

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 2010**

**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 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 (“FRS”) 134: 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 tenth interim financial reports on the consolidated results for the third quarter ended 30 September 2010 announced by the Company in compliance with the Listing Requirements and in conjunction with the admission of the Company to the Main Market of Bursa Securities.

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

The adoption of the relevent new or revised FRS, that are effective for the financial year beginning on or after 1 January 2010 and have been applied in preparing these financial statements are as follows:-

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
Amendment to FRS 121	The Effect of Changes in Foreign Exchanges Rates - Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contigent Assets

The adoption of the above FRSs does not have significant financial impact on the Group except as disclosed in the Notes to the financial statements.

A2. 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.

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**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134:
INTERIM FINANCIAL REPORTING**

A3. 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 quarter under review.

A4. 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.

A5. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and year to date.

A6. Dividends paid

No dividend was paid during the current quarter and year to date.

A7. Segmental information

By activities

The financial information by industrial segment is not presented as the is Group considered to be operating in one business segment.

By geographical locations

	Revenue RM	Loss before taxation RM
Malaysia operations	10,987,089	(19,679,464)
Overseas operations	-	(16,902)
	<u>10,987,089</u>	<u>(19,696,366)</u>

A8. Valuation of property, plant and equipment

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

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**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134:
INTERIM FINANCIAL REPORTING**

A9. Capital commitments

30.09.2010
RM

Capital commitment as at end of the current quarter 2,815,800

A10. Material events subsequent to the end of period reported

a) Restraining Order and Court Convened Creditors Meeting

Vastalux Energy Berhad had on 15 March 2010 appointed Crowe Horwath Advisory Sdn Bhd to undertake the Proposed Debt Restructuring Scheme (“PDRS”) for Vastalux Sdn Bhd (“VSB”) and its subsidiaries.

The High Court of Malaya (“the High Court”) has granted the Restraining Order (“RO”) for a period of ninety (90) days effective from 7 April 2010 until 6 July 2010 to VSB pursuant to Section 176 of the Companies Act, 1965 (“Act”) and thereafter, the said order was extended for a further 90 days commencing from 7 July 2010 to 3 October 2010. On 6 October 2010, VSB was further granted an extension of time for a further 30 days to hold its Court Convened Creditors Meeting (“CCM”) from 4 October 2010 to 3 November 2010.

On 1 November 2010, a CCM for Unsecured Creditors Classes 1 and 2 (“Scheme Creditors”) was held whereby a PDRS was presented for deliberation and approval by the Scheme Creditors. The proposed settlement to Unsecured Creditors Class 1 was duly approved by the creditors. Whereas the CCM for Unsecured Creditors Class 2 was adjourned to allow VSB to provide a modified PDRS. On 9 November 2010, the High Court granted an extension of time for VSB to hold the adjourned CCM from 3 November 2010 to 3 December 2010. The High Court had also granted an extension of time of the RO for another 30 days commencing 9 November 2010.

b) Disposal of Property

VSB also has been given the leave by the High Court to sell and transfer the property held under HS(D) 4265, Lot No. P.T. 7610, Mukim Telok Kalung, District Kemaman, State of Terengganu pursuant to Section 176 (10C) to the Companies Act 1965 subject to such terms as may agreed by VSB, the Purchaser and the Chargee.

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**A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134:
INTERIM FINANCIAL REPORTING**

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter.

A12. Contingent Liabilities

**Setegap Ventures Engineering Sdn Bhd (SVE) (“Plaintiff”) v Vastalux Sdn Bhd
(VSB) (“Defendant”)**

The total amount claimed against VSB is RM2,624,241.00 for manpower services and hire of scaffolding. Writ of Summon which was filed in Kuala Lumpur High Court ("the High Court") and Order 14 Application for Summary Judgment fixed for hearing on 4.11.2009 has been dismissed by the High Court. The High Court has fixed 2.12.2010 as case management to enable the High Court to determine the date of hearing.

A13. Significant related party transactions

The Group had no significant related party transactions during the quarter under review.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

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

For the current quarter, the Group recorded a loss before taxation of RM2,666,725 on the back of RM2,426,337 revenue.

