



Interim Report for the 2nd Quarter Ended

30 June 2012

SAAG CONSOLIDATED (M) BERHAD (Company No. : 92246-X)
(Incorporated in Malaysia)

Condensed Consolidated Financial Statements
For the Three Months Ended 30 June 2012

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

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	3 Months Ended		6 Months Ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	8,011	10,933	20,051	24,134
Costs of sales	(7,827)	(8,878)	(15,879)	(19,114)
Gross profit	184	2,055	4,172	5,020
Other operating expenses	(12,293)	(10,561)	(27,787)	(20,728)
Other income	1,724	388	12,704	5,922
Loss from operations	(10,385)	(8,118)	(10,911)	(9,786)
Finance costs	(14,365)	(7,869)	(28,433)	(17,810)
Share of results in associates	66	244	1,373	542
Loss before taxation	(24,684)	(15,743)	(37,971)	(27,054)
Taxation	309	(1)	3	(158)
Net loss for the period from continuing operations	(24,375)	(15,744)	(37,968)	(27,212)
Discontinued operations				
Net profit for the period from discontinued operations	-	-	-	-
Gain on disposal of discontinued operations	-	-	-	-
Net loss for the period	(24,375)	(15,744)	(37,968)	(27,212)
Net loss attributable to:				
Owners of the Company				
- from continuing operations	(24,375)	(14,098)	(37,968)	(21,952)
- from discontinued operations	-	-	-	-
	(24,375)	(14,098)	(37,968)	(21,952)
Non-controlling interests	-	(1,645)	-	(5,259)
	(24,375)	(15,743)	(37,968)	(27,211)
Earnings per share (sen)				
● Basic				
- from continuing operations	(1.12)	(0.68)	(1.75)	(1.06)
- from discontinued operations	-	-	-	-
	(1.12)	(0.68)	(1.75)	(1.06)
● Diluted				
- from continuing operations	-	-	-	-
- from discontinued operations	-	-	-	-
	-	-	-	-
Net loss for the period	(24,375)	(15,744)	(37,968)	(27,212)
Other comprehensive income after tax :				
Exchange differences on translation	(20)	719	(3,118)	7,859
Transaction costs arising from conversion of exchangeable bonds	-	-	-	-
Changes in equity interest in subsidiaries	-	-	-	-
Share issue expenses	-	(4)	-	(4)
Dividend paid / payable to minority interests of a subsidiary	-	-	-	-
Total comprehensive income for the period	(24,395)	(15,029)	(41,086)	(19,357)
Total comprehensive income attributable to :				
Owners of the Company				
- from continuing operations	(24,126)	(14,824)	(41,133)	(18,733)
- from discontinued operations	-	-	-	-
	(24,126)	(14,824)	(41,133)	(18,733)
Non-controlling interests	(269)	(205)	47	(624)
	(24,395)	(15,029)	(41,086)	(19,357)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

SAAG CONSOLIDATED (M) BHD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(The figures have not been audited)

	As at 30 Jun 2012 RM'000	As at 31 Dec 2011 RM'000
ASSETS		
Non-Current assets		
Property, plant and equipment	347,796	354,989
Investment properties	2,802	3,166
Investment in associates	13,926	12,553
Intangible assets	2,122	2,075
	<u>366,646</u>	<u>372,783</u>
Current assets		
Amount due from customers for contract works	271,593	243,857
Property development costs	22,211	17,864
Inventories	175,055	223,205
Trade and other receivables	337,285	300,197
Current tax assets	28	1,766
Amount owing by associates	204	195
Cash and cash equivalents	1,776	8,013
	<u>808,152</u>	<u>795,097</u>
TOTAL ASSETS	<u>1,174,798</u>	<u>1,167,880</u>
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	307,970	253,037
Amounts due to customer for contract works	-	24
Hire-purchase creditors	312	755
Borrowings (Interest bearing)	699,345	705,786
Current tax liabilities	304	61
	<u>1,007,931</u>	<u>959,663</u>
Non-current liabilities		
Hire-purchase creditors	49	240
Deferred tax liabilities	859	914
	<u>908</u>	<u>1,154</u>
Total Liabilities	<u>1,008,839</u>	<u>960,817</u>
Equity		
Share capital	217,179	217,179
Accumulated losses	(168,574)	(130,606)
Other reserves	116,763	119,852
Issued capital and reserves attributable to owners of the company	165,368	206,425
Non-controlling interests	591	638
Total Equity	<u>165,959</u>	<u>207,063</u>
	<u>1,174,798</u>	<u>1,167,880</u>
Net Assets per share (RM)	0.08	0.09

