



**Interim Report for the 3rd Quarter Ended**

**30 September 2008**

**SAAG CONSOLIDATED (M) BHD**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
*(These figures have not been audited)*

|                                | Note | Individual Quarter   |                     | Cumulative Quarter   |                      |
|--------------------------------|------|----------------------|---------------------|----------------------|----------------------|
|                                |      | Current Year         | Preceding Year      | Current Year         | Preceding Year       |
|                                |      | 3 Months Ended       |                     | 9 Months Ended       |                      |
|                                |      | 30 Sep 2008          | 30 Sep 2007         | 30 Sep 2008          | 30 Sep 2007          |
|                                |      | RM'000               | RM'000              | RM'000               | RM'000               |
| Revenue                        | 16   | 135,421              | 97,661              | 356,666              | 350,092              |
| Costs of sales                 |      | <u>(102,689)</u>     | <u>(79,704)</u>     | <u>(270,715)</u>     | <u>(293,607)</u>     |
| Gross profit                   |      | 32,732               | 17,956              | 85,951               | 56,484               |
| Other operating expenses       |      | (18,440)             | (6,837)             | (36,435)             | (22,139)             |
| Other income                   |      | 4,609                | 1,384               | 9,516                | 5,061                |
| Profit from operations         |      | <u>18,901</u>        | <u>12,503</u>       | <u>59,032</u>        | <u>39,406</u>        |
| Finance costs                  |      | (4,025)              | (2,774)             | (12,551)             | (6,883)              |
| Share of results in associates |      | 246                  | 314                 | 223                  | 754                  |
| Profit before taxation         | 15   | <u>15,122</u>        | <u>10,043</u>       | <u>46,704</u>        | <u>33,277</u>        |
| Taxation                       | 19   | (2,208)              | (1,158)             | (8,286)              | (4,789)              |
| Net profit for the period      |      | <u><u>12,914</u></u> | <u><u>8,885</u></u> | <u><u>38,418</u></u> | <u><u>28,488</u></u> |
| Attributable to:               |      |                      |                     |                      |                      |
| Minority interests             |      | 4,854                | 1,120               | 9,593                | 5,679                |
| Equity holders of the Company  |      | <u>8,060</u>         | <u>7,765</u>        | <u>28,825</u>        | <u>22,809</u>        |
|                                |      | <u><u>12,914</u></u> | <u><u>8,885</u></u> | <u><u>38,418</u></u> | <u><u>28,488</u></u> |
| Earnings per share (sen) *     |      |                      |                     |                      |                      |
| - basic                        | 26   | 1.31                 | 1.40                | 4.67                 | 4.10                 |
| - diluted                      |      | 1.30                 | 1.38                | 4.66                 | 4.05                 |

*The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.*

\* Comparative earnings per share have been restated to take into account the effect of the subdivision of ordinary share of RM1.00 each into RM0.10 each on 11 July 2008.

**SAAG CONSOLIDATED (M) BHD**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(The figures have not been audited)

|  | Note | As at 30 Sep 2008<br>RM'000 | As at 31 Dec 2007<br>RM'000 |
|--|------|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |      |                             |                             |
| <b>Non-Current assets</b>  |      |                             |                             |
| Property, plant and equipment  |      | 140,389                     | 137,926                     |
| Investment properties  |      | 4,285                       | 4,861                       |
| Investment in associates   |      | 6,410                       | 4,895                       |
| Goodwill on business combination   |      | 1,046                       | 1,046                       |
| Deferred tax assets  |      | 1,494                       | 2,524                       |
|  |      | <u>153,624</u>              | <u>151,252</u>              |
| <b>Current assets</b>  |      |                             |                             |
| Amount due from customers for contract works                                     |      | 143,476                     | 99,507                      |
| Property development costs   |      | 12,343                      | 12,272                      |
| Inventories  |      | 25,329                      | 37,914                      |
| Trade receivables  |      | 83,301                      | 134,019                     |
| Other receivables, deposits and prepayments                                      |      | 57,977                      | 86,767                      |
| Tax recoverable  |      | 3,664                       | 2,897                       |
| Amount owing by an associate   |      | -                           | 1,688                       |
| Fixed deposits with licensed bank  |      | 137,170                     | 147,899                     |
| Cash and bank balances   |      | 17,162                      | 13,986                      |
|  |      | <u>480,422</u>              | <u>536,949</u>              |
| <b>TOTAL ASSETS</b>  |      | <u><b>634,046</b></u>       | <u><b>688,201</b></u>       |
| <b>EQUITY AND LIABILITIES</b>  |      |                             |                             |
| <b>Current liabilities</b>   |      |                             |                             |
| Trade payables   |      | 28,754                      | 44,874                      |
| Other payables and accruals  |      | 80,469                      | 153,969                     |
| Amounts due to customer for contract works                                       |      | 1,388                       | 612                         |
| Amount owing to an associate   |      | 1,383                       | 1,070                       |
| Amount owing to directors of subsidiaries  |      | 1,157                       | 1,099                       |
| Hire-purchase creditors  |      | 1,336                       | 735                         |
| Borrowings (Interest bearing)  | 23   | 109,292                     | 125,525                     |
| Tax liabilities  |      | 7,316                       | 7,266                       |
|  |      | <u>231,095</u>              | <u>335,150</u>              |
| <b>Non-current liabilities</b>   |      |                             |                             |
| Other Payables   |      | 85,943                      | 90,655                      |
| Hire-purchase creditors  |      | 4,921                       | 1,801                       |
| Borrowings (Interest bearing)  | 23   | 103,081                     | 91,563                      |
| Deferred tax liabilities   |      | 12,629                      | 9,982                       |
|  |      | <u>206,574</u>              | <u>194,001</u>              |
| <b>Total Liabilities</b>   |      | <u>437,669</u>              | <u>529,151</u>              |
| <b>Equity</b>  |      |                             |                             |
| Share capital  |      | 62,493                      | 61,635                      |
| Reserves   |      | 104,708                     | 76,516                      |
| <b>Issued capital and reserves attributable to equity holders of the company</b> |      | <u>167,201</u>              | <u>138,151</u>              |
| <b>Minority Interest</b>   |      | 29,176                      | 20,899                      |
| <b>Total Equity</b>  |      | <u>196,377</u>              | <u>159,050</u>              |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <u><b>634,046</b></u>       | <u><b>688,201</b></u>       |
| Net Assets per share (RM)  | *    | 0.27                        | 0.22                        |

