

ARK RESOURCES BERHAD
(393342-X)

QUARTERLY REPORT
THIRD QUARTER ENDED 30 SEPTEMBER 2014

<u>SUMMARY OF FINANCIAL INFORMATION</u>	<---- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Current year	Preceding year	Current year to	Preceding year
	current quarter	corresponding	date	corresponding
	July - Sept'14	July - Sept'13	Jan - Sept'14	Jan - Sept'13
	RM000	RM000	RM000	RM000
1 Revenue	2,126	2,360	5,612	6,098
2 Profit / (loss) before tax	18	33	48	85
3 Profit / (loss) after tax and minority interest	18	33	48	85
4 Net profit / (loss) for the period	18	33	48	85
5 Basic earnings / (loss) per share (sen)	0.04	0.08	0.12	0.21
6 Dividend per share (sen)	-	-	-	-
			30-Sep-14	30-Sep-13
			RM	RM
7 Net assets per share (RM)			0.51	0.53

<u>ADDITIONAL INFORMATION</u>	<---- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Current year	Preceding year	Current year to	Preceding year
	current quarter	corresponding	date	corresponding
	July - Sept'14	July - Sept'13	Jan - Sept'14	Jan - Sept'13
	RM000	RM000	RM000	RM000
1 Gross interest income	1	(6)	13	71
2 Gross interest expense	95	118	285	354

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30.9.14 RM000	Audited as at 31.12.13 RM000
Non-current assets		
Property, plant and equipment	45	53
Land held for development	11,223	11,223
Current assets		
Amount due from contract customers	10,070	8,808
Trade receivables	5,064	3,913
Non-trade receivables, deposits and prepayments	1,019	631
Cash and cash equivalents	1,061	2,565
	17,214	15,917
Current liabilities		
Trade payables	5,619	4,346
Non-trade payables and accruals	642	674
	6,261	5,020
Net current assets	10,953	10,897
Long term liabilities		
RCSLS-Borrowings	(350)	(350)
	21,871	21,823
Shareholders' equity		
Share capital	43,001	41,110
Revaluation Reserves	3,481	3,481
RCSLS	5,322	7,213
Accumulated (losses) / reserves	(29,933)	(29,981)
	21,871	21,823
Minority interest	-	-
	21,871	21,823
Net assets per share attributable to shareholders (RM)	0.51	0.53

The condensed consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013.

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	<---- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Current year current quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	July - Sept'14 RM000	July - Sept'13 RM000	Jan - Sept'14 RM000	Jan - Sept'13 RM000
Revenue	2,126	2,360	5,612	6,098
Less: Cost of sales	1,636	1,709	3,845	4,232
Gross profit	490	651	1,767	1,866
Other income	20	11	67	121
Administrative and other expenses	(397)	(511)	(1,501)	(1,548)
Profit / (loss) from operations	113	151	333	439
Finance cost	(95)	(118)	(285)	(354)
Profit / (loss) before tax	18	33	48	85
Taxation	-	-	-	-
Profit / (loss) after tax	18	33	48	85
Minority interest	-	-	-	-
Net profit / (loss) for the period	18	33	48	85
Basic earnings/(loss) per share (sen) (Note B19)	0.04	0.08	0.12	0.21

The condensed consolidated statement of comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 September 2014 RM'000	30 September 2013 RM'000
Cashflows from operating activities		
Net profit before taxation	48	85
Adjustment for :		
Depreciation	13	12
Interest expenses	272	283
Operating profit/(loss) before working capital changes	333	380
Increase in trade and other receivables	(2,695)	(3,108)
Increase/(Decrease) in trade and other payables	1,241	546
Cash (used in) / generated from operations	(1,121)	(2,182)
Interest paid	(380)	(354)
Net cash (used in) / generated from operating activities	(1,501)	(2,536)
Cashflows from investing activities		
Purchase of property, plant and equipment	(5)	(7)
Increase in Share Capital	1,891	-
Interest Received	2	82
Net cash (used in) / generated from investing activities	1,888	75
Cashflows from financing activities		
Redemption of RCSLS	(1,891)	(1,891)
Net cash (used in) / generated from financing activities	(1,891)	(1,891)
Net (decrease) / increase in cash and cash equivalents	(1,504)	(4,352)
Cash and cash equivalents brought forward	2,565	7,103
Cash and cash equivalents carried forward	1,061	2,751
Cash and cash equivalents comprise:		
Cash and bank balances	961	2,051
Fixed deposits with licensed bank	100	700
	1,061	2,751

