

COMPLETE LOGISTIC SERVICES BERHAD. (716241 - X)

NOTES TO THE QUARTERLY REPORT ON CONSOLIDATED RESULT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

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, insurance agency and investment holding

The results of the Group for the Third Quarter Ended 31.12.2011

	Shipping RM'000	Trading RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External segment revenue	6,736	2,286	18,928	10	-	27,960
Inter-segment revenue	943	776	362	5	(2,086)	-
Total Revenue	<u>7,679</u>	<u>3,062</u>	<u>19,290</u>	<u>15</u>	<u>(2,086)</u>	<u>27,960</u>
Results						
Segment results	(18,388)	46	3,520	(102)	-	(14,924)
Finance costs						(296)
Interest income						79
Profit before tax						<u>(15,141)</u>
Tax expense						<u>(758)</u>
Profit after tax						<u><u>(15,899)</u></u>
Attributable to:						
Equity holders of the Company						(16,568)
Non controlling interest						669
						<u><u>(15,899)</u></u>

The results of the Group for the Third Quarter Ended 31.12.2010

	Shipping RM'000	Trading RM'000	Logistics RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External segment revenue	5,705	3,007	13,401	244	-	22,357
Inter-segment revenue	80	-	1,075	500	(1,655)	-
Total Revenue	<u>5,785</u>	<u>3,007</u>	<u>14,476</u>	<u>744</u>	<u>(1,655)</u>	<u>22,357</u>
Results						
Segment results	51	258	3,431	183	-	3,923
Finance costs						(301)
Interest income						43
Profit before tax						<u>3,665</u>
Tax expense						<u>(253)</u>
Profit after tax						<u><u>3,412</u></u>
Attributable to:						
Equity holders of the Company						2,349
Non controlling interest						1,063
						<u><u>3,412</u></u>

7. Debt and Equity Securities

There was no share buy-back during the quarter under review. As at 31 December 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 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 (“Banjaran Unggul Sdn Bhd”) 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.

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

There were no 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 RM2.2 million and RM13.6 million in respect of property, plant and equipment and investment (refer Note 22) respectively.

14. Related Party Disclosures

The Group has carried out the following transactions with the related parties during the current quarter under review:

	Current Year Quarter 31.12.2011 <u>RM'000</u>
Companies in which certain Directors have interests:	
- revenue from services rendered	1,724
- container haulage/transportation service charges payable	530
- forwarding service charges payable	78
- rental expense payable	8
- spare parts charges payable	4
- rental income receivable	3
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Part B – Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad

15. Analysis of Performance

	Current Year Quarter 31.12.2011 RM'000	Preceding Year Corresponding Quarter 31.12.2010 RM'000	Current Year-to- date 31.12.2011 RM'000	Preceding Year Corresponding Period 31.12.2010 RM'000
<u>Revenue</u>				
Shipping	6,736	5,705	18,819	16,089
Logistics	18,928	13,401	53,756	42,723
Trading	2,286	3,007	4,586	10,594
Others	10	244	10	751
Total	<u>27,960</u>	<u>22,357</u>	<u>77,171</u>	<u>70,157</u>
<u>(Loss)/Profit before tax</u>				
Shipping	(17,522)	(17)	(17,309)	645
Logistics	3,316	3,222	8,348	6,289
Trading	39	263	88	(33)
Others	(974)	196	(1,096)	566
Total	<u>(15,141)</u>	<u>3,665</u>	<u>(9,969)</u>	<u>7,468</u>

During the quarter under review, the Group reported an increase in revenue of RM5.60 million as compared to the preceding year corresponding quarter (“corresponding quarter”).

The total revenue of the current year-to-date (“current period”) increased by RM7.01 million as compared to the preceding year corresponding period (“corresponding period”).

The Group reported a loss before tax of RM15.14 million in the current quarter as compared to a profit before tax of RM3.67 million in the preceding year corresponding quarter, a drop of RM18.81 million. The result for the current period decreased by RM17.44 million as compared to the profit before tax of RM7.47 million in the corresponding period.

(a) *Shipping*

Despite the slight improvement in the shipping revenue, the shipping industry is still facing an over-supply of freight spaces, thus depressed freight rates, amidst the sluggish global economy.

In view of the general slowdown in global trades that have affected shipping industry adversely, the Board felt that it is prudent to make an impairment for the Group’s vessels amounting to RM17.70 million.

The profit before tax of the Shipping segment for the current quarter/period before the impairment was RM0.18/RM0.39 million respectively. With this impairment, the results become a loss of RM17.52/RM17.31 million respectively. The impairment of the vessels represents the write-down of the vessels to the recoverable amount based on their fair value less cost to sell. The impairment was recognised in “other expenses” line item of the statement of comprehensive income for the current financial period ended 31 December 2011.

(b) Logistics

The revenue of the Logistics segment has improved by RM5.53/RM11.03 million from the corresponding quarter/period respectively. The increase in revenue was contributed by growth in volume from existing customers as well as new customers.

The profit before tax of the Logistics segment increased in line with the increase in revenue growth.

(c) Trading

The main market for our Trading segment is in the Island Nations of the South West Indian Ocean which are affected by the global financial crisis. With the downturn of tourism at these regions, the development of resorts and construction activities declined sharply leading to low demand for construction materials, thus affecting our Trading segment adversely. As a result the total Trading revenue decreased by RM6.01 million in the current period as compared to the corresponding period. Furthermore, the rising costs of Malaysian made products plus the strengthening of the Malaysian Ringgit relative to the United States Dollars (the trade currency) made us less competitive compared to other suppliers around the regions.