*The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.*

\* Comparative net assets per share have been restated to take into account the effect of the subdivision of ordinary share of RM1.00 each into RM0.10 each on 11 July 2008.

SAAG CONSOLIDATED (M) BHD  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(The figures have not been audited)

| Note   | Attributable to Equity Holders of the Company |                         |                           |                                |   |                           |                           |                 | Minority Interest<br>RM'000 | Total equity<br>RM'000 |
|--|---|-------------------------|---------------------------|--------------------------------|---|---------------------------|---------------------------|-----------------|-----------------------------|------------------------|
|  | Share capital<br>RM'000                       | Share premium<br>RM'000 | Treasury Shares<br>RM'000 | Share Option Reserve<br>RM'000 | Currency Translation adjustment reserve<br>RM'000 | Capital reserve<br>RM'000 | Retained profit<br>RM'000 | Total<br>RM'000 |                             |                        |
| <b>At 1 January 2007</b>                               | 50,713  | 15,113                  | -                         | 378                            | 894   | 840                       | 20,904                    | 88,842          | 16,048                      | 104,890                |
| Issue of share capital arising from:                   |   |                         |                           |                                |   |                           |                           |                 |                             |                        |
| - exercise of ESOS                                     | 1,974   | 237                     | -                         | -                              | -   | -                         | -                         | 2,211           | -                           | 2,211                  |
| - private placement                                    | 5,148   | 11,342                  | -                         | -                              | -   | -                         | -                         | 16,490          | -                           | 16,490                 |
| - exercise of warrants                                 | 3,800   | 4,028                   | -                         | -                              | -   | -                         | -                         | 7,828           | -                           | 7,828                  |
| Acquisition of subsidiaries                            | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | 1,353                       | 1,353                  |
| Repurchase of shares                                   | -   | -                       | (1,767)                   | -                              | -   | -                         | -                         | (1,767)         | -                           | (1,767)                |
| Changes in equity interest in subsidiaries             | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | 476                         | 476                    |
| Translation adjustment for the year                    | -   | -                       | -                         | -                              | (928)   | -                         | -                         | (928)           | 147                         | (781)                  |
| Reserve realised upon exercise of ESOS                 | -   | 365                     | -                         | (365)                          | -   | -                         | -                         | -               | -                           | -                      |
| Share issue expenses                                   | -   | (824)                   | -                         | -                              | -   | -                         | -                         | (824)           | -                           | (824)                  |
| Net profit for the year                                | -   | -                       | -                         | -                              | -   | -                         | 28,031                    | 28,031          | 5,021                       | 33,052                 |
| Dividend paid in respect of previous financial year    | -   | -                       | -                         | -                              | -   | -                         | (1,732)                   | (1,732)         | -                           | (1,732)                |
| Dividend paid to minority interest                     | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | (2,146)                     | (2,146)                |
| <b>At 31 December 2007</b>                             | <u>61,635</u>                                 | <u>30,261</u>           | <u>(1,767)</u>            | <u>13</u>                      | <u>(34)</u>                                       | <u>840</u>                | <u>47,203</u>             | <u>138,151</u>  | <u>20,899</u>               | <u>159,050</u>         |
| <b>At 1 January 2008</b>                               | 61,635  | 30,261                  | (1,767)                   | 13                             | (34)  | 840                       | 47,203                    | 138,151         | 20,899                      | 159,050                |
| Issue of share capital arising from:                   |   |                         |                           |                                |   |                           |                           |                 |                             |                        |
| - exercise of ESOS                                     | 6   | 3                       | -                         | -                              | -   | -                         | -                         | 14              | -                           | 14                     |
| - exercise of warrants                                 | 6   | 929                     | -                         | -                              | -   | -                         | -                         | 1,776           | -                           | 1,776                  |
| Treasury shares  | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | -                           | -                      |
| Acquisition of subsidiary company                      | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | 101                         | 101                    |
| Translation adjustment for the period                  | -   | -                       | -                         | -                              | 1,023   | -                         | -                         | 1,023           | (1,305)                     | (282)                  |
| Reserve realised upon exercise of ESOS                 | -   | 1                       | -                         | (1)                            | -   | -                         | -                         | -               | -                           | -                      |
| Share issue expenses                                   | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | -                           | -                      |
| Net profit for the period                              | -   | -                       | -                         | -                              | -   | -                         | 28,825                    | 28,825          | 9,593                       | 38,418                 |
| Dividend payable in respect of previous financial year | -   | -                       | -                         | -                              | -   | -                         | (2,588)                   | (2,588)         | -                           | (2,588)                |
| Dividend paid to minority interest                     | -   | -                       | -                         | -                              | -   | -                         | -                         | -               | (112)                       | (112)                  |
| <b>At 30 September 2008</b>                            | <u>62,493</u>                                 | <u>31,194</u>           | <u>(1,767)</u>            | <u>12</u>                      | <u>989</u>  | <u>840</u>                | <u>73,440</u>             | <u>167,201</u>  | <u>29,176</u>               | <u>196,377</u>         |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**SAAG CONSOLIDATED (M) BHD**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
(The figures have not been audited)

