

VASTALUX ENERGY BERHAD (Company No: 789373-V)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

**INTERIM FINANCIAL REPORTING FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2008**

A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of reporting preparation

The interim financial statements is unaudited and has been prepared in accordance with the Financial Reporting Standards 134 (FRS134): "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and Appendix 9B part A of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). This is the second interim financial report on the consolidated results for the third quarter ended 30 September 2008 announced by the Company in compliance with the Listing Requirements and in conjunction with the admission of the Company to the Second Board of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

The accounting policies and methods of computation adopted by the Group in this interim financial report are in compliance with the new and revised Financial Reporting Standards ("FRS") issued by the MASB.

The adoption of the relevant new or revised Financial Reporting Standards ("FRS"), which are effective for the financial period beginning on or after 1 January 2008 and have been applied in preparing these financial statements, are as follows:

FRSs		Effective date
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 121 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The adoption of the above FRSs does not have significant financial impact on the Groups.

The interim financial statement should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial period ended 31 March 2008 as disclosed in the Prospectus of the Company dated 22 August 2008 and the accompanying explanatory notes attached to this interim financial report.

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A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A2. Audit qualifications

There was no qualification on the audited financial statements of the Company for the financial period ended 31 March 2008.

A3. Seasonal or cyclical factors

The principal business operations of the Group are not significantly affected by seasonal or cyclical factors during the period under review.

A4. Extraordinary and exceptional items

There were no extraordinary and exceptional items of an unusual nature affecting assets, liabilities, equity, net income or cash flows during the interim financial period under review.

A5. Material changes in estimates

There were no changes in the estimates of amount relating to the prior financial years that have a material effect in the current quarter under review.

A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

Pursuant to the Initial Public Offering (IPO), the Company has issued shares as follows:

- (i) issuance of 111,199,996 ordinary shares of RM0.25 each (“VEB Shares”) pursuant to the acquisition of Vastalux Sdn Bhd; and
- (ii) issuance of 37,808,000 ordinary shares of RM0.25 each (“VEB Shares”) pursuant to the rights issue; and
- (iii) issuance of 57,232,000 VEB Shares pursuant to the public issues.

Save for the above, there have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current period and year to date.

A7. Dividends paid

No dividends have been paid by the Company in the current period and year to date.

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A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A8. Segmental information

By activities

	Revenue	Gross profits
	RM	RM
Hook-up and Commissioning Services	71,509,057	9,073,284
Topside Major Maintenance Services	31,257,460	11,017,303
Onshore Constructions Works	22,843,415	4,821,853
Minor Fabrication Works	20,967,713	4,717,271
Charter Hire of Vessel	1,991,461	1,015,645
Others	215,217	105,209
	<u>148,784,323</u>	<u>30,750,565</u>

By geographical locations

	Revenue	Gross profits
	RM	RM
Malaysia operations	148,130,197	30,505,394
Overseas operations	654,126	245,171
	<u>148,784,323</u>	<u>30,750,565</u>

A9. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current period under review.

A10. Capital commitments

Capital commitment as at end of the current quarter and financial year to date are as follows:-

30 June 2008
RM'000

Approved and contracted for:-	-
Approved but not contracted for:-	-

A11. Material events subsequent to the end of period reported

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

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A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter and financial year-to-date save for the acquisitions of subsidiaries pursuant to the IPO.

A13. Contingent Liabilities and Contingent Assets

	30 June 2008
	RM
Being a claim from a third party in dispute #	<u>2,624,241</u>

On 18 July 2008, the defendant was served with the Plaintiff's application for summary judgment. The plaintiff's application for summary judgment has been fixed for hearing on 6 August 2009. Based on the facts and merits of the abovementioned suits, it is the Directors' opinion that the Company has sufficient grounds to resist the Plaintiff's claim since the Plaintiff failed to furnish the supporting documents for their claims despite repeated requests by the defendant.

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A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A14. Significant related party transactions

The Group had the following transaction with related parties during the financial quarter:

Transaction with Directors	Nature	Amount for current year to date 30 September 2008 RM
Mohamad Nor Bin Abdul Rashid	Sale of property^	2,400,000
Nor Sabri Bin Hamzah	Advance to VSB	599,029
Mohamad Nor Bin Abdul Rashid	Rental of property	90,000

^ the sale and purchase of the property is estimated to be completed by the fourth quarter of 2008.