The condensed consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM000	Revaluation Reserve RM000	RCSLS RM000	Accumulated losses RM000	Total RM000
Balance as at 1 January 2014	41,110	3,481	7,213	(29,981)	21,823
Total comprehensive income for the period	-	-	-	48	48
Conversion of RCSLS to Share Capital	1,891		(1,891)	-	-
Balance as at 30 September 2014	<u>43,001</u>	<u>3,481</u>	<u>5,322</u>	<u>(29,933)</u>	<u>21,871</u>
Balance as at 1 January 2013	41,110	3,481	7,213	(30,104)	21,700
Total comprehensive income for the period	-	-	-	85	85
Balance as at 30 September 2013	<u>41,110</u>	<u>3,481</u>	<u>7,213</u>	<u>(30,019)</u>	<u>21,785</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2013.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

**PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS
(FRS) 134**

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2013, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2014, as follows:

Amendments to FRS 132	:	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS10,FRS12 and FRS127	:	Investment Entities
Amendments to FRS 136	:	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 139	:	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	:	Levies

The adoption of the above FRSs does not have any significant financial impact on the Group.

The Malaysian Accounting Standard Board has given the Transitioning Entities the option to continue to apply the Financial Reporting Standards framework until 31 December 2014. The Group is a Transitioning Entities due to its involvement in the development and construction of real estate. The Group shall adopt the new IFRS-compliant frame, Malaysian Financial Reporting Standard from financial year beginning 1 January 2015.

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A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENT

The annual financial statements of the Group for the year ended 31 December 2013 was not subject to any qualification.

A4. ITEMS OF UNUSUAL NATURE AND AMOUNT

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter under review.

A5. SEASONAL OR CYCLICAL FACTORS

There are no significant variations to the level of profit due to seasonal or cyclical effects of operations.

A6. CHANGES IN ESTIMATES

There were no changes in estimates of amounts that give a material effect for the current quarter.

A7. DEBT AND EQUITY SECURITIES

There were no issues of equity securities and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter.

A8. DIVIDEND PAID

There was no dividend paid during this current quarter.

A9. REVALUATION OF PROPERTY AND EQUIPMENT

The valuations of certain property, plant and equipment have been brought forward without amendment from the audited financial statements for the financial year ended 31 December 2013.

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A10. SEGMENTAL INFORMATION

The segmental information for the period ended 30 September 2014:

	Construction RM'000	Property Development RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
<u>Segment Revenue</u>					
External revenue	5,522	-	90	-	5,612
Inter-segment revenue	5,217	-	-	(5,217)	-
Total Revenue	10,739	-	90	(5,217)	5,612
<u>Segment Results</u>					
Operating profit/ (loss)	1,324	(244)	(747)	-	333
Finance cost	-	-	(285)	-	(285)
Profit/ (loss) from associates	-	-	-	-	-
Taxation	-	-	-	-	-
Profit/ (loss) after tax	1,324	(244)	(1,032)	-	48

A11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and contingent assets to the group as of the date of this report.

A12. CHANGES IN GROUP COMPOSITION

There were no changes to the Group's composition during the quarter under review.

A13. SIGNIFICANT SUBSEQUENT EVENTS

There were no significant events subsequent to the end of the current quarter up to the date of this report that have not been reflected in the financial statements for the current quarter under review.

A14. CAPITAL COMMITMENT

The Group has no capital commitment as of 30 September 2014.

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B15. REVIEW OF PERFORMANCE

For the year-to-date, the Group recorded operating revenue of RM 5.612 million representing a decrease of 7.97% over the preceding year period ended 30 September 2013. This was mainly due to slower performance of sales from the Property Development division due to delays in obtaining the land transfer approvals from the State Government.

The Group recorded a profit before tax of RM0.048 million for the year-to-date as compared to a profit before tax of RM0.085 million for the preceding year period then ended. The profits remains thin due to other expenses incurred post restructuring.

B16. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

	Current 3 months period ended 30.9.2014 <u>RM'000</u>	Preceding Quarter ended 30.6.2014 <u>RM'000</u>
Revenue	2,126	1,575
Profit / (Loss) before taxation	18	11

For the three months period ended 30 September 2014, the Group recorded a revenue of RM2.126 million, representing an increase of 34.98% compared to the preceding quarter ended 30 June 2014. The higher revenue recorded in the current quarter was primarily contributed by higher construction progress achieved in Construction Division.