|  | 9 months ended<br>30 Sep 2008<br>RM'000 | 9 months ended<br>30 Sep 2007<br>RM'000 |
|--|---|---|
| <b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>                          |   |   |
| Profit before taxation   | 46,704                                  | 33,277                                  |
| Adjustments for:-  |   |   |
| Non-cash items   | 14,972                                  | 5,365                                   |
| Non-operating items  | 8,786                                   | 3,856                                   |
|  | <u>70,462</u>                           | <u>42,498</u>                           |
| Operating profit before working capital changes                                | 70,462                                  | 42,498                                  |
| Net change in current assets   | 41,092                                  | (51,748)                                |
| Net change in current liabilities  | (99,058)                                | (70,648)                                |
| Cash generated from operations   | <u>12,496</u>                           | <u>(79,898)</u>                         |
| Tax paid   | (4,777)                                 | (2,760)                                 |
| Tax refund   | -                                       | 139                                     |
| Net cash from / (used in) operating activities                                 | <u>7,719</u>                            | <u>(82,519)</u>                         |
| <b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>                          |   |   |
| Other investments  | (1,050)                                 | 1,044                                   |
| Net change in property, plant and equipment                                    | (9,563)                                 | (2,412)                                 |
| (Increase)/Decrease in fixed deposit pledged                                   | 8,159                                   | 2,492                                   |
| Development costs  | (71)                                    | (9,556)                                 |
| Net cash from / (used in) investing activities                                 | <u>(2,525)</u>                          | <u>(8,432)</u>                          |
| <b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>                          |   |   |
| Proceeds from shares issued  | 1,790                                   | 25,704                                  |
| Proceeds from issue of shares to minority shareholders                         | 101                                     | 0                                       |
| Borrowings   | (16,207)                                | 95,534                                  |
| Interest paid  | (9,009)                                 | (6,113)                                 |
| Dividend paid  | (2,588)                                 | (1,732)                                 |
| Dividend paid to minority shareholders   | (112)                                   | 0                                       |
| Net cash from / (used in) financing activities                                 | <u>(26,025)</u>                         | <u>113,393</u>                          |
| Net change in cash & cash equivalents  | (20,831)                                | 22,442                                  |
| Effect of foreign exchange fluctuations  | 4,719                                   | (488)                                   |
| Cash & cash equivalents brought forward  | <u>11,323</u>                           | <u>14,994</u>                           |
| Cash & cash equivalents carried forward  | <u>(4,789)</u>                          | <u>36,948</u>                           |
| <b>Cash and cash equivalents comprise the following balance sheet amounts:</b> |   |   |
| Cash and bank balances   | 17,162                                  | 27,433                                  |
| Bank overdrafts  | (42,637)                                | (21,243)                                |
| Fixed deposits with licensed banks   | <u>137,170</u>                          | <u>133,700</u>                          |
|  | 111,695                                 | 139,889                                 |
| Less: Fixed deposit pledged  | (116,484)                               | (102,942)                               |
|  | <u>(4,789)</u>                          | <u>36,948</u>                           |

*The condensed consolidated cashflow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.*

## SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 September 2008

### Notes to the Interim Report

#### 1. ACCOUNTING POLICIES

##### Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

##### Changes in Accounting Policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those of the audited financial statement for the year ended 31 December 2007 except for the adoption of the following new/revised FRSs, Amendment to FRS and Interpretations effective for the financial period beginning 1 January 2008:

|                      |   |   |
|----------------------|---|---|
| Amendment to FRS 121 | : | The Effects of Changes in Foreign Exchange Rates<br>- Net Investment in a Foreign Operation                             |
| FRS 107              | : | Cash Flow Statements  |
| FRS 111              | : | Construction Contracts  |
| FRS 112              | : | Income Taxes  |
| FRS 118              | : | Revenue   |
| FRS 120              | : | Accounting for Government Grants and Disclosure of Government Assistance  |
| FRS 134              | : | Interim Financial Reporting   |
| FRS 137              | : | Provisions, Contingent Liabilities and Contingent Assets  |
| IC Interpretation 1  | : | Changes in Existing Decommissioning, Restoration and Similar Liabilities  |
| IC Interpretation 2  | : | Members' Shares in Co-operative Entities and Similar Instruments  |
| IC Interpretation 5  | : | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds                    |
| IC Interpretation 6  | : | Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment                 |
| IC Interpretation 7  | : | Applying the Restatement Approach under FRS 129 <sup>2004</sup><br>- Financial Reporting in Hyperinflationary Economies |
| IC Interpretation 8  | : | Scope of FRS 2  |

The adoption of the above FRSs, Amendment to FRS and Interpretations have no significant impact on the financial statements of the Group and the Company.

FRS 139 Financial Instruments : Recognition and Measurement has been deferred and has not been adopted by the Group.

#### 2. AUDITORS' REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS

The latest audited financial statements for the financial year ended 31 December 2007 were not subject to any qualification.

## SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 September 2008

### Notes to the Interim Report

#### 3. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group are affected by the cycles of capital and repair/maintenance programs implemented by the major players in the oil and gas sector.

#### 4. UNUSUAL SIGNIFICANT ITEMS

There were no other items affecting assets, liabilities, equity, net income or cashflows that are unusual because of their nature, size or incidence during the period under review.

#### 5. CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the current quarter.

#### 6. CHANGES IN EQUITY

|   | Current Quarter                    |  | Current Year To Date               |  |
|---|------------------------------------|--|------------------------------------|--|
|   | Number<br>Of<br>Shares<br><br>'000 | Proceeds<br>From<br>Share<br>Issue<br><br>RM'000 | Number<br>Of<br>Shares<br><br>'000 | Proceeds<br>From<br>Share<br>Issue<br><br>RM'000 |
| <b><u>Before share split</u></b>  |                                    |  |                                    |  |
| Issuance of new ordinary shares of RM1 each pursuant to employees exercising their options under the Employees' Share Option Scheme | 0                                  | 0  | 11                                 | 14   |
| Issuance of new ordinary shares of RM1 each pursuant to Exercise of Warrants  | 53                                 | 108  | 61                                 | 125  |
| <b><u>After share split</u></b>   |                                    |  |                                    |  |
| Issuance of new ordinary shares of RM0.10 each pursuant to Exercise of Warrants   | 7,858                              | 1,650  | 7,858                              | 1,651  |

The proceeds raised from the exercise of warrants and ESOS of RM 1,790,447 were utilized for the Group's working capital requirement.

On 10 July 2008, the Company has subdivided its 61,707,050 ordinary share of RM 1 each into 617,070,500 ordinary share of RM 0.10 each ("Share Split"). The Share Split was completed with the listing and quotation of the new shares on the Main Board of Bursa Malaysia Securities on 11 July 2008.

## SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 September 2008

### Notes to the Interim Report

#### 7. DIVIDENDS

A first and final gross dividend of 5.0 sen per ordinary share of RM1 each, comprising 3.0 sen per ordinary share of RM1 each less tax and 2.0 sen per ordinary share of RM1 each tax exempt dividend, amounted to RM 2,587,951 was paid on 15 July 2008.

#### 8. SEGMENTAL REPORTING

The Group is organised into five main business segments and the revenue and result of each business segment is reported as follows:

|   |   |
|---|---|
| Investment holding  | Provision of group management and shared services and investment holding  |
| Trading, maintenance, repair and overhaul                           | Supply, repair and maintenance of engineering equipment and spare parts of oil and gas and energy industries  |
| Rig services  | Provision of workover rig and consultancy services related to drilling for petroleum and related upstream activities  |
| * Marine logistics & support : Ownership, construction & operations | Provision of shipbuilding, ship chartering, repair & maintenance, maritime transportation and logistics provider for the oil & gas and shipping industries. |
| Construction, infrastructure & project management                   | Procurement, project management, construction and commissioning of general engineering projects and construction works                                      |
| Manpower consultancy, design and engineering services               | Provision of engineering consultancy and specialist manpower services to the oil and gas, power generation and infrastructure based industries              |

\* During the quarter under review, the Group has commenced its new marine logistics & support : ownership, construction & operations segment for the marine logistics construction contract.



