

AUTOAIR HOLDINGS BERHAD (Company No. 414010-M)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL INFORMATION
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012
(Figure have not been audited)

(A) IN COMPLIANCE WITH FINANCIAL REPORTING STANDARD (MFRS) 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Reporting In Malaysia 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 2012.

The Group has adopted MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards. The transition to MFRS framework does not have any financial impact to the financial statement of the Group.

The accounting policies and methods of computation adopted by the Group in these condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2012. In addition, the Group has adopted the new MFRS and IC Interpretations to be applied by all Entities other than Private Entities for the periods beginning on or after 1 January 2012. The adoption of the new MFRS does not have significant impact on the interim financial statements of the Group.

The Group has not adopted the new standard, amendments to published standard and interpretations that have been issued but not yet effective. These new standards, amendments to published standards and interpretations do not result in significant changes in accounting policies of the Group upon their initial application.

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 2012.

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 estimate 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.

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A8. Segment Information

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

	Investment holdings	Manufacturing and marketing of automotive component	Property development	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Current Year-To-Date Ended 31.12.12					
REVENUE					
External revenue	-	6,292	-	-	6,292
Inter-segment revenue	-	1,833	-	(1,833)	-
	-	8,125	-	(1,833)	6,292
RESULTS					
Segment result	(366)	199	(53)	-	(220)
interest income					-
Finance costs					(69)
Loss before tax					(289)
Taxation					-
Net loss					(289)
Current Year-To-Date Ended 31.12.11					
REVENUE					
External revenue		8,052	390	-	8,442
Inter-segment revenue	100	2,268	-	(2,368)	-
	100	10,320	390	(2,368)	8,442
RESULTS					
Segment result	28	(2,345)	78	-	(2,239)
interest income					2
Finance costs					(245)
Loss before tax					(2,482)
Taxation					-
Net loss					(2,482)

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 31 December 2012 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 31.12.2012	As at 31.12.2011	As at 31.12.2012	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000
In respect of corporate guarantees given by the Company to financial institutions for banking facilities granted to subsidiaries	-	-	889	3,629
Total :	-	-	889	3,629

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 performance of the Company and its principle subsidiaries

The Group's revenue for the current quarter was lower at RM3.36 million as compared to RM4.330million recorded in the corresponding quarter last year as the sales to local OEM came down by 20% and in the second quarter of last year, there was a recognition of RM390,000 revenue from the property division.

Despite the lower revenue, the Group was able to improve its results to a marginal loss before tax of RM7,000 in the current quarter as compared with the loss before tax of RM879,000 incurred in the preceding year's corresponding quarter. The improvement stems from the higher operating margins with the switch in the manufacturing division's focus on new OEM and REM models and better quality management to reduce production cost.

For the half year ended 31 December 2012, the Group achieved revenue of RM6.29 million, a decrease of 25.5% from the corresponding period of last financial year. However, the Group managed to reduce its loss before tax of RM2.48 million in the previous year's corresponding period to a loss before tax of RM289,000 as operational efficiencies were put in place.

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

With a higher revenue of RM429,000 from the immediate preceding quarter, the Group recorded a lower loss before tax of RM7,000 as compared to loss before tax of RM282,000 in the previous quarter.

B3. Prospects

Competition in the automotive air condition parts market was intense throughout the year 2012 and is expect to remain so in 2013. In the Malaysian Automotive Association(MAA)'s Market Review for 2012 and outlook for 2013, MAA has forecasted a modest growth of 2% in 2013 compared to a growth rate of 4.6% in 2012.

With the property development project in Banting fully completed, there will be no further income to be derived from the property division in the current financial year and the performance of the Group will rest predominantly on the manufacturing division. The operational strategies put in place is encouraging as the manufacturing division has been able to turnaround its earlier operational loss position. The Group is also taking measures to increase the revenue of the Manufacturing Division but faced with strong competition, the Group will endeavour to improve the results as much as possible.

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 Quarter 31.12.2012 RM'000	Preceding Year Corresponding Quarter 31.12.2011 RM'000	Current Year To Date 31.12.2012 RM'000	Preceding Year Corresponding Period 31.12.2011 RM'000
Group	-	-	-	-
Current tax	-	-	-	-
Deferred tax	-	-	-	-

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	274	-	274
Bankers' acceptances	-	1,203	1,203
Term loans	497	2,976	3,473
Hire purchase liabilities	3	-	3
Sub-total of current	774	4,179	4,953
(b) Non-current			
Term loans	-	-	-
Hire purchase liabilities	6	-	6
Sub-total of non-current	6	-	6
Total borrowings	780	4,179	4,959

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. Profit / (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 31.12.2012	Preceding Year Corresponding Quarter 31.12.2011	Current Year To Date 31.12.2012	Preceding Year Corresponding Period 31.12.2011
Net loss for the period (RM'000)	(7)	(879)	(289)	(2,482)
Weighted average number of ordinary shares in issue ('000)	44,000	44,000	44,000	44,000
Basic (loss) per share (sen)	(0.02)	(2.0)	(0.7)	(5.6)

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B14. Realised and unrealised retained profits / accumulated losses

	As at 31.12.2012 RM'000	As at 30.9.2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised losses	(37,638)	(37,665)
- Unrealised losses	(289)	(282)
Less : Consolidated adjustments	7,852	7,852
Total group accumulated losses as per consolidated financial statements	(30,075)	(30,095)

B15. Notes for Statement of Comprehensive income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2012 RM'000	Preceding Year Corresponding Quarter 31.12.2011 RM'000	Current Year To Date 31.12.2012 RM'000	Preceding Year Corresponding Period 31.12.2011 RM'000
Loss for the period is arrived at after crediting / (charging) the followings :				
Interest income	-	1	-	2
Other Income including investment income	57	63	58	64
Interest Expenses	(20)	(127)	(65)	(239)
Depreciation and Amortization	(474)	(716)	(1,042)	(1,455)
Provision for and write off receivables	-	-	-	-
Provision for and write off inventories	-	-	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets	-	-	-	-
Foreign exchange gain / (loss)	33	30	(12)	45
Gain or loss on derivatives	-	-	-	-
Exceptional items (Corporate Advisory fees)	(66)	-	(66)	-

By Order of the Board

Company Secretary