The Group recorded a profit before taxation of RM0.018 million for the current quarter as compared to a profit before taxation of RM0.011 million in the preceding quarter, generally as a result of the higher revenue recorded in the current quarter.

B17. EXPLANATORY NOTE ON MATERIAL CHANGE

There has been no material change during the current quarter.

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B18. PROSPECTS

The Group faces more challenges in an unstable operating environment in 2014. Nevertheless, the Group believes that demand for affordable housing and certain niche construction projects are still good and sustainable. The Group remains cautious and is selective of new projects to take on. For the year 2014 we will be concentrating mainly on new launches for our development in Kuala Kubu Bharu, Selangor, now that some of the issues relating to land transfer has been recently resolved; and the completion of the Phase 1 Paroi Commercial Park ("PCP") in Seremban, Negeri Sembilan. We are also hopeful to commence Phase II of the PCP once Phase 1 is successfully completed.

We will also implement the many measures and plans to build on our order book concentrating initially on local projects including exploring smart partnerships with land owners to leverage and take advantage of a pick up in the industry expected in the not too distant future.

B19. EARNING PER SHARE

The profit per share is computed based on the net profit for the financial year of RM0.048 million (2013: net profit for the financial year of RM0.085 million) and on the number of the ordinary shares in issue during the financial year of 43,000,929 (2013: 41,110,025).

Diluted earnings per ordinary share are not presented as there is no dilutive potential ordinary share outstanding during the financial year.

B20. EXPLANATORY NOTE ON PROFIT FORECAST/GUARANTEEE

No profit forecast / guarantee have been given by the company.

B21. TAXATION

Taxation for the current period is as follows:

	30 September 2014 RM000
Current period's taxation	-
Share of taxation of associated company	-
	-

No taxation has been provided in the current year to date.

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B22. UNQUOTED INVESTMENTS / PROPERTIES

There has been no disposal of any unquoted securities or properties during the current quarter.

B23. QUOTED SECURITIES

There has been no purchase or disposal of any quoted securities during the current quarter.

B24. CORPORATE PROPOSALS

There were no corporate proposals undertaken during the quarter under review.

B25. CHANGES IN MATERIAL LITIGATION

There were no material litigations during the quarter under review.

B26. DIVIDEND

No interim or final dividend has been declared or recommended.

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B27. UTILISATION OF PROCEEDS ARISING FROM RIGHTS ISSUE AND PLACEMENT

The status of the utilisation of the proceeds raised from the Rights Issue and Placement amounting to RM20,475,725 as at 30 September 2014 is as follows:

	Purpose	Proposed utilisation	Actual utilisation	Intended Time Frame for utilisation	Deviation Amount		Explanation
		RM'000	RM'000		RM'000	%	
1)	Land Premium for the KKB Land (estimated)	1,800	526	6 months	1,274	71%	Certain application for alienation of land pending approval from the Selangor State Government
2)	Expenses in relation to Proposed Corporate Restructuring	1,500	1,500	Upon completion of Rights Issue and Placement	-	-	Completed
3)	Settlement of statutory debts	639	639	6 months	-	-	Completed
4)	Settlement of Scheme Creditors						
(i)	Secured Scheme Creditors	1,815	1,815	6 months	-	-	Completed
(ii)	Unsecured Scheme Creditors	4,596	4,596	6 months	-	-	Completed
5)	Mobilisation cost / start up cost for the KKB Project	2,450	2,399	As and when required	51	2%	Completed
6)	working capital	7,675	7,546	As and when required	129	2%	-
		20,475	19,021		1,454		

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B28. REALISED AND UNREALISED PROFIT/LOSSES DISCLOSURE

	As at 30 September 2014 RM000	As at 31 December 2013 RM000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
Realised	(32,590)	(32,641)
Unrealised	-	-
Less: Consolidation adjustments	(2,657)	(2,660)
Total group retained profits/(accumulated losses) as per consolidated accounts	<u>(29,933)</u>	<u>(29,981)</u>

B29. AUTHORISATION

This interim financial report for the financial period ended 30 September 2014 has been seen and approved by the Board of Directors of ARK Resources Berhad on 25 November 2014 for release to Bursa Securities.