In the opinion of the directors, the above transactions have been entered into the ordinary course of business and have been established under terms no less favourable than those transacted with unrelated parties.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

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

For the current quarter, the Group recorded a pre-tax profit of RM9.2 million on the back of RM70.0 million revenue.

For the financial period to date, the Group recorded a pre-tax profit of RM19.8 million on the back of revenue of RM148.8 million. The pre-tax profit included pre-acquisition profit of VSB of RM5.4 million.

In the opinion of the Directors, the result for the current quarter and financial year to date have not been affected by any transactions or events of a material nature which has arisen between 31 December 2007 and the date of this report.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

	Current Year Quarter Ended 30 September 2008 RM	Current Year Quarter Ended 30 June 2008 RM	Variance RM	%
Revenue [^]	70,043,102	19,945,510	50,097,592	More than 100
Post-acquisition profit before tax	9,240,007	3,738,001		

[^] Results reflect post-acquisition results of subsidiaries acquired on 30 April 2008.

The higher pre-tax profit of RM9.2 million for the current quarter as compared to RM3.7 million for the preceding quarter is mainly due to preceding quarter results only take into account the results of the subsidiaries commencing from their date of acquisition on 30 April 2008.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B3. Prospects for the current financial year

Barring any unforeseen circumstances, the Directors remain positive with the Group's prospects. The outlook of the offshore hook-up and commissioning and topside major maintenance services for the oil and gas industry in Malaysia is favourable. The offshore hook-up and commissioning, and topside major maintenance services for the oil and gas industry in Malaysia are forecasted to grow by 8% to 10% per annum for the next five years, thus contributing positively to earnings of the Group.

B4. Variance between Actual Profit and Forecast Profit

Save for profit estimate of RM16.24 million included in the Company's Prospectus dated 22 August 2008, the Group did not issue any profit estimate or profit guarantee in any public document for the current financial quarter. Disclosure on explanatory notes for the variance between actual and estimated results would be provided in the final quarter announcement for the current financial year ending 31 December 2008. The Group is confident that profit estimates of RM16.24 for financial ending 31 December 2008 will be achieved.

B5. Taxation

Current tax:

	Current year quarter RM	Current year to date RM
Malaysia income tax	2,131,301	4,210,985
Deferred tax	537,516	1,062,015
	<u>2,668,817</u>	<u>5,273,000</u>

The effective tax rate of the Group for the current financial period is higher than the statutory tax rate of 26% mainly due to non deductible expenditure for tax purposes.

B6. Profit from sale of unquoted investments and/ or properties

There were no disposal of unquoted investment and properties for the current quarter and financial year-to-date.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B7. Quoted securities

There were no purchase or disposal of quoted securities for the current quarter and financial year to date and the Group did not hold any quoted securities as at the end of the financial year to date.

B8. Status of Corporate Proposal

In conjunction with the floatation exercise undertaken by the Company, the Company has, on 22 August 2008, issued a Prospectus in relation to the following:

(A) Public issue

Public issue of 57,232,000 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.75 per ordinary share payable in full upon application comprising:

1. 12,000,000 new ordinary shares of RM0.25 each available for application by the Malaysian Public;
2. 4,240,000 new ordinary shares of RM0.25 each available for application by the eligible senior management, business associates, directors and promoters of the VEB Group; and
3. 40,992,000 new ordinary shares of RM0.25 each available for placement to selected investors.

The Initial Public Offering ("IPO") was completed on 12 September 2008.

(B) Listing

The admission to the official list and the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Securities was successfully done on 12 September 2008.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

(C) Status of utilisation of proceeds

As at the end of the current quarter and financial period to date, the status of utilization of the proceeds as compared to the actual utilization is as follows:-

	Proposed utilisation RM000	Actual utilisation RM000	Timeframe for utilisation upon listing	← Remarks → RM000
1. Capital expenditure:				
(i) Development and construction of fabrication yard and yard facilities	3,000	23	Within 24 months	2,977 Available for use
(ii) Finance or part finance the acquisition of marine vessel(s)	10,000	-	Within 12 months	10,000 Available for use
2. Retirement of bank borrowings	21,501	18,812	Immediate	2,689 Available for use
3. Working capital				
(i) Expansion of business and markets	10,000	2,902	Within 24 months	7,098 Available for use
(ii) Existing operations	5,316	5,266	Within 12 months	50 Available for use
4. Estimated listing expenses	2,559	2,559	Immediate	-
	<u>52,376</u>	<u>29,562</u>		<u>22,814</u>