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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

	Attributable to Owners of the Company									Total equity RM'000
	Share capital RM'000	Share premium RM'000	Share application money pending allotment RM'000	Treasury shares RM'000	Exchange translation reserve RM'000	Capital reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-Controlling Interests RM'000	
At 1 January 2011	197,465	125,832	-	(1,767)	(4,859)	840	30,590	348,101	486	348,587
Issue of share capital arising from private placement	9,300	-	-	-	-	-	-	9,300	-	9,300
Total comprehensive income for the period	-	(4)	-	-	3,223	-	(21,952)	(18,733)	(624)	(19,357)
At 30 June 2011	<u>206,765</u>	<u>125,828</u>	<u>-</u>	<u>(1,767)</u>	<u>(1,636)</u>	<u>840</u>	<u>8,638</u>	<u>338,668</u>	<u>(138)</u>	<u>338,530</u>
At 1 January 2012	217,179	125,832	2,208	(1,767)	(7,261)	840	(130,606)	206,425	638	207,063
Total comprehensive income for the period	-	-	29	-	(3,118)	-	(37,968)	(41,057)	(47)	(41,104)
At 30 June 2012	<u>217,179</u>	<u>125,832</u>	<u>2,237</u>	<u>(1,767)</u>	<u>(10,379)</u>	<u>840</u>	<u>(168,574)</u>	<u>165,368</u>	<u>591</u>	<u>165,959</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 2011 and the accompanying explanatory notes attached to the interim financial statements.

SAAG CONSOLIDATED (M) BHD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(The figures have not been audited)

	6 months ended 30 Jun 2012 RM'000	6 months ended 30 Jun 2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before tax	(37,971)	(27,054)
Adjustments for:		
Depreciation of property, plant and equipment	6,181	6,516
Interest expense	28,433	17,810
Interest income	(583)	(281)
Inventories written down to net realisable values	261	-
Allowance for/ (reversal of) doubtful debts	-	3,535
Loss/(gain) on disposal of property, plant & equipment	640	1,149
Impairment loss on property, plant and equipment	-	-
Share of profit of associates	(1,373)	(543)
Unrealised gain on foreign exchange	(8,441)	(4,933)
Unrealised loss on foreign exchange	3,764	1,678
Operating Loss Before Working Capital Changes	<u>(9,090)</u>	<u>(2,123)</u>
(Increase)/ decrease in amount due from customers for contract works	(27,247)	(405)
(Increase)/ decrease in development cost incurred	(4,346)	(1,227)
(Increase)/ decrease in inventories	47,890	(9,149)
(Increase)/ decrease in trade and other receivables	(31,759)	(8,240)
(Increase)/ decrease in amount owing by associates	(9)	(46)
Increase/ (decrease) in trade and other payables	55,424	2,991
Increase/ (decrease) in amount due to customers for contract works	(24)	(44)
Cash From/(Used in) Operations	<u>30,838</u>	<u>(18,242)</u>
Income tax refund	1,738	-
Net Cash From/(Used in) Operating Activities	<u>32,576</u>	<u>(18,242)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	583	281
Purchase of property, plant and equipment	-	(7,909)
Proceeds from disposal of property, plant & equipment	-	-
Net Cash From/(Used in) Investing Activities	<u>583</u>	<u>(7,629)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Interest paid	(28,433)	(17,810)
Repayment of borrowings	(15,856)	(5,204)
Repayment of hire-purchase creditors	(638)	(386)
Proceeds from shares issued	-	9,300
Share application money received	29	-
Withdrawal of fixed deposits pledged	4,446	9,090
Repayment to Directors	-	(504)
Net Cash From/(Used in) Financing Activities	<u>(40,452)</u>	<u>(5,514)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,293)	(31,385)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(25,751)	1,189
Effects of changes in exchange rates	(3,872)	307
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>(36,916)</u>	<u>(29,889)</u>
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash on hand and at banks	484	3,227
Bank overdrafts	(37,400)	(34,558)
Fixed deposits with licensed banks	1,292	23,227
	<u>(35,624)</u>	<u>(8,104)</u>
Less: Fixed deposit pledged	(1,292)	(21,785)
	<u>(36,916)</u>	<u>(29,889)</u>

