

## 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 2012

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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 Malaysian 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 2012.

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 2012, including the new/revised standards mandatory for annual periods beginning on or after 1 April 2012.

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

The auditors’ report on the Group’s financial statements for the financial year ended 31 March 2012 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	: Insurance agency and investment holding

### The results of the Group for the Second Quarter Ended 30.09.2012 - SEGMENTAL

	Shipping	Trading	Logistics	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
revenue	7,004	2,013	16,210	13	-	25,240
Inter-segment revenue	-	851	442	25	(1,318)	-
Total Revenue	<u>7,004</u>	<u>2,864</u>	<u>16,652</u>	<u>38</u>	<u>(1,318)</u>	<u>25,240</u>
<b>Results</b>						
Segment results	1,135	162	2,146	(206)	(312)	2,925
Finance costs						(291)
Interest income						53
Profit before tax						<u>2,687</u>
Tax expense						(270)
Profit after tax						<u>2,417</u>
Attributable to:						
Equity holders of the						2,394
Minority interest						23
						<u>2,417</u>

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

	Shipping	Trading	Logistics	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
revenue	5,129	525	18,103	-	-	23,757
Inter-segment revenue	-	-	663	2,000	(2,663)	-
Total Revenue	<u>5,129</u>	<u>525</u>	<u>18,766</u>	<u>2,000</u>	<u>(2,663)</u>	<u>23,757</u>
<b>Results</b>						
Segment results	(450)	24	3,158	1,900	(2,431)	2,201
Finance costs						(341)
Interest income						84
Profit before tax						<u>1,944</u>
Tax expense						(505)
Profit after tax						<u>1,439</u>
Attributable to:						
Equity holders of the Company						747
Minority interest						692
						<u>1,439</u>

**7. Debt and Equity Securities**

There was no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale / repurchase of treasury shares during the current quarter under review.

**8. Dividend Paid**

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

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

There was no valuation on property, plant and equipment in the current quarter under review.

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

There was no change 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.

**12. Subsequent Events**

There was no material event subsequent to the end of the current quarter up to the date of this report except for the acquisition of a new subsidiary, Gems Logistics Sdn Bhd, by the Company on 25 October 2012.

**13. Capital Commitments**

As at the end of the reporting quarter, the Group has approved and contracted for capital commitments of RM5.1 million in respect of property, plant and equipment.

#### 14. Related Party Disclosures

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

	Current Year Quarter 30.9.2012 <u>RM'000</u>
Companies in which certain Directors have interests:	
- revenue from services rendered	2,536
- container haulage/transportation/logistics service charges payable	946
- forwarding service charges payable	123
- spare parts payable	9
- rental expense payable	8
- rental income receivable	<u>3</u>

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

**15. Analysis of Performance**

	Current Year Quarter 30.09.2012 RM'000	Preceding Year Corresponding Quarter 30.09.2011 RM'000	Current Year- To-Date 30.09.2012 RM'000	Preceding Year Corresponding Period 30.09.2011 RM'000
<u>Revenue</u>				
Shipping	7,004	5,129	14,416	12,083
Logistics	16,652	18,766	36,481	36,094
Trading	2,864	525	4,932	2,300
Others	38	2,000	603	2,000
Adjustment/Elimination	(1,318)	(2,663)	(3,138)	(3,266)
<b>Total</b>	<b>25,240</b>	<b>23,757</b>	<b>53,294</b>	<b>49,211</b>
<u>(Loss)/Profit before tax</u>				
Shipping	1,130	(542)	2,507	544
Logistics	1,897	2,950	4,955	5,476
Trading	174	35	285	(4)
Others	(202)	1,932	226	1,931
Adjustment/Elimination	(312)	(2,431)	(1,180)	(2,775)
<b>Total</b>	<b>2,687</b>	<b>1,944</b>	<b>6,793</b>	<b>5,172</b>

During the quarter under review, the Group reported slight increase in revenue of RM1.48 million as compared to the preceding year corresponding quarter (“corresponding quarter”) and thus in line with this a slight increase in profit before tax of RM0.74 million.

(a) Shipping

The Group managed to improve its Shipping revenue by RM1.88 million, ie by 36%, in the current quarter as compared to the corresponding quarter amid the still depressed shipping market.

In line with the improvement in revenue, the Shipping segment registered a profit before tax of RM1.13 million in the current quarter as compared to a loss of RM0.54 million in the corresponding quarter.

(b) Logistics

The revenue of the Logistics segment has declined by RM2.11 million from the corresponding quarter and this resulted in the decline in the profit before tax by RM1.05 million.

(c) Trading

The trading activities in the Island Nations of the South West Indian Ocean remained low in the current quarter. The improvement in the revenue and profit before tax of the Trading segment during the current quarter/period was mainly contributed by the local trading activities of the subsidiary acquired in the third quarter of the last financial year.