**SAAG CONSOLIDATED (M) BHD**

Interim report for the quarter ended 30 September 2008

**Notes to the Interim Report**

Segment information for the current financial period to 30 September 2008 is as follows:

|                                   | ← Oil And Gas →       |  |                 |   |  | Construction,<br>infrastructure<br>and project<br>management | Others | Group    |
|-----------------------------------|-----------------------|--|-----------------|---|--|--|--------|----------|
|                                   | Investment<br>holding | Trading,<br>Maintenance,<br>Repair &<br>Overhaul | Rig<br>services | Manpower<br>consultancy,<br>design and<br>engineering<br>services | Marine<br>logistics &<br>support :<br>Ownership,<br>construction &<br>operations |  |        |          |
|                                   | RM'000                | RM'000   | RM'000          | RM'000  | RM'000   | RM'000   | RM'000 | RM'000   |
| Revenue                           | -                     | 157,072  | 33,048          | 73,757  | 28,224   | 64,565   | -      | 356,666  |
| Segment results                   | (9,305)               | 36,674   | 16,112          | 2,546   | 4,213  | 5,774  | (516)  | 55,498   |
| Unallocated<br>corporate income   |                       |  |                 |   |  |  |        | 3,534    |
| Unallocated<br>corporate expenses |                       |  |                 |   |  |  |        | -        |
| Profit from<br>operations         |                       |  |                 |   |  |  |        | 59,032   |
| Finance Cost                      |                       |  |                 |   |  |  |        | (12,551) |
| Share of results in<br>associates |                       |  |                 |   |  |  |        | 223      |
| Profit before tax                 |                       |  |                 |   |  |  |        | 46,704   |
| Tax expense                       |                       |  |                 |   |  |  |        | (8,286)  |
| Profit after taxation             |                       |  |                 |   |  |  |        | 38,418   |
| Minority interests                |                       |  |                 |   |  |  |        | (9,593)  |
| Net Profit for the<br>period      |                       |  |                 |   |  |  |        | 28,825   |

## SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 September 2008

### Notes to the Interim Report

#### 9. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Group were not revalued since the previous audited financial statements.

#### 10. SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER UNDER REVIEW

There were no significant events subsequent to the end of the current quarter.

#### 11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the financial period ended 30 September 2008 except for the following:

|   | Principal activity  | Effective Equity Interest As At |                 |
|---|---|---------------------------------|-----------------|
|   |   | 30.09.2008<br>%                 | 31.12.2007<br>% |
| SAAG Shipping (M) Sdn Bhd<br>(Incorporated in Malaysia)                   | Owning and operation<br>of ships, tankers and<br>maritime assets                  | 38.25                           | -               |
| SAAG (L) Limited<br>(Incorporated in Labuan)                              | Special purpose<br>vehicle for issuance of<br>the exchangeable<br>bonds           | 100.00                          | -               |
| Pacific Well Holdings Ltd<br>(Incorporated in Hong Kong)                  | Investment holding  | 51.00                           | -               |
| Ribu Persada Sdn Bhd<br>(Incorporated in Malaysia)                        | Management<br>construction  | 51.00                           | -               |
| Total Luck Investments Limited<br>(Incorporated in British Virgin Island) | Investment holding  | 51.00                           | -               |
| Persada Nuri Sdn Bhd<br>(Incorporated in Malaysia)                        | Shipyard<br>management  | 35.70                           | -               |
| LBJ Drafting Agency CC<br>(Incorporated in South Africa)                  | Suppliers of drafting<br>personnel to the<br>engineering and<br>mining industries | 46.34                           | -               |

#### 12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no significant changes in contingent liabilities since the last annual balance sheet date.

#### 13. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements as at 30 September 2008 in respect of purchase of property, plant and equipment are as follows:

## SAAG CONSOLIDATED (M) BHD

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### Notes to the Interim Report

#### 14. RELATED PARTY TRANSACTIONS

|   | Current Year<br>3rd Quarter<br>30.09.2008<br>RM'000 | Current Year<br>To date<br>30.09.2008<br>RM'000 |
|---|---|---|
| With an associated company :<br>- <i>purchases of inventories</i> | 1,005   | 4,775   |

There were no related party transactions with the directors of the company.

#### 15. REVIEW OF PERFORMANCE

For the 9 months period ended 30 September 2008, the Group posted a marginal increase in revenue of RM 356.7 million as compared to the preceding year corresponding period of RM 350.1 million.

Nonetheless, the Group's profit before taxation (PBT) has improved by 40.2% to RM 46.7 million, compared to PBT of RM 33.3 million for the preceding year corresponding period mainly attributable to profits from the rigs services segment, refurbishment work for the turbo machinery/rigs and profits derived from the marine logistics construction contract.

The 9 months cumulative "other operating expenses" for the current year reflects reversal of RM 8.8 million unrealized foreign exchange gain recognized during the financial year ended 31 December 2006 based on percentage of completion method coupled with the provision of doubtful debts amounted to RM 1.5 million in a subsidiary following the initiation of a law suit by the subsidiary of the Group against the debtor.