The condensed consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134, INTERIM FINANCIAL REPORTING

A1. ACCOUNTING POLICIES

Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and FRS 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”). The report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2011.

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 2011.

Changed in Accounting Policies

The Group falls within the scope definition of Transitioning Entities. Transitioning Entities will be allowed to defer adoption of the new Malaysian Financial Reporting Standards (“MFRS”) Framework for an additional one year. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

Accordingly, the Group will be required to prepare financial statements using the MFRs Framework in its first MFRS financial statements for the year ending 31 December 2013. For the financial year ending 31 December 2012, the Group will continue to prepare financial statements using Financial Reporting Standards (“FRS”).

The significant accounting policies adopted by the Group in this interim financial report are consistent with those of the audited financial statements for the financial year ended 31 December 2011, except for the adoption of the following Financial Reporting Standards (FRS), Issues Committee (IC) Interpretations and amendments to FRS and IC Interpretations which are relevant to the Group’s operations with effect from 1 January 2012: -.

Revised FRS 124	Related Party Disclosures
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to FRS 7	Financial Instruments: Disclosures on Transfers of Financial Assets

The adoption of the above standards and interpretations are not expected to have any significant impact on the financial statements of the Group in the year of initial application.

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The latest audited financial statements for the financial year ended 31 December 2011 were not subject to any qualification.

A3. 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.

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Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

A4. 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.

A5. CHANGES IN ESTIMATES

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

A6. CHANGES IN EQUITY

	Current Quarter		Current Year To Date	
	Number Of Shares '000	Proceeds From Share Issue RM'000	Number Of Shares '000	Proceeds From Share Issue RM'000
Issuance of new ordinary shares of RM0.10 each pursuant to Exercise of Private Placements	-	-	-	-
Issuance of new ordinary shares of RM0.10 each pursuant to conversion of Exchangeable Bonds	-	-	-	-

A7. DIVIDENDS

There were no dividends paid during the current quarter.

A8. SEGMENTAL REPORTING

The Group is organised into six 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 platform rigs as owner / operator and consultancy services for petroleum and related upstream activities
Maritime logistics and support, ownership, construction and operations	Provision of shipbuilding, ship chartering, repair & maintenance, maritime transportation and logistics provider for the oil & gas and shipping industries.
Construction, infrastructure and project management	Engineering, procurement, project management, construction and commissioning of projects related to power generation / infrastructure / civil 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

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Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

Segment information for the 6-month period ended 30 June 2012 is as follows:

	Investment holding	Trading, maintenance, repair and overhaul	Rig services	Manpower consultancy, design and engineering services	Maritime logistics and support, ownership, construction and operations	Construction, infrastructure and project management	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	<u>-</u>	<u>4,005</u>	<u>70</u>	<u>-</u>	<u>824</u>	<u>15,153</u>	<u>-</u>	<u>20,051</u>
Segment results	<u>6,640</u>	<u>(1,733)</u>	<u>(4,717)</u>	<u>(3,231)</u>	<u>(3,490)</u>	<u>(4,290)</u>	<u>(90)</u>	<u>(10,911)</u>
Unallocated corporate income								-
Unallocated corporate expenses								<u>-</u>
Loss from operations								<u>(10,911)</u>
Finance costs								<u>(28,433)</u>
Share of results in associates								<u>1,373</u>
Loss before tax								<u>(37,971)</u>
Tax expense								<u>3</u>
Loss after taxation								<u>(37,968)</u>
Non - controlling interests								-
Net loss for the period attributable to owners of the Company								<u>(37,968)</u>