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B9. Deposits with licensed bank

Inclusive in the fixed deposits is an amount of RM31,109,198 currently being placed in fixed deposits and repo placements originated from the Bank Accounts below maintained by Vastalux Capital Sdn Bhd ("VCSB") prior to their intended utilization as per Notes A, B, and C below:

	RM
a) Disbursement account ("DA") (Note A)	3,806,859
b) Sinking fund account ("SFA") (Note B)	21,474,750
c) Finance service reserves account ("SFA") (Note C)	5,827,589
d) Others	27,760,486
	<u>58,869,684</u>

Note A

● Disbursement Account ("DA")

The account is opened and jointly operated and managed by the Facility Agent (KAF Investment Bank Bhd) and Trustee (KAF Trustee Bhd) to capture the total proceeds of RM100 million from the issuance of the Sukuk Musyarakah for the purposes of financing the Contracts ("TMM PCSB-PMO Contract, HUC Umbrella Contract, Murphy Contract and any other future contracts awarded to Vastalux Sdn Bhd (the Obligor) and other approved expenses including the Sukuk Musyarakah issue expenses and Finance Service Reserve Account ("FSRA") initial funding requirements.

The balance of RM3,806,859 can be used to finance future contract(s) awarded to the Obligor. Any unutilised amount can also be used towards repayment of the capital (principal portion) of the Sukuk Musyarakah, subject to bondholders' approval.

Note B

● Sinking Fund Account ("SFA")

The account is opened and jointly operated or managed by the Facility Agent (KAF Investment Bank Bhd) and Trustee (KAF Trustee Bhd). The required amount to be maintained in the SFA shall be progressively built up until it is sufficient to pay the next repayment of capital (principal portion) of the Sukuk Musyarakah.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

Note C

- Finance Service Reserve Account ("FSRA")

The account is opened and jointly operated or managed by the Facility Agent (KAF Investment Bank Bhd) and Trustee (KAF Trustee Bhd). The required amount to be maintained in the FSRA shall be progressively built up and fully deposited into the account six (6) months before the respective due dates of the expected profit portion under the Sukuk Musyarakah.

B10. Group borrowings and debt securities

The Group's borrowings as at 30 September 2008 are as follows:-

	Secured RM	Unsecured RM	Total RM
<u>Short term borrowings:-</u>			
Bank overdrafts	1,318,380	-	1,318,380
Bills payable	4,453,225	-	4,453,225
Term loan	490,183	-	490,183
Finance creditors	-	-	-
Bonds	15,000,000	-	15,000,000
	21,261,788	-	21,261,788
<u>Long Term borrowings:-</u>			
Term loan	8,009,582	-	8,009,582
Finance creditors	-	-	-
Bonds	50,000,000	-	50,000,000
	58,009,582	-	58,009,582
Total	79,271,370	-	79,271,370

On 23 July 2008, the Group paid RM10 million as an early retirement of part of its 2nd series of RM25 million Sukuk Musyarakah Bond principal repayment while the remaining balance of RM15 million will be paid on its due date on 23 December 2008 by utilising available fund in Sinking Fund Account (SFA) as stipulated in Note B9 (Note B).

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S
LISTING REQUIREMENTS**

B11. Trade Payables

	30 September 2008 RM
Trade payables	52,054,980
Accrued cost	57,556,363
	<u>109,611,343</u>

B12. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off-balance sheet risk.

B13. Material Litigation

As at 30 September 2008, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company or our subsidiaries.

B14. Proposed Dividend

There was no dividend proposed or declared for the current quarter and the financial year to date.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S
LISTING REQUIREMENTS**

B15. Earnings per share

(a) Basic earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of RM6.6 million for the current year quarter and RM14.5 million for current year quarter to date as at 30 September 2008 and based on the weighted average enlarged number of shares of 83,034,279 upon listing on 12 September 2008.

(b) Fully diluted earnings per share

Fully diluted earnings per share were not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

By Order of the Board,

Date: 25 November 2008