**16. Comparison With Immediate Preceding Quarter**

	Current Year Quarter 30.09.2012 <u>RM'000</u>	Preceding Quarter 30.06.2012 <u>RM'000</u>
Revenue	<u>25,240</u>	<u>28,054</u>
Profit before tax	<u>2,687</u>	<u>4,107</u>

The revenue in the current quarter decreased by RM2.81 million mainly due to the lower revenue in the Logistics segment resulted from the festive season.

For the current quarter under review, the Group registered a drop in the profit before tax of RM1.42 million as compared to the immediate preceding quarter which is in line with the drop in the revenue and also due to additional expenses being incurred for the proposed acquisition of a subsidiary, Pengangkutan Sekata Sdn Bhd (refer to Note 22).

**17. Prospects**

The main segments of the Group have performed satisfactorily during the second quarter of the current financial year.

The Logistics Segment, despite a slight dip in revenue in the second quarter, due to seasonal festival factor will remain focused on on-going strategies of cost control measures, asset utilization optimization and margin enhancement for growth.

The Shipping Segment, although still facing overwhelming oversupply of freight capacity, will continue with its strategic measures of focusing on sustainable shipping routes.

On the Trading Segment, the strategy of trading in existing viable market will continue to be implemented. This segment is currently being developed further with the contribution arising from the trading activities of the newly acquired subsidiaries.

With the respective strategic plans implemented in full motion, the Board foresees that continuing satisfactory financial results could be sustained for the remaining period of the financial year.

## 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 Quarter <u>30.09.2012</u> RM'000	Preceding Year Corresponding Quarter <u>30.09.2011</u> RM'000
Current tax expense	365	505
Under/(Over) provision in the previous financial year	(95)	-
	<u>270</u>	<u>505</u>

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the exemption from tax on income from the operation of Malaysian registered sea going vessels pursuant to Section 54A of the Income Tax Act 1967 of certain subsidiaries 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 30 September 2012.

## 22. Status of Corporate Proposals

Save as disclosed below there are no other corporate proposals which have been announced but yet to be completed prior to 22 November 2012:

- (1) The Company had on 21 May 2012 entered into a conditional Share Sale Agreement for the proposed acquisition of 100% equity interest in Pengangkutan Sekata Sdn Bhd ("Sekata"), comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM10,000,000. Upon completion Sekata will become a wholly owned subsidiary of the Company. The proposed acquisition had been approved by the shareholders at the extraordinary general meeting convened on 25 September 2012 ("Unconditional Date"). The Company shall pay to the Vendors the Completion Payment within ninety (90) days from the Unconditional Date.
- (2) the proposed disposal by Guper Integrated Logistics Sdn Bhd, a wholly-owned subsidiary of the Company, of a piece of freehold vacant land held under HS(D) 81579, PT3908, Mukim of Setul, District of Seremban, Negeri Sembilan to VR Star Sdn Bhd for a total cash consideration of RM3,784,070.72 as announced on 29 May 2012.

## 23. Group Borrowings

	← 30.09.2012 →		
	Current	Non- Current	Total
Secured	RM'000	RM'000	RM'000
Bank overdraft	1,243	-	1,243
Hire purchase	914	1,640	2,554
Term loans	3,745	12,768	16,513
	<u>5,902</u>	<u>14,408</u>	<u>20,310</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

	Current Year Quarter Ended 30/09/2012 RM'000	Preceding Year Corresponding Quarter Ended 30/09/2011 RM'000
Total retained profits of the Group		
- Realised	36,406	55,989
- Unrealised	4,240	1,334
	<u>40,646</u>	<u>57,323</u>
Less : Consolidation adjustments	<u>(22,467)</u>	<u>(26,438)</u>
As at end of period	<u>18,179</u>	<u>30,885</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 <u>30.09.2012</u>	Preceding Year Corresponding Quarter <u>30.09.2011</u>	Current Year-To- Date <u>30.09.2012</u>	Preceding Year Corresponding Quarter <u>30.09.2011</u>
Profit attributable to ordinary equity holders of the Company (RM'000)	2,394	747	6,247	3,072
Weighted average number of shares in issue ('000)	119,681	119,913	119,681	119,913
Basic earnings per share (sen)	2.00	0.62	5.22	2.56

Diluted earnings per share was not computed as the Company did not have any convertible financial instruments as at end of the financial period under review.

## 29. Profit Before Tax

	Current Year Quarter <u>30.09.2012</u> RM'000	Preceding Year Corresponding Quarter <u>30.09.2011</u> RM'000	Current Year <u>30.09.2012</u> RM'000	Preceding Year <u>30.09.2011</u> RM'000
<b>Profit for the period is arrived at after crediting:</b>				
Interest income	53	84	93	142
Other income	69	174	379	431
Foreign exchange gain	6	83	17	143
Unrealised foreign exchange gain	43	43	72	43
<b>and after charging:</b>				
Interest expense	291	341	565	548
Depreciation	1,547	1,570	3,023	2,654
Provision for/write off receivables	-	-	-	-
Foreign exchange loss	33	24	43	102
Unrealised foreign exchange loss	-	-	-	18

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 under review.

## 30. Authorization for Issue

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