

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 2011

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 thirteenth interim financial reports on the consolidated results for the third quarter ended 30 September 2011 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 relevant 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 5	Non-Current Assets Held For Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 127	Consolidated and Separate Financial Statements
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent 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. Auditors’ Report on Preceding Annual Financial Statements

The Company’s auditors, Messrs Adam & Co. have expressed Disclaimer of Opinion and Emphasis of Matter in the Company’s audited financial statements for the financial year ended 31 December 2010.

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

A2. Auditors' Report on Preceding Annual Financial Statements (Cont'd)

The Basis of Disclaimer of Opinion is in respect of the followings:-

(i) Practice Note 17

Vastalux Energy Berhad ("VEB") is an affected listed user pursuant to Paragraph 8.04 and Paragraph 2.1 (c) and (e) of Practice Note 17 ("PN 17") of the Listing Requirement.

The PN 17 criteria were triggered as a result of:-

- (a) an expressed modified opinion with emphasis on VEB's going concern on the audited consolidated financial statements for the financial year ended 31 December 2009 and the shareholders' equity of VEB on a consolidated basis as at 30 September 2010 (unaudited) is less than 50% of the issued and paid-up capital on even date; and
- (b) the winding up of Vastalux Sdn Bhd ("VSB"), a major subsidiary of VEB, as elaborated in item (iii) below.

(ii) Audited financial statements of subsidiaries were not made available

The audited financial statements of all subsidiaries were not made available to the auditors. As such, the auditors were unable to ascertain the possible adjustments, if any; to the consolidated financial statements that might have been necessary should the audited financial statements of the subsidiaries have been made available.

Under Section 174 (3) of the Companies Act, 1965 ("the Act"), the audited financial statements of the subsidiaries are required for the purpose of preparation of the consolidated financial statements. As such, this represents a non-compliance to the said Act.

(iii) Winding up petition

On 16 December 2010 the Company was informed by its solicitors that the High Court of Malaya ("the Court") had ordered that the major subsidiary of the Company, VSB be wound up by the Court under the provisions of the Act. The Company has also a legal proceeding initiated by an unsecured creditor.

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

A3. Seasonal or Cyclical Factors

There are no variations to the level of loss due to seasonal or cyclical effects of operations.

A4. Extraordinary and Exceptional Items

There are no extraordinary or exceptional items during the current quarter under review.

A5. Material Changes in Estimates

There are 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

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

A7. Dividends Paid

No dividend was paid during the current quarter under review.

A8. Segmental Information

There is no segmental information during the current quarter under review to be disclosed.

A9. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment during the current quarter under review.

A10. Capital Commitments

The Company has no capital commitment during the quarter under review and as at the end of the financial period.

A11. Material Events Subsequent to the End of Period Reported

There have been no occurrences of material events subsequent to the current quarter under review.

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

A12. Significant Events

There have been no occurrences of significant events during the current quarter under review.

A13. Changes in the Composition of the Group

There are no changes in the composition of the Group during the current quarter under review.

A14. Contingent Liabilities

A. TA First Credit Sdn. Bhd. vs VEB

VEB had been advised by its solicitors on 8 December 2010 that Kuala Lumpur High Court had dismissed its application for stay of execution of the summary judgment obtained by TA First Credit Sdn. Bhd. (“TA”) on 25 October 2010 (“the Judgment”).

The Judgment requires VEB to pay TA, the plaintiff, a sum of RM4,014,054 as at 21 October 2009 together with interest at a rate of 9.8% per annum on the principal amount of RM3,527,650 (principal amount owing as at 21 October 2009) from 22 October 2009 until the date of full settlement together with roll over fees at a rate of 1% per month on the amount of RM3,786,546 (comprising Principal and interest owed as at 21 October 2009) from 22 October 2009 to full settlement and cost of RM1,000.

The Company had subsequently filed in an appeal to the Court of Appeal to appeal against the Judgment. On 19 May 2011, the appeal was dismissed with cost of RM10,000 (“the Subsequent Judgment”). The Company is currently looking into negotiating with TA and the employees of VEB (“the Borrower”) to arrive at amicable settlement for all parties.

The above suit arose from a loan extended by TA to the Borrower of VEB for purchase of shares under the Initial Public Offering and listing of VEB’s Shares on Bursa Securities which VEB had allegedly given an irrevocable and unconditional undertaking to settle all shortfall or losses together with any interest and other charges arising from the loan extended by TA to the Borrowers for the purchase of the said shares.

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

B. RHB Bank Berhad vs Vastalux Offshore Sdn Bhd and Six (6) Others

VEB had on 22 August 2011, received a sealed copy of a Writ Summons dated 4 August 2011 together with a Statement of Claim dated 3 August 2011, by a way of service to VEB as a Second Defendant. The Write Summons and Statement of Claims were also served to six (6) other defendants.

The above suit arose from a Corporate Guarantee dated 7 September 2009 provided by VEB to RHB Bank Berhad (“RHB”) for banking facilities extended by RHB to Vastalux Offshore Services Sdn Bhd (“VOSSB”), a subsidiary of the Company. The banking facilities comprise of overdraft, trade and bank guarantee facilities totalling RM7,834,487.10 (“the Facilities”). In addition to the Corporate Guarantee provided by VEB, the Facilities are also secured by among others, a property, namely HS (D) 4265 PT No. 7610 Mukim Teluk Kalong, Daerah Kemaman, Negeri Terengganu (“the Property”) owned by Vastalux Sdn Bhd.

RHB is making a claim against VEB and six other defendants for a sum of RM3,066,883.46 (“the Principal Sum”) being the outstanding banking facilities together with interest rate of 3.5% per annum on the Principal Sum, from 1 June 2011 until the date of full settlement, costs and other such relief (“the Claim”).

RHB has principally agreed for the Claim to be settled via the sale of the Property, whereby the proceeds from the sale will be utilised towards the settlement of the Claim.

Currently VEB together with the other six (6) defendants are currently communicating with RHB towards settlement of the Claim.

A15. Significant Related Party Transaction

The Company has not entered into any significant related party transactions during the quarter under review.

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INTERIM FINANCIAL REPORTING FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENT

B1. Review of Performance of the Company and its Principal Subsidiaries

The Company recorded a loss before taxation of RM52,436 at the back of revenue of RM154,798 during the quarter under review.

There is no review by the Board of Directors of the performance of VSB as the principal subsidiary following the cease in power pursuant to the appointment of liquidator.

B2. Material Changes in the quarterly Results Compared to the Results of the Preceding Quarter

	Current Year Quarter Ended 30.9.2011 RM	Preceding Quarter Ended 30.6.2011 RM	Variance RM
Revenue	154,798	235,175	(80,377)
Loss before taxation	(52,436)	(110,971)	58,535

The improved loss before taxation recorded during the quarter under review the decrease in administrative expenses incurred as disclosed above.

B3. Prospects for the Current Financial Year

The prospects of the Company for the current financial year hinges on the Regularisation Plan pursuant to its status as an affected listed user under the PN 17 of the Listing Requirement.

The Company is currently in the midst of formulating the said Regularisation Plan and an announcement on the same will be made in due course.

B4. Variance between Actual Profit and Estimate Profit

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

B5. Taxation

The provision for taxation during the current quarter under review is in respect of deferred tax assets arising from the business losses.

B6. Profit from Sale of Unquoted Investments and / or Properties

There are no disposals of unquoted investment and properties during the current quarter under review.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENT

B7. Quoted Securities

There is no purchase or disposal of quoted securities during the current quarter under review and the Company does not hold any quoted securities as at the end of the financial period.

B8. Corporate Proposals

There has been no corporate proposal announced but not completed as at 14 November 2011.

B9. Borrowings and Debt Securities

There are no borrowings and debt securities during the current quarter under review and as at the end of the financial period.

B10. Derivatives Financial Instruments

There are no derivative financial instruments for the current quarter under review.

B11. Off Balance Sheet Financial Instruments

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

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INTERIM FINANCIAL REPORTING FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENT

B12. Discontinued Operation and Disposal Group Classified as Held for Sale

As at 30 September 2011, the assets and liabilities related to VSB have been presented in the statement of financial position as “assets of disposal group classified as held for sale” and “liabilities directly associated with disposal group classified as held for sale”, and its results are presented separately on the statement of comprehensive income as “loss from discontinued operation, net of taxation”.

Statement of financial position disclosures

The major classes of assets and liabilities of VSB classified as held for sale as at 30 September 2011 are as follows:

	<u>Group</u> <u>RM'000</u>
Assets:	
Property, plant and equipment	10,200
Prepaid land lease	19,432
Goodwill on consolidation	55
Deferred expenditure	4
Deferred tax assets	20,582
Amount due from customers	120,116
Trade and other receivables	13,257
Amount due from VEB	7,518
Tax recoverable	1,370
Deposits with licensed banks	58
Cash and bank balances	<u>1,305</u>
Assets of disposal group classified as held for sale	<u><u>193,897</u></u>

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENT

B12. Discontinued Operation and Disposal Group Classified as Held for Sale (Cont'd)

	<u>Group</u> <u>RM'000</u>
Liabilities:	
Long term borrowings	(312)
Deferred tax liabilities	(573)
Short term borrowings	(14,532)
Trade and other payables	(140,272)
Amount due to VEB	(62,826)
Provision for taxation	<u>(3,908)</u>
Liabilities directly associated with disposal group classified as held for sale	<u>(222,423)</u>
Net liabilities directly associated with disposal group classified as held for sale	<u>(28,526)</u>

The non-current asset classified as held for sale in the Company's statement of financial position as at 30 September 2011:

	<u>Group</u> <u>RM'000</u>
Assets:	
Investment in subsidiary	<u>19,873</u>

Statement of comprehensive income disclosures

The result of VSB for the financial period ended 30 September 2011 is as follows:

	<u>Group</u> <u>RM'000</u>
Loss from discontinued operation, net of tax	<u>-</u>

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENT

B12. Discontinued Operation and Disposal Group Classified as Held for Sale (Cont'd)

Statement of cash flow disclosures

The cash flows attributable to VSB for the financial period ended 30 September 2011 is as follows:

	Group <u>RM'000</u>
Net cash (outflows)/inflows	<u>-</u>

B13. Material Litigation

The material litigation of the Company is as disclosed in Note A14.

B14. Proposed Dividend

No dividend has been proposed during the quarter under review.

B15. Loss per Share

(a) Loss per share

The basic loss per share is calculated based on the Company's loss attributable to the equity holders of the Company of RM52,436 for the current quarter and RM286,541 for the current period to date as at 30 September 2011 respectively and over the number of issued and paid-up share capital of 206,240,000.

(b) Fully diluted loss per share

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

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENT

B16. Disclosure of Realised and Unrealised Profit

The breakdowns of accumulated losses of the Company as at 30 September 2011, into realised and unrealised are as follows:-

	30.9.2011
	RM
Accumulated losses of the Company	
- Realised	(240,725)
- Unrealised	(110,631)
	<u>(351,356)</u>

B17. Authorisation

This interim financial report for the financial period ended 30 September 2010 has been seen and approved by the Board of Directors of Vastalux Energy Berhad on 23 November 2011 for release to Bursa Securities.

By Order of the Board,

Date: 23 November 2011