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

	Current Year Quarter Ended 30.09.2010 RM	Preceding Quarter Ended 30.06.2010 RM	Variance RM
Revenue	2,426,337	5,859,061	(3,432,724)
Loss before taxation	2,666,725	8,693,553	(6,026,828)

Significant decrease in revenue was mainly due to lower work as compared to the preceding quarter.

B3. Prospects for the current financial year

It is foreseeable that the Group will face bigger challenges this year due to the suspension of its Petronas licence which result to its inability to bid for new Petronas related projects during the suspension period. However as a mitigating measure, the Group is currently pursuing the contracts that are not within Petronas' domain.

The immediate focus for the Group is to improve its operational efficiency and continue to pursue the appeal for the suspension of its Petronas licence to be uplifted. Furthermore, the formalisation and implementation of the PDRS is imperative for the Group to move forward in order to achieve better results.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
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B4. Variance between Actual Profit and Estimate Profit

The Group has not issued any profit forecast for the current quarter.

B5. Taxation

Current tax:

	Current year quarter RM	Current year to date RM
Malaysia income tax	-	(433,000)
Deferred tax	-	4,114,334
	-	<u>3,681,334</u>

The difference between the statutory tax rate and effective tax rate in 2010 was mainly due to the recognition of unabsorbed business losses.

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.

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.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

B8. Deposits with licensed bank

Inclusive in the fixed deposits is an amount of RM21,567,888 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:

	<u>RM</u>
a) Disbursement Account (“DA”) (Note A)	-
b) Sinking Fund Account (“SFA”) (Note B)	20,900,619
c) Finance Service Reserves Account (“FSRA”) (Note C)	667,269
d) Others	40,000
	<u>21,607,888</u>

Note A

• Disbursement Account

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 VSB (the Obligor) and other approved expenses including the Sukuk Musyarakah issue expenses and FSRA initial funding requirements.

The available fund, if any 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

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'
LISTING REQUIREMENT**

B8. Deposits with licensed bank

Note C

- Finance Service Reserve Account

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.

B9. Group borrowings and debt securities

The Group's borrowings as at 30 September 2010 are as follows:-

	Limit	Outstanding
	RM	RM
Bank overdrafts	5,889,792	5,509,683
Bills payable	723,549	222,031
Term loan	6,000,000	5,498,613
Finance creditors	400,000	360,417
Bonds	100,000,000	25,000,000
Total	113,013,341	36,590,744

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

B10. Trade Payables

	30.09.10
	<u>RM</u>
Trade payables	115,049,390
Accrued cost	5,654,552
	<u>120,703,942</u>

B11. Other Payables and Accruals

Included in other payables and accruals is the amount of RM9,369,252 due to directors which is unsecured, interest-free and has no fixed term of repayment.

B12. Off Balance Sheet Financial Instruments

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

B13. Material Litigation

1. ECIS (M) Sdn. Bhd (ECIS) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by ECIS is RM2,196,097.76 for goods sold and delivered. The hearing of the Winding- Up Petition was re-scheduled to 15.7.2010 by Kuantan High Court.

2. Coral Alliance Sdn. Bhd (Coral) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by Coral against VSB is RM1,000,045.77 for equipments and personnel supplied. Winding –Up Petition is presented in Miri High Court and Hearing date is re-scheduled to 22.7.2010 due to an application to set aside Judgment in Default filed by VSB solicitors.

3. Petrousaha Engineering Services Sdn. Bhd (Petrousaha) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by Petrousaha against VSB is RM3,592,260.00 for equipments and personnel supplied. Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 15.07.2010.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

B13. Material Litigations (Cont'd)

4. New Wing Energy Sdn. Bhd (New Wing) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by New Wing against VSB is RM1,452,206.33 for equipments and personnel supplied. Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 22.7.2010.

5. Nubayu Offshore Company Sdn. Bhd (Nubayu) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by Nubayu against VSB is RM1,255,190.30 for Charter hire of a vessel. Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 18.11.2010.