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Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

Segment information for 6-month period ended 30 June 2011 is as follows:

	Investment holding	Trading, maintenance, repair & overhaul	Rig services	Manpower consultancy, design and engineering services	Maritime logistics and support, ownership, construction and operations	Construction, infrastructure and project management	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	<u>-</u>	<u>6,427</u>	<u>50</u>	<u>8</u>	<u>2,352</u>	<u>15,297</u>	<u>-</u>	<u>24,134</u>
Segment results	<u>3,636</u>	<u>(40)</u>	<u>(5,098)</u>	<u>(1,362)</u>	<u>(1,974)</u>	<u>(5,112)</u>	<u>(117)</u>	<u>(10,067)</u>
Unallocated corporate income								281
Unallocated corporate expenses								<u>-</u>
Loss from operations								(9,786)
Finance costs								(17,810)
Share of results in associates								<u>542</u>
Loss before tax								(27,054)
Tax expense								<u>(158)</u>
Loss after taxation								(27,212)
Non - controlling interests								5,259
Net loss for the period attributable to owners of the Company								<u>(21,952)</u>

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Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

A9. PROPERTY, PLANT AND EQUIPMENT

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

A10. SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER UNDER REVIEW

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

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There was no material changes in the composition of the Group during the financial period ended 31 June 2012.

A12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no significant changes in contingent liabilities and contingent assets since the last annual statement of financial position date.

A13. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements as at 30 June 2012 in respect of purchase of property, plant and equipment are as follows:

Approved and contracted for	RM
	-

A14. RELATED PARTY TRANSACTIONS

	Current Year 2nd Quarter 30 Jun 2012 RM'000	Current Year To date 30 Jun 2012 RM'000
With an associated company :		
- <i>rental income</i>	2	5

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

SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

PART B – ADDITIONAL INFORMATION AS REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

	Current Year 2 nd Quarter 30 Jun 2012 RM'000	Preceding Year 2 nd Quarter 30 Jun 2011 RM'000
Revenue	8,011	10,933
Loss before taxation	<u>(24,684)</u>	<u>(15,743)</u>

For the current quarter ended 30 June 2012 (Q2 2012), the Group registered revenue of RM8.0 million, a decrease of 26.7% from RM10.9 million recorded for the quarter ended 30 June 2011 (Q2 2011).

For the 6 months ended 30 June 2012, revenue reduced by RM4.1 million compared to the corresponding period in 2011, which was mainly due to a reduction in the Trading, Maintenance, Repair and Overhaul segment by RM2.4 million, and the Maritime Logistics and Operations segment by RM1.5 million.

The loss before taxation for Q2 2012 increased to by RM8.9 million to RM24.7 million compared to Q2 2011. The higher loss was mainly attributable to higher finance costs of RM14.4 million compared to RM7.9 million in Q2 2011. This was due to all finance costs being expensed to the income statement in Q2 2012 whereas finance costs were partially capitalised to assets under construction in the previous year corresponding quarter. Gross profit was also lower by RM1.9 million as a result of the lower revenue.

Interest costs have been calculated based on pre-restructure (existing) interest rates pending the completion of the pre-conditions of the Lenders' offers. The accounting impact of the debt restructuring have also not been taken in pending the above.

For Q2 2012, net loss attributable to owners of the company increased by RM10.3 million to RM24.4 million compared to Q2 2011. This is also because non-controlling interests' share of losses is limited to the amount of their investment in the subsidiary companies which has reached the maximum due to losses incurred in the previous years. Arising therefrom the entire losses of subsidiaries with non-controlling interests such as an Indian listed entity has to be consolidated and absorbed by the Group despite holding effective equity interest of only 31.76% in the listed entity.