In addition, the employee cost has also increased compared to previous year corresponding period in view of consolidation of new subsidiaries.

Despite the rise in other operating expenses and finance costs, the Group has attained improvement in PBT mainly due to the higher gross profit margin for the Group's various business segments.

#### 16. QUARTERLY RESULTS COMPARISON

|                   | Current Year<br>3rd Quarter<br>30.09.2008<br>RM'000 | Current Year<br>2nd Quarter<br>30.06.2008<br>RM'000 |
|-------------------|---|---|
| Revenue           | 135,421   | 121,473   |
| Profit before tax | <u>15,122</u>                                       | <u>13,125</u>                                       |

Turnover increased by 11.4% to RM 135.4 million as compared to the preceding quarter of RM 121.5 million. This was mainly attributable to the recognition of revenue on progressive completion method for marine logistics construction contract during current quarter.

Consecutively, the Group's PBT for the current quarter has increased by 15.2% from RM 13.1 million to RM15.1 million.

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### Notes to the Interim Report

#### 17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008

The Group has commenced the recognition of revenue from its marine logistics & support sector during the current quarter and is expecting continuous contributions from this sector into next quarter and years to come.

Following the completion of the workover service contract with Exxon Mobil, the workover rig, Telaga Usaha, is currently undergoing certain modifications in anticipation of a prospective contract in the region which is currently being tendered. The rig is expected to be redeployed during 1<sup>st</sup> half of 2009 depending on the progress of the negotiations and hence would not contribute to the earnings until then. However, steps have been taken to contain costs in the meantime.

The management is presently positioning the Group to withstand the effect of the worldwide financial crisis which could affect the Group's cash flow in the form of lethargic recovery of receivables, lack of further credit for expansion of ongoing operations and general working capital requirements.

The management's efforts to raise funds is still ongoing and hence purposes of utilization of the same have been put on hold for the time being until fund raising efforts are fruitful. Hence, the result for the remaining quarter is expected to be affected and the management is guarded in its forecast that it may not be comparable as that of the previous quarters during the current financial year.

#### 18. VARIANCE OF ACTUAL FROM FORECAST PROFIT

The Group did not announce any profit forecast or profit guarantee during the current financial period.

#### 19. TAXATION

|                               | Current Year<br>Quarter<br>30.09.2008 | Current Year<br>To date<br>30.09.2008 |
|-------------------------------|---------------------------------------|---------------------------------------|
|                               | RM'000                                | RM'000                                |
| <u>Current year</u>           |                                       |                                       |
| Income Tax                    | 1,323                                 | 5,561                                 |
| Deferred Tax                  | 734                                   | 2,574                                 |
| <u>Prior year</u>             |                                       |                                       |
| Under Provision of Income Tax | 151                                   | 151                                   |
|                               | <u>2,208</u>                          | <u>8,286</u>                          |

The effective tax rate was lower than the statutory tax rate of 26% due to lower tax rate applicable to foreign jurisdictions coupled with the utilization of capital allowances and unabsorbed tax losses by certain subsidiaries.

#### 20. SALE/PURCHASE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investments during the financial period under review.

However, on 30 May 2008, a subsidiary of the Company has entered into an option agreement to dispose off two office units with a potential buyer. The disposal has been duly completed on 21 August 2008 which resulted in a loss on disposal of Singapore Dollar 50,000 (equivalent to RM117,597).

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Interim report for the quarter ended 30 September 2008

### Notes to the Interim Report

#### 21. QUOTED SECURITIES

As at 30 September 2008, the Company had not purchased nor disposed off any quoted shares.

#### 22. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

- a) On 12 August 2003, the Company announced an employees' share option scheme to the eligible employees (including Executive Directors) of SAAG Consolidated (M) Bhd ("SAAG") and its subsidiary companies ("Proposed ESOS"). The total number of new SAAG Consolidated Shares to be issued by the Company in respect of which options are offered to the grantees under the Proposed ESOS shall not at the time of offer exceed ten per centum (10%) of the total issued and paid-up share capital of the Company, save for the case of share buybacks (or such other higher percentage as may be permitted by the relevant regulatory authorities, from time to time) during the existence of the Proposed ESOS. The approval of the Securities Commission and the shareholders of the Company were obtained on 8 January 2004 and 16 April 2004, respectively.

On 3 September 2004, a total of 599,000 options were granted to eligible employees pursuant to the ESOS at an option price of RM1.79. As at 30 September 2008, 354,000 options have been exercised.

On 23 March 2006, a total of 3,954,000 options were granted to eligible employees pursuant to the new ESOS at an option price of RM1.00. As at 30 September 2008, 3,676,000 options have been exercised.

