
Less : Consolidation adjustments	(601)	(601)
Total group accumulated losses as per consolidated financial statements	<u>(19,120)</u>	<u>(17,783)</u>

By Order of the Board

Company Secretaries