B2. QUARTERLY RESULTS COMPARISON

	Current Year 2 nd Quarter 30 Jun 2012 RM'000	Current Year 1 st Quarter 31 Mar 2012 RM'000
Revenue	8,011	12,040
Loss before taxation	<u>(24,684)</u>	<u>(13,287)</u>

Revenue of RM8.0 million in the current quarter was RM4.0 million lower than the preceding quarter mainly due to a slowdown in the Trading, Maintenance, Repair and Overhaul segment.

The loss before tax of RM24.7 million in the current quarter was higher than the loss of RM13.3 million in the preceding quarter mainly due to the lower revenue (and the resulting reduction in gross profit), and lower unrealized gains on foreign exchange translation.

SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

B3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2012

The Group has submitted a bid to an oil major for the services of two of its work-over rigs.

The tanker has entered into an 18 month long term service charter which is expected to contribute positively to the earnings.

The Company has obtained all approvals pertaining to its circular dated 27 June 2012 and is currently in discussions with potential investors to place RM100 million via a restricted issue of shares. Upon completion of the restricted issue and the making of an initial payment of RM70 million to the Lenders, the Group would have satisfied the pre-conditions for the restructure of its debts which would result in substantial savings in interest expense and also provide for working capital to position itself for bids for contracting services including work-over rigs and power plant construction.

B4. VARIANCE OF ACTUAL FROM FORECAST PROFIT

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

B5. TAXATION

	Current Year 2 nd Quarter 30 Jun 2012	Current Year To date 30 Jun 2012
	RM'000	RM'000
<u>Current year</u>		
Income tax	309	3
Deferred Tax	-	-
	<u>309</u>	<u>3</u>

The tax benefit arose as a result of reversal of tax overprovided in previous years.

B6. SALE/PURCHASE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale or purchase of unquoted investments and properties during the financial period under review.

B7. QUOTED SECURITIES

The Company did not purchase nor dispose off any quoted shares during the financial period under review.

SAAG CONSOLIDATED (M) BHD

Interim report for the quarter ended 30 June 2012

Notes to the Interim Report

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(a) On 13 February 2012, the Company announced that it entered into the following Agreements:

- i) Subscription Agreement with Garisan Etika Bangladesh (Pvt) Ltd ("GEB") to subscribe for 281,250 new ordinary shares of Taka 100.00 each ("Subscription Shares") at an issue price of Taka 100.00 per ordinary share for an aggregate subscription consideration of Bangladesh TK 28,125,000 only representing 36% of the enlarged issued and paid up capital of GEB ; and
- ii) A Shareholders Agreement with Dato' Mohd Tuffile bin Nawab Din, Kondapuram Raghuram, Garisan Etika (M) Sdn Bhd and Garisan Etika Bangladesh (Pvt) Ltd ("GEB") to agree and set forth and record the terms and conditions to govern the relationship in their mutual capacity as the shareholders and to agree to their respective rights and obligations in relation to the management and functioning of GEB and other matters incidental thereto.

On 15 March 2012, the Company announced that SAAG has on even date entered into a Supplemental Shareholders Agreement with Dato' Mohd Tuffile bin Nawab Din, Raghuram, Garisan Etika (M) Sdn Bhd and Garisan Etika Bangladesh (Pvt) Ltd ("GEB") ("Supplement Agreement") (collectively, the Shareholders" or the "Parties") wherein the Parties hereby agree and intend to set forth and record the terms and conditions to govern the terms and conditions of the Advances as defined in the Supplemental Agreement and the repayment thereof in their mutual capacity as the Shareholders.

On 24 May 2012, the Company announced that SAAG has on even date received approval from GEB for an additional extension commencing from 13 April 2012 and expiring in 30 September 2012 to enable SAAG and GEB to fulfill the outstanding conditions precedent as set out in clause 2.1 of the Subscription Agreement entered into between SAAG and GEB.

(b) On 13 February 2012, the Company announced that it proposes to undertake the following:

- (i) proposed restricted issue of a value of RM100 million new ordinary shares of RM0.10 each in SAAG ("Restricted Issue Shares") at an issue price to be determined later with entitlement to free warrants ("Warrants A") on the basis of one (1) free Warrant A for every five (5) Restricted Issue Shares to investor(s) to be identified by the Company ("Proposed Restricted Issue");
- (ii) proposed issuance of up to 1,380,000,000 free warrants ("Warrants B") to loan creditors ("Proposed Issuance of Warrants B to Loan Creditors");
- (iii) proposed renounceable rights issue of up to 3,035,906,443 new ordinary shares of RM0.10 each in SAAG ("Rights Shares") at an issue price of RM0.10 per Rights Share on the basis of seven (7) Rights Shares for every five (5) existing ordinary shares of RM0.10 each held in SAAG ("SAAG Shares" or "Shares") at an entitlement date to be determined ("Entitlement Date"), together with up to 607,181,289 free detachable warrants ("Warrants C") on the basis of one (1) Warrant C for every five (5) Rights Shares subscribed ("Proposed Rights Issue with Warrants C");
- (iv) proposed provision of financial assistance by SAAG to its proposed associate company, Garisan Etika Bangladesh (Pvt) Ltd ("GEB") (a company which SAAG will be holding 36% equity interest) by way of advances for an amount of up to RM170 million and by way of corporate guarantee for an amount of USD72 million ("Proposed Provision of Financial Assistance"); and
- (v) proposed establishment of an Employees' Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up share capital of SAAG at any point in time for the Directors (including Non-Executive Directors) of SAAG and eligible employees of SAAG and its subsidiaries ("SAAG Group" or "Group") ("Proposed ESOS").

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Notes to the Interim Report

On 21 March 2012, the Company announced that the warrants to be issued in relation to the Proposed Restricted Issue will be constituted under a separate deed poll with the salient terms as provided in Section 2.4 of the announcement dated 13 February 2012.

On 22 March 2012, the Company announced that the following has been submitted to the relevant authorities for their approvals and clearance:-

- (i) the listing application of additional new shares and warrants to be issued pursuant to the Proposals to Bursa Securities in relation to:-
 - (a) RM100 million value of Restricted Issue Shares. The number of Restricted Issue Shares to be determined later depending on the issue price:-
 - (b) up to 3,035,906,443 Rights Shares;
 - (c) new issue of up to 200,000,000 Warrants A and up to 1,987,181,289 Warrants B and Warrants C ("Warrants") collectively;
 - (d) up to 2,187,181,289 new SAAG shares to be issued pursuant to the exercise of the Warrants A, Warrants B and Warrants C; and
 - (e) new shares to be issued pursuant to the exercise of the ESOS options granted under the Proposed ESOS.
- (ii) circular to shareholders of SAAG to Bursa Securities pursuant to Chapter 9.30 (1) of the Main Market Listing Requirements of Bursa Securities;
- (iii) the application to the Director of Foreign Exchange Administration Department, Bank Negara for the issuance of:-
 - (a) up to 2,187,181,289 warrants to non-resident shareholders and non-resident loan creditors (if applicable) of the Company and/or renouces consisting of:-
 - up to 200,000,000 Warrants A pursuant to the Proposed Restricted Issue; and
 - up to 1,987,181,289 Warrants pursuant to the Proposed Issuance of Warrants B to Loan Creditors and Proposed Rights Issue with Warrants C.
 - (b) any additional Warrants A and Warrants A and Warrants B to non-resident shareholders from time to time arising from any adjustments made in accordance with the provisions of Deed Poll A and Deed Poll B constituting the Warrants A and Warrants B to be executed by SAAG.
 - (c) Proposed Provision of Financial Assistance in relation to the proposed advances of up to USD56.7 million to its proposed associated company, GEB.

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On 9 April 2012, the Company announced that Bank Negara Malaysia ("BNM"), vide its letter dated 5 April 2012 (which was received on 9 April 2012), granted the approval to SAAG on the Proposed Provision of Financial Assistance in relation to the proposed advances of up to USD56.7 million ("Advances") to its proposed associated company, GEB. The Advances of up to USD56.7 million are subject to the following requirements from BNM:-

- (i) SAAG is required to inform BNM in writing within seven (7) working days if:-
 - remittance of funds has not been made on or before October 2013. The approval is considered null and SAAG is required to seek prior approval from BNM before remitting the funds after the said date; and
 - any subsequent change in the information provided in respect of Advances, including abortion of the said Advances.
- (ii) Should SAAG entered into a hedging contract to manage the foreign exchange risk exposure of the Advances, the said contract has to be:-
 - execute with local licensed banks (commercial bank, Islamic bank or local licensed Investment bank); and
 - to be terminated by SAAG upon full settlement/ termination of the Advances.

On 13 April 2012, the Company announced that BNM had vide its letter dated 12 April 2012 (which was received on 13 April 2012) approved the issuance of warrants to non-resident shareholders of the Company pursuant to the Proposed Restricted Issue, Proposed Issuance of Warrants B to Loan Creditors and Proposed Rights Issue with Warrants C.

On 14 June 2012, the Company announced that Bursa Securities had, vide its letter dated 14 June 2012, approved the following:-

- (i) admission to the Official List and the listing and quotation of the following:-
 - (a) up to 200,000,000 Warrants A to be issued pursuant to the Proposed Restricted Issue;
 - (b) up to 1,380,000,000 Warrants B to be issued pursuant to the Proposed Issuance of Warrants B to Loan Creditors; and
 - (c) up to 607,181,289 Warrants C to be issued pursuant to the Proposed Rights Issue with Warrants C.
- (ii) listing of the following:-
 - (a) up to 1,000,000,000 Restricted Issue Shares to be issued pursuant to the Proposed Restricted Issue;
 - (b) up to 3,035,906,443 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants C;
 - (c) up to 200,000,000 new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the Warrants A;
 - (d) up to 1,380,000,000 new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the Warrants B;
 - (e) up to 607,181,289 new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the Warrants C; and
 - (f) such number of new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the ESOS options granted under the Proposed ESOS, representing up to 15% of the issued and paid-up share capital (excluding treasury shares) of SAAG at any point of time during the existence of the ESOS.

The approval by Bursa Securities for the Proposed Restricted Issue, Proposed Issuance of Warrants B to Loan Creditors and Proposed Rights Issue with Warrants C is subject to the following conditions:-

- (i) SAAG and its adviser, Inter-Pacific Securities Sdn Bhd ("IPS") must fully comply with the relevant provisions under the Main Market Listing Requirements ("Listing Requirements") pertaining to the implementation of the Proposals;

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- (ii) SAAG and IPS to inform Bursa Securities upon the completion of the Proposals;
- (iii) SAAG to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;
- (iv) a certified true copy of the resolution passed by shareholders at the extraordinary general meeting for Proposals; and
- (v) SAAG is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of each series of the Warrants A and Warrant as at the end of each quarter together with a detailed computation of listing fees payable.

The approval by Bursa Securities for such number of new ordinary shares to be issued pursuant to the Proposed ESOS is subject to the following:-

- (i) IPS is required to submit a confirmation to Bursa Securities of full compliance of the ESOS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting; and
- (ii) SAAG is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS shares listed as at the end of each quarter together with a detailed computation of listing fees payable.

SAAG also announced on the revision to the terms of Warrants A whereby Warrant A will now be attached to the Restricted Issue Shares without any cost. The free Warrants A will be immediately detached from the Restricted Issue Shares upon issuance and shall be listed only upon meeting the condition of having at least 100 Warrant A holders holding at least 100 Warrants A each. Warrants A will not be listed in the event this condition is not met.

The shareholders of the Company had at an Extraordinary General Meeting held on 12 July 2012 approved the abovementioned proposals.

(c) The Proposed Debt Restructuring

On 13 February 2012, the Company announced on the proposed debt restructuring in respect of facilities from AmBank (M) Berhad ("AmBank"), Export-Import Bank Malaysia Berhad ("EXIM Bank") and Collateral Loan Obligations Holders as at 31 July 2011. On 31 January 2012, SAAG had accepted a letter of offer from EXIM Bank to restructure its existing debt with EXIM Bank.

On 22 February 2012, the Company announced that AmBank has vide its offer letter dated 16 February 2012 approved the proposed debt restructuring subject to terms and conditions stated in the said offer letter.

On 24 May 2012, the Company announced that the CLO Holders, vide a letter from TMF Trustee Malaysia Berhad ("Trustees") dated 23 May 2012, have consented to the proposed debt restructuring subject to terms and conditions therein. The Board of Directors of SAAG are agreeable to the terms contained therein and a debt settlement agreement shall be executed between Idaman Capital Berthed ("Issuer"), Trustees and SAAG Drilling and Well Services Sdn Bhd, a wholly-owned subsidiary of SAAG on or before 31 July 2012.

(d) The Proposed Acquisition of the Entire Equity Interest in Beta Asset Sdn Bhd

On 11 July 2012, the Company announced that it had entered into a sale of shares agreement ("SSA") with Norhisham bin Mohamad Noor and Muhamad Nazrul Akmam bin Norhisham ("Vendors") for the acquisition of their entire equity interest in Beta Asset Sdn Bhd for a consideration of RM110 million, to be satisfied by the issuance of 916,666,667 new SAAG shares at an issue price of RM0.12 per new SAAG share. The SSA is entered into between SAAG and the Vendors to make provision for, and to record their respective rights and obligations and their mutual agreement of the terms and conditions of the proposed acquisition.

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Apart from the above Proposals, there was no new proposal announced as at 29 August 2012, the latest practicable date which is not earlier than seven (7) days from the date of this report.

B9. GROUP BORROWINGS

Details of the Group's bank borrowings as at 30 June 2012 are as follows:

	As at 30 Jun 2012 RM'000	As at 31 Dec 2011 RM'000
Current		
Unsecured	73,400	67,972
Secured	625,945	637,814
	<u>699,345</u>	<u>705,786</u>
Non Current		
Unsecured	-	-
Secured	-	-
	<u>-</u>	<u>-</u>
Bank borrowings denominated in foreign currency – United States Dollar	176,929	175,601
Indian Rupee	30,692	33,444
	<u>176,929</u>	<u>33,444</u>

B10. 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.

B11. MATERIAL LITIGATION

There was no material litigation since the last annual statement of financial position date to the date of this report.

B12. EARNINGS PER SHARE

Basic earnings per share

	Current Year 2 nd Quarter 30 Jun 2012	Current Year To date 30 Jun 2012
Net loss for the quarter (RM'000)	(24,375)	(37,968)
Weighted average number of ordinary shares in issue ('000)	2,171,792	2,171,792
Basic earnings per share (sen)	<u>(1.12)</u>	<u>(1.75)</u>

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Notes to the Interim Report**B13. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES**

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad's Listing Requirements and in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 30 Jun 2012 RM'000	As at 31 Dec 2011 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries :		
- Realised profits/(losses)	(239,652)	(163,532)
- Unrealised gains (on foreign exchange)	8,441	1,739
- Unrealised losses (on foreign exchange)	(3,763)	(7,208)
- Unrealised losses (impairment)	-	(26,492)
	<hr/>	<hr/>
	(234,974)	(195,493)
Total share of retained profits / (accumulated losses) from associated companies :		
- Realised gain	5,718	3,412
- Realised losses	(1,409)	(1,409)
Total share of retained profits / (accumulated losses) from jointly controlled entities :		
- Realised losses	(4,608)	(4,608)
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	(235,273)	(198,098)
Add : Consolidation adjustments	66,699	67,492
	<hr/>	<hr/>
Total group retained profits as per the Consolidated Financial Statements	<u>(168,574)</u>	<u>(130,606)</u>

BY ORDER OF THE BOARD

ANAND SUBRAMANIAN

EXECUTIVE DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER