

## COMPLETE LOGISTIC SERVICES BERHAD. (716241 - X)

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### NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

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#### **Part A – Notes In Compliance with FRS 134**

##### **1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with the requirements outlined in the Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting and Chapter 9 Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 March 2011.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 March 2011, including the new/revised standards mandatory for annual periods beginning on or after 1 April 2011.

##### **2. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report on the Group’s financial statements for the financial year ended 31 March 2011 was not subject to any qualification.

##### **3. Seasonality or Cyclicity of Operations**

The business operations of the Group are subject to the forces of supply and demand and thus, could display cyclical trends.

##### **4. Nature and Amount of Unusual Items**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter.

##### **5. Changes in Estimates**

There were no changes in the estimates of amounts which give a material effect in the current quarter under review.

## 6. Segmental Information

The Group's operations comprise the following business segments:

Shipping	: Provision of marine transportation services
Trading	: Trading of goods
Logistics	: Total logistic services provider including trading of freight, haulage, lorry and trucking, custom clearance and Inland Port operation.
Others	: Leasing of passenger ferry and investment holding

### The results of the Group for the Second Quarter Ended 30.09.2011

	Shipping RM'000	Trading RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>						
External segment revenue	5,129	525	18,103	-	-	23,757
Inter-segment revenue	-	-	663	2,000	(2,663)	-
Total Revenue	5,129	525	18,766	2,000	(2,663)	23,757
<b>Results</b>						
Segment results	(660)	51	2,936	(126)	-	2,201
Finance costs						(341)
Interest income						84
Profit before tax						1,944
Tax expense						(505)
Profit after tax						1,439
Attributable to:						
Equity holders of the Company						747
Minority interest						692
						1,439

### The results of the Group for the Second Quarter Ended 30.09.2010

	Shipping RM'000	Trading RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>Revenue</b>						
External segment revenue	5,232	4,184	14,682	250	-	24,348
Inter-segment revenue	1,181	-	829	3,850	(5,860)	-
Total Revenue	6,413	4,184	15,511	4,100	(5,860)	24,348
<b>Results</b>						
Segment results	361	(521)	2,086	141	-	2,067
Finance costs						(308)
Interest income						60
Profit before tax						1,819
Tax expense						(389)
Profit after tax						1,430
Attributable to:						
Equity holders of the Company						1,080
Minority interest						350
						1,430

## **7. Debt and Equity Securities**

There was no share buy-back during the quarter under review. As at 30 September 2011, a total of 99,200 treasury shares were held by the Company. The purchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

There was no other issuance or repayment of debt and equity securities, share buy-backs and share cancellations during the current quarter.

## **8. Dividend Paid**

There was no dividend paid in the current quarter under review.

## **9. Valuation of Property, Plant and Equipment**

There were no valuations on property, plant and equipment in the current quarter under review.

## **10. Changes in Composition of the Group**

The Company had on 21 July 2011 acquired the entire issued and paid-up share capital of Complete Biofuel Sdn Bhd (“CB”) (formerly known as Island Network Shipbuilders Sdn Bhd), a dormant company, from its wholly owned subsidiary, Island Network Sdn Bhd, at a consideration of RM100.00. In consequent thereof, CB becomes a direct wholly owned subsidiary of CLSB.

Save as disclosed above, there were no changes in the composition of the Group during the current quarter under review.

## **11. Changes in Contingent Liabilities and Contingent Assets**

There was no change in the contingent liabilities or contingent assets since the end of the last financial year end.

## **12. Subsequent Events**

(A) The Company had on 11 October 2011 entered into the following share sale agreements:

- (i) for the acquisition of 65% equity interest in Ecocentre Sdn Bhd, comprising 65,000 ordinary shares of RM1.00 each from Banjaran Unggul Sdn Bhd (“BUSB”) for a total cash consideration of RM242,000; and
- (ii) for the acquisition of 100% equity interest in Guper Properties Sdn Bhd, comprising 2 ordinary shares of RM1.00 each from Guper Resources Sdn Bhd for a total cash consideration of RM61,000.

Both the above acquisitions were completed on 16 November 2011.

## **12. Subsequent Events (Continued)**

(B) The Company had on 8 November 2011 entered into a conditional Share Sale Agreement with BUSB for the proposed acquisition of 40% equity interest in Guper Integrated Logistics Sdn Bhd (“Guper”), comprising 1,200,000 ordinary shares of RM1.00 each from BUSB for a cash consideration of RM13,600,000. Upon completion Guper will become a wholly owned subsidiary of CLSB. The proposed acquisition is subject to shareholders’ approval at an extraordinary general meeting to be convened.

Save for the above, there were no other material events subsequent to the end of the current quarter up to the date of this report.

## **13. Capital Commitments**

As at the end of the reporting quarter, the Group has approved and contracted for capital commitments of RM2.96 million in respect of property, plant and equipment.

## **Part B – Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad**

### **14. Review of Performance**

During the quarter under review, the Group reported a total revenue of RM23.76 million as compared to RM24.35 million in the preceding year corresponding quarter.

The Group reported a profit before taxation of RM1.94 million in the current quarter as compared to RM1.82 million in the preceding year corresponding quarter. The increase in profit before taxation in the current quarter was mainly attributable to the improvement of the logistics segment.

### **15. Comparison With Immediate Preceding Quarter**

The Group reported a total revenue of RM23.76 million as compared to RM25.45 million in the immediate preceding quarter.

The profit before taxation of the Group had decreased by RM1.29 million as compared to a profit before taxation of RM3.23 million in the immediate preceding quarter. The decrease was mainly due to the poor performance of the marine segment.

### **16. Prospects**

Bank Negara has reported that the third quarter gross domestic product (GDP) growth of 5.8% is better-than-expected. With projects under the Economic Transformation Programme (ETP) already on-stream, the Government has indicated that their aim for a full-year projection of 5% growth is on target.

With this encouraging development on the economic front, the Group is confident that its logistics segment will continue to perform positively. Meanwhile the shipping industry is still facing depressed freight rates and over supply of capacity. On the whole, the Board is optimistic that the Group’s overall performance for the next financial quarter will remain satisfactory.

## 17. Variance on Profit Forecast/Guarantee

The Group did not issue any profit forecast for the year and there is no profit guarantee issued by the Group.

## 18. Income Tax Expense

	Current Year Quarter <u>30.09.11</u> RM'000	Preceding Year Corresponding Quarter <u>30.09.10</u> RM'000	Current Year- To-Date <u>30.09.11</u> RM'000	Preceding Year Corresponding Period <u>30.09.10</u> RM'000
Tax expense	<u>(505)</u>	<u>(389)</u>	<u>(820)</u>	<u>(555)</u>

The effective tax rate of the Group is lower than the statutory tax rate mainly due to:

- (a) the exemption from tax on income from the operations of sea going Malaysian registered vessels pursuant to Section 54A of the Income Tax Act 1967 of certain subsidiaries of the Company;
- (b) the Investment Tax Allowance granted to a subsidiary of the Company.

## 19. Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the current quarter under review.

## 20. Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter under review. The Group did not hold any investments in quoted securities as at 30 September 2011.

## 21. Status of Corporate Proposals

There was no corporate proposal announced during the current quarter under review. Subsequent to the quarter ended 30 September 2011, the status of the corporate proposals announced are stated in Note 12 of this report.

## 22. Group Borrowings

	Group 30.9.11		
	Current	Non- Current	Total
	RM'000	RM'000	RM'000
Bank overdraft	272	-	272
Hire purchase	836	2,348	3,184
Term loans, secured	4,687	11,887	16,574
	<u>5,795</u>	<u>14,235</u>	<u>20,030</u>

### 23. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments at the date of issue of this quarterly report.

### 24. Breakdown of Realised and Unrealised Profits of the Group

	Financial Period Ended 30/09/2011	Financial Period Ended 30/09/2010
	RM'000	RM'000
Total retained profits of the Group		
- Realised	32,219	29,331
- Unrealised	<u>(1,334)</u>	<u>(2,656)</u>
Total retained profits as per consolidated accounts	<u>30,885</u>	<u>26,675</u>

### 25. Material Litigation

There was no pending material litigation as at the date of issue of this quarterly report, which in the opinion of the directors would have a material adverse effect on the financial results of the Group.

### 26. Dividend

No dividend has been proposed for the current quarter under review.

### 27. Earnings Per Share

The basic earnings per share for the current quarter and cumulative quarters have been calculated based on the Group's profit after taxation divided by the weighted average number of ordinary shares outstanding (based on ordinary shares of RM0.50 each).

	Current Year Quarter 30.09.11	Preceding Year Corresponding Quarter 30.9.10	Current Year To Date 30.09.11	Preceding Year Corresponding Period 30.9.10
Profit attributable to ordinary equity holders of the Company (RM'000)	747	1,080	3,072	2,724
Weighted average number of shares in issue ('000)	119,913	120,000	119,913	120,000
Basic earnings per share (sen)	0.62	0.90	2.56	2.27

Diluted earnings per share was not computed as the Company did not have any convertible financial instruments as at 30 September 2011.

### 28. Authorization for Issue

These unaudited interim financial statements were authorized for release by the Company in accordance with a resolution of the Directors dated 25 November 2011.