(d) Others

The main contributor to the revenue and profit before tax of the Others segment in the corresponding quarter/period was from the leasing of a passenger ferry which ceased during the corresponding quarter. The ferry was leased to an associated company and operated in the Seychelles and business was badly affected by the global financial crisis. With the frequent mechanical problems encountered with the engines of the ferry boat resulting in lengthy downtime as well as the high overheads and costs of such maintenance/repairs, the associated company had ceased the operation of the ferry. With this, the Group had recognized an impairment loss of RM0.90 million on the ferry during the quarter under review.

16. Comparison With Immediate Preceding Quarter

	Current Year Quarter 31.12.2011 RM'000	Preceding Quarter 30.09.2011 RM'000
Revenue	27,960	23,757
(Loss)/Profit before tax	(15,141)	1,944

The Group reported a total revenue of RM27.96 million as compared to RM23.76 million in the immediate preceding quarter. The increase in revenue of RM4.20 million in the current quarter was mainly contributed from the improved performance of all segments.

The profit before tax for the current quarter before impairment loss of RM18.60 million is RM3.46 million which compare favourably against the RM1.94 million achieved in the preceding quarter. However with the inclusion of the impairment loss, the Group reported a loss before tax of RM15.14 million for the current quarter, a decrease of RM17.09 million against the preceding quarter (refer to Note 15 a and 15 d).

17. Prospects

The Eurozone debt crisis and the geopolitical tension in Iran could dampen economic growth and further fuel volatility of crude oil prices for the rest of the financial year.

Management expects the Logistics segment to perform satisfactorily on account of volume growth and penetration into new customers.

Due to the poor commercial environment in the South West Indian Ocean market, the Group has decided to refocus its shipping business on sustainable routes in the South East Asian market.

On the Trading segment, Management will concentrate on supplying to existing customers where value added can be obtained.

With the on-going resource optimization initiatives to enhance services deliveries, the Group will continue to be focused to optimize its Logistics business segment. Strategic measures are also being implemented to focus on sustainable shipping routes for the shipping segment and to continue with existing profitable trading activities. The Board is optimistic that with its robust logistics business, the overall performance for the next financial quarter will be satisfactory.

18. 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.

19. Income Tax Expense

	Current Year	Preceding Year	Current Year-	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	<u>31.12.11</u>	<u>31.12.10</u>	<u>31.12.11</u>	<u>31.12.10</u>
	RM'000	RM'000	RM'000	RM'000
Tax expense	<u>(758)</u>	<u>(253)</u>	<u>(1,578)</u>	<u>(808)</u>

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

- the 70% exemption from tax on the statutory 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;
- the Investment Tax Allowance granted to a subsidiary of the Company.

20. Sales of Unquoted Investments and Properties

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

21. 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 31 December 2011.

22. Status of Corporate Proposals

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 the Company. The proposed acquisition was approved by the shareholders at the extraordinary general meeting convened on 27 December 2011. The completion of the acquisition depends upon the settlement of the balance 90% of the purchase consideration within 90 days from 27 December 2011.

Save as disclosed in Note 12 and above, there was no other corporate proposal announced during the current quarter under review.

23. Group Borrowings

	←————— 31.12.11 —————→		
	Current	Non- Current	Total
	RM'000	RM'000	RM'000
Bank overdraft	312	-	312
Bankers' Acceptance	1,129	-	1,129
Hire purchase	827	2,154	2,981
Term loans, secured	4,613	10,707	15,320
	<u>6,881</u>	<u>12,861</u>	<u>19,742</u>

24. Off Balance Sheet Financial Instruments

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

25. Breakdown of Realised and Unrealised Profits of the Group

	Financial Period Ended 31/12/2011	Financial Period Ended 31/12/2010
	RM'000	RM'000
Total retained profits of the Group		
- Realised	15,732	31,737
- Unrealised	<u>(1,415)</u>	<u>(2,713)</u>
Total retained profits as per consolidated accounts	<u>14,317</u>	<u>29,024</u>

26. 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.

27. Dividend

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

28. 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 tax divided by the weighted average number of ordinary shares outstanding (based on ordinary shares of RM0.50 each).

	Current Year Quarter 31.12.11	Preceding Year Corresponding Quarter 31.12.10	Current Year To Date 31.12.11	Preceding Year Corresponding Period 31.12.10
Profit attributable to ordinary equity holders of the Company (RM'000)	(16,568)	2,349	(13,496)	5,073
Weighted average number of shares in issue ('000)	119,909	120,000	119,909	120,000
Basic earnings per share (sen)	(13.82)	1.96	(11.26)	4.23

Diluted earnings per share was not computed as the Company did not have any convertible financial instruments as at 31 December 2011.

29. Profit/(Loss) Before Tax

	Current Year Quarter <u>31.12.11</u> RM'000	Preceding Year Corresponding Quarter <u>31.12.10</u> RM'000	Current Year- to-date <u>31.12.11</u> RM'000	Preceding Year Corresponding Period <u>31.12.10</u> RM'000
Profit before tax is arrived at after crediting:				
Interest income	79	43	221	134
Other income	143	2,317	760	2,503
Foreign exchange gain	21	-	6	-
Unrealised foreign exchange gain	-	-	-	-
Negative goodwill	109	-	109	-
and after charging:				
Interest expense	296	301	844	947
Depreciation	1,771	1,326	4,425	3,945
Provision for/write off receivables	-	-	-	-
Foreign exchange loss	-	8	-	139
Unrealised foreign exchange loss	11	25	11	25
Impairment of property, plant & equipment	18,598	-	18,598	-

There were no gain or loss on disposal of quoted or unquoted investment or real properties, gain or loss on derivatives or exceptional item for current quarter and financial period ended 31 December 2011 (31 December 2010 : Nil).

30. Authorization for Issue

These unaudited interim financial statements were authorized for release by the Company in accordance with a resolution of the Directors dated 27 February 2012.