6. SBN Industries Sdn. Bhd (SBN) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by SBN against VSB is RM41,796.28 for goods sold and delivered. Winding –Up Petition was presented in Johor Bahru High Court and the hearing date was on 9.11.2010.

7. Aegis Venture (M) Sdn. Bhd (Aegis) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by Aegis against VSB is RM654,360.09 for hire of Industrial machinery. Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 18.11.2010.

8. M.S Time Sdn. Bhd (M.S Time) v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed by M.S Time against VSB is RM62,760.32 for goods sold and delivered. Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 13.5.2010.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

B13. Material Litigations (Cont'd)

**9. Kejuteraan Gemilang Jaya Sdn. Bhd (Kejuteraan Gemilang) v Vastalux Sdn. Bhd
("VSB")**

The total amount claimed by M.S Time against VSB is RM26,599.10 for services rendered. Winding –Up Petition was presented in Bintulu High Court and the hearing date was on 13.7.2010.

10. Hot – Hed (M) Sdn Bhd (Hot- Hed) v Vastalux Sdn. Bhd ("VSB")

The total amount claimed by Hot-Hed against VSB is RM1,468,329.50 for services rendered. Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 18.11.2010.

11. Hempel (Malaysia) Sdn. Bhd (Hempel) v Vastalux Sdn. Bhd ("VSB")

The total amount claimed by Hempel against VSB is RM106,155.00 for goods sold and delivered Winding –Up Petition was presented in Kuala Lumpur High Court and the hearing date was on 18.11.2010.

12. Next Petroleum Sdn Bhd v Vastalux Sdn. Bhd ("VSB")

The total amount claimed against VSB is RM8,972,160.15 for supplying Project materials. Winding –Up Petition was presented in Kuala Lumpur High Court on 5.3.2010, fixed for hearing was on 15.11.2010.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

B13. Material Litigations (Cont'd)

13. Kuala Lumpur Valve and Fittings (M) Sdn Bhd v Vastalux Sdn. Bhd (“VSB”)

The total amount claimed against VSB is RM516,004.79 being the outstanding sum due for supply of material. Winding –Up Petition was presented in Kuala Lumpur High Court of Malaya on 17.5.2010, fixed for hearing was on 19.08.2010.

As disclosed in Note A10 (a), Vastalux Energy Berhad had on 15 March 2010 appointed Crowe Horwath Advisory Sdn Bhd to undertake the Proposed Debt Restructuring Scheme (“PDRS”) for Vastalux Sdn Bhd (“VSB”) and its subsidiaries.

The High Court of Malaya (“the High Court”) has granted the Restraining Order (“RO”) for a period of ninety (90) days effective from 7 April 2010 until 6 July 2010 to VSB pursuant to Section 176 of the Companies Act, 1965 (“Act”) and thereafter, the said order was extended for a further 90 days commencing from 7 July 2010 to 3 October 2010. On 6 October 2010, VSB was further granted an extension of time for a further 30 days to hold its Court Convened Creditors Meeting (“CCM”) from 4 October 2010 to 3 November 2010.

On 1 November 2010, a CCM for Unsecured Creditors Classes 1 and 2 (“Scheme Creditors”) was held whereas a PDRS was presented for deliberation and approval by the Scheme Creditors. The proposed settlement to Unsecured Creditors Class 1 was duly approved by the creditors. Whereby the CCM for Unsecured Creditors Class 2 was adjourned to allow VSB to provide a modified PDRS. On 9 November 2010, the High Court granted an extension of time for VSB to hold the adjourned CCM from 3 November 2010 to 3 December 2010. The High Court had also granted an extension of time of the RO for another 30 days commencing 9 November 2010.

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'
LISTING REQUIREMENT**

B14. Proposed Dividend

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

B15. Loss per share

(a) Loss per share

The basic loss per share is calculated based on the Group's loss attributable to equity holders of the Company of RM2,666,483 for the current year quarter and RM15,985,660 for current year to date as at 30 September 2010 and based on the number of shares of 206,240,000.

(b) Fully diluted loss per share

Fully diluted loss 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: 22 November 2010