- b) On 22 August 2007, the Company announced that it has entered into an agreement with Keppel Oil International Ltd, Inc, ("Keppel Oil") wherein Keppel Oil is agreeable to assign in favour of SAAG, all rights, title interests benefits in and to the Memorandum of Understanding dated 5 August 2007, made between Keppel Oil and Tamin Oil & Gas Investment Co. ("TOGICO") whereby Keppel Oil and TOGICO have agreed to form a joint venture offshore company to be incorporated in Labuan, Malaysia, to build, own and operate mobile offshore jack-up drilling rigs.

In consideration of the aforesaid assignment, SAAG shall transfer or cause to be transferred such number of ordinary shares in Sepworth Investments Limited ("SIL") constitute 40% of entire issued and paid up capital of SIL to Keppel Oil or its nominees. This agreement is presently pending completion.

- c) On 03 December 2007, the Company announced the following proposals:
- (i) issuance of up to USD60million nominal value 5 year unsecured guaranteed Exchangeable Bonds ("**Exchangeable Bonds**") which are exchangeable into new ordinary shares in SAAG by its wholly – owned subsidiary, which is to be incorporated in the Federal Territory of Labuan, under the Offshore Companies Act, 1990 ("**Labuan Co**");
  - (ii) a share split involving the subdivision of every one (1) existing ordinary share of RM 1.00 each held in SAAG into ten (10) ordinary shares of RM 0.10 each ("**Subdivided Shares**") on an entitlement date to be determined ("**Split Entitlement Date**");
  - (iii) a renounceable rights issue of up to 739,295,500 Rights Shares on the basis of one (1) Rights Share for every one (1) Subdivided Share held in SAAG on an entitlement date to be determined ("**Rights Entitlement Date**"); and
  - (iv) increase in the authorised share capital of SAAG from RM 100,000,000 comprising 1,000,000,000 Subdivided Shares to RM 500,000,000 comprising 5,000,000,000 Subdivided Shares by the creation of an additional 4,000,000,000 new Subdivided Shares.

## **SAAG CONSOLIDATED (M) BHD**

Interim report for the quarter ended 30 September 2008

### **Notes to the Interim Report**

#### **22. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (con't)**

On 11 April 2008, the Company announced that the Securities Commission ("SC") has approved the Proposed Rights Issue and the issuance of new SAAG ordinary shares of RM0.10 each in connection with the issuance of the Exchangeable Bonds, vide its letter dated 10 April 2008 (which was received on 11 April 2008).

In the same letter, the Equity Compliance Unit (via the SC) has also approved the issuance of new SAAG ordinary shares of RM0.10 each in connection with the issuance of the Exchangeable Bonds under the Foreign Investment Committee Requirements.

The approval of the SC is subject to, inter-alia, the condition that SAAG should increase its Bumiputera equity by 9.22% of the new enlarged issued and paid-up share capital of SAAG (or 119,303,300 new SAAG shares) within 2 years after the date of implementation of the Proposed Exchangeable Bonds Issue.

On 29 May 2008, the Company announced that Bank Negara has given its approval for the Proposed Exchangeable Bond Issue vide its letter dated 23 May 2008 (which was received on 29 May 2008).

On 23 June 2008, the Company announced that resolutions pertaining to the said proposals which has been set out in the Notice of Extraordinary General Meeting ("EGM") dated 30 May 2008 and tabled at the EGM held on 23 June 2008, were duly approved by the shareholders.

The Company has completed the share split and the increase in authorized share capital.

On 29 September 2008, the Company announced that the SC has, vide its letter dated 26 September 2008 (which was received on 29 September 2008), granted an extension of time of nine (9) months, i.e. up to 9 July 2009, for the Company to complete the implementation of the Proposed Rights Issue and the issuance of new SAAG ordinary shares in connection with the Proposed Exchangeable Bonds Issue.

- d) On 30 January 2008, the Company proposed to undertake a private placement of up to 10% of the enlarged issued and paid-up share capital of the Company. The number of new SAAG shares that can be issued pursuant to the Proposed Private Placement will be 7,392,955 new SAAG shares.

The issue price for each tranche of the placement shares to be issued pursuant to the Proposed Private Placement shall be determined at later date(s), whereby, the issue price shall not be set at a discount of more than ten percent (10%) to the five (5) day weighted average market price ("WAMP") of SAAG shares immediately prior to the price fixing date.

The SC has, vide its letter dated 21 February 2008, approved the Proposed Private Placement.

On 16 July 2008, the Company has applied to the SC for an extension of time of nine (9) months from 21 August 2008 to 21 May 2009 for the Company to complete the Private Placement.

The SC has, vide its letter dated 27 August 2008, granted an extension of time of six (6) months, up to 20 February 2009, for the Company to complete the implementation of the Proposed Private Placement

## SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 September 2008

### Notes to the Interim Report

#### 22. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (con't)

- e) On 30 May 2008, the Company announced that its wholly-owned Singapore subsidiary, SAAG (S) Pte Ltd ("SAAGS"), has on 30 May 2008 entered into an Investment Agreement ("IA") with Deradmin Limited (In Administration) (the "Vendor or DSL"), a company incorporated in the United Kingdom with its registered office at c/o Mctear Williams & Wood, 90 St Faiths Lane, Norwich NR1 1 NE acting by its joint administrators, Andrew Ian McTear and Christopher Kenneth Williams, both of McTear Williams & Wood of 90 St Faiths Lane, Norwich, NR1 1 NE (collectively, the "Administrators"); The Administrators and Derrick Services Singapore Pte Ltd (Provisional Liquidator Appointed), a company incorporated in Singapore with its registered office at 6 Raffles Quay #20-07, John Hancock Tower Singapore 048580 ("DSS") to acquire from DSL 400,000 issued and fully paid up ordinary shares ("Sale Shares") in the share capital of DSS and for distribution to the creditors of DSS pursuant to the proposed Scheme of Compromise and Arrangement between DSS and its creditors (excluding SAAGS and its related corporations) to be made pursuant to Section 210 of the Companies Act (Cap 50, 2006 Rev Ed.) ("the Act") ("Proposed Scheme") in such proportions as the provisional liquidator may in his discretion deem fit at a total purchase consideration of USD1,000,000.00.

This proposed scheme has been unanimously approved by the creditors of DSS. On 25 August 2008, the Singapore High Court has also approved the proposed scheme.

On 9 October 2008, the Company announced that the IA has been duly completed. Following this acquisition, DSS is a wholly-owned subsidiary of SAAGS.

#### 23. GROUP BORROWINGS

Details of the Group's bank borrowings as at 30 September 2008 are as follows:

|   | <b>Current<br/>RM'000</b> | <b>Non-current<br/>RM'000</b> |
|---|---------------------------|-------------------------------|
| Unsecured   | 52,985                    | 48,338                        |
| Secured   | 56,307                    | 54,743                        |
|   | <u>109,292</u>            | <u>103,081</u>                |
|   | <b>'000</b>               | <b>RM '000<br/>equivalent</b> |
| Bank borrowings denominated in foreign currency – |                           |                               |
| Singapore Dollar                                  | <u>3,454</u>              | <u>8,338</u>                  |
| Indian Rupee                                      | <u>457,902</u>            | <u>34,297</u>                 |

#### 24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments entered into by the Group as at the date of this report.

**SAAG CONSOLIDATED (M) BHD**

Interim report for the quarter ended 30 September 2008

**Notes to the Interim Report****25. MATERIAL LITIGATION**

Kuala Lumpur High Court Suit No. D1-22-389-2005 dated 23 March 2005 by SOG ("Plaintiff") against Kathiresan a/l Krishnan (t/a Super Star Heavy Machinery Trading) and two (2) others ("Defendants") being a claim made by SOG to recover the transformers, or its value, that were unlawfully taken from Lundang Power Station, Kelantan Darul Naim on or about 30 September 2004 amounting to approximately RM1,500,000 together with interest and cost. Judgment in default was obtained against the 1<sup>st</sup> and 3<sup>rd</sup> Defendants in the sum of RM1,500,000 with interest and costs. The matter has been withdrawn against the 2<sup>nd</sup> Defendant. The Company has recently consented to set aside the judgment in default against the 1<sup>st</sup> Defendant and to proceed with trial against the 1<sup>st</sup> Defendant. The Company has given notice for pre-trial case management and is awaiting a date from court. The Company has filed the proof of debt against the 3<sup>rd</sup> Defendant, who has been adjudicated a bankrupt.

**26. EARNINGS PER SHARE****a) Basic earnings per share**

|  | <b>Current<br/>Year<br/>Quarter<br/>30.09.2008</b> | <b>Current<br/>Year<br/>To Date<br/>30.09.2008</b> |
|--|--|--|
| Net profit for the period (RM'000)                         | 8,060  | 28,825   |
| Weighted average number of ordinary shares in issue ('000) | 617,571 *  | 617,571 *  |
| Basic earnings per share (sen)                             | <u>1.31</u>  | <u>4.67</u>  |

**b) Diluted earnings per share**

|  | <b>Current<br/>Year<br/>Quarter<br/>30.09.2008</b> | <b>Current<br/>Year<br/>To Date<br/>30.09.2008</b> |
|--|--|--|
| Net profit for the period (RM'000)   | 8,060  | 28,825   |
| Weighted average number of ordinary shares in issue and issue able ('000)          | 617,571 *  | 617,571 *  |
| Effect of dilution from assumed exercise of options grant under ESOS               | 618 *  | 618 *  |
| Adjusted weighted average number of ordinary shares in issue and issue able ('000) | <u>618,189</u>                                     | <u>618,189</u>                                     |
| Diluted earnings per share (sen)   | <u>1.30</u>  | <u>4.66</u>  |

\* The weighted average number of ordinary shares is based on the enlarged share capital due to the share split exercise involving subdivision of ordinary shares of RM1 each into RM0.10 each which was completed on 11 July 2008.

BY ORDER OF THE BOARD

ANAND SUBRAMANIAN  
EXECUTIVE DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER