

ARK RESOURCES BERHAD
(393342-X)

QUARTERLY REPORT
FOURTH QUARTER ENDED 31 DECEMBER 2016

<u>SUMMARY OF FINANCIAL INFORMATION</u>	<---- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Current year current quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	Oct - Dec'16	Oct - Dec'15	Jan - Dec'16	Jan - Dec'15
	RM000	RM000	RM000	RM000
1 Revenue	672	3,100	6,698	17,497
2 Profit / (loss) before tax	(884)	(302)	(2,049)	734
3 Profit / (loss) after tax and minority interest	(884)	(302)	(2,051)	734
4 Net profit / (loss) for the period	(884)	(302)	(2,051)	734
5 Basic earnings / (loss) per share (sen)	(1.87)	(0.68)	(4.34)	1.65
6 Dividend per share (sen)	-	-	-	-
			31.12-2016	31-12-2015
			RM	RM
7 Net assets per share (RM)			0.35	0.40

<u>ADDITIONAL INFORMATION</u>	<---- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Current year current quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	Oct - Dec'16	Oct - Dec'15	Jan - Dec'16	Jan - Dec'15
	RM000	RM000	RM000	RM000
1 Gross interest income	1	2	9	7
2 Gross interest expense	35	71	142	284

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31.12.16 RM000	Audited as at 31.12.15 RM000
Non-current assets		
Property, plant and equipment	97	65
Land held for development	3,742	7,253
Current assets		
Amount due from contract customers	776	1,283
Property development cost	6,159	-
Inventories	-	1,080
Trade receivables	11,074	13,743
Non-trade receivables, deposits and prepayments	278	407
Cash and cash equivalents	1,044	462
	19,331	16,975
Current liabilities		
Trade payables	2,517	4,037
Non-trade payables and accruals	3,473	1,025
RCSLS	-	681
	5,990	5,743
Net current assets	13,341	11,232
Long term liabilities		
	17,180	18,550
Shareholders' equity		
Share capital	48,673	45,837
RCSLS	-	2,155
Accumulated (losses) / reserves	(31,493)	(29,442)
	17,180	18,550
	17,180	18,550
Net assets per share attributable to shareholders (RM)	0.35	0.40

The condensed consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

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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
	Oct - Dec'16 RM000	Oct - Dec'15 RM000	Jan - Dec'16 RM000	Jan - Dec'15 RM000
Revenue	672	3,100	6,698	17,497
Less: Cost of sales	524	2,630	5,729	13,893
Gross profit	148	470	969	3,604
Other income	1	2	12	10
Administrative and other expenses	(998)	(703)	(2,888)	(2,596)
Profit / (loss) from operations	(849)	(231)	(1,907)	1,018
Finance cost	(35)	(71)	(142)	(284)
Profit / (loss) before tax	(884)	(302)	(2,049)	734
Taxation	-	-	(2)	-
Profit / (loss) after tax	(884)	(302)	(2,051)	734
Minority interest	-	-	-	-
Net profit / (loss) for the period	(884)	(302)	(2,051)	734
Basic earnings/(loss) per share (sen) (Note B19)	(1.87)	(0.68)	(4.34)	1.65

The condensed consolidated statement of comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Dec 2016	31 Dec 2015
	<u>RM'000</u>	<u>RM'000</u>
Cashflows from operating activities		
Net profit / (loss) before taxation	(2,049)	734
Adjustment for :		
Depreciation	26	21
Interest expenses	142	284
Interest income	(7)	(7)
Operating profit/(loss) before working capital changes	<u>(1,888)</u>	<u>1,032</u>
Increase/(Decrease) in inventories	1,081	6,339
Increase/(Decrease) in amount due from contract customers	506	2,050
Increase/(Decrease) in property development costs	(2,648)	-
(Increase)/Decrease in trade receivables	2,669	(8,681)
(Increase)/Decrease in other receivables	188	415
Increase/(Decrease) in trade payables	(1,520)	(1,490)
Increase/(Decrease) in other payables	2,391	177
Cash (used in) / generated from operations	<u>779</u>	<u>(158)</u>
Interest paid	(142)	(284)
Income tax paid	(2)	-
Net cash (used in) / generated from operating activities	<u>635</u>	<u>(442)</u>
Cashflows from investing activities		
Purchase of property, plant and equipment	(59)	54
Interest Received	6	(37)
Net cash (used in) / generated from investing activities	<u>(53)</u>	<u>17</u>
Cashflows from financing activities		
Net cash (used in) / generated from financing activities	<u>-</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	582	(425)
Cash and cash equivalents brought forward	<u>462</u>	<u>887</u>
Cash and cash equivalents carried forward	<u>1,044</u>	<u>462</u>
Cash and cash equivalents comprise:		
Cash and bank balances	1,014	432
Fixed deposits with licensed bank	30	30
	<u>1,044</u>	<u>462</u>

The condensed consolidated statement of cash flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM000	RCSLS RM000	Accumulated losses RM000	Total RM000
Balance as at 1 January 2016	45,837	2,155	(29,442)	18,550
Total comprehensive income / (loss) for the period	-	-	(2,051)	(2,051)
Transactions with owners:				
Conversion of new shares from RCSLS	2,836		-	2,836
Conversion from RCSLS to new shares	-	(2,155)	-	(2,155)
Total transactions with owners	2,836	(2,155)	-	681
Balance as at 31 December 2016	<u>48,673</u>	<u>-</u>	<u>(31,493)</u>	<u>17,180</u>
Balance as at 1 January 2015	43,001	4,311	(30,176)	17,136
Total comprehensive income for the period	-	-	734	734
Conversion of RCSLS to Share Capital	2,836	(2,156)	-	680
Balance as at 31 December 2015	<u>45,837</u>	<u>2,155</u>	<u>(29,442)</u>	<u>18,550</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 2015.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

**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 2015.

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 2015, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2016, as follows:

FRS 14 Regulatory Deferral Accounts

Amendments to FRS 11 Accounting for Acquisition of Interests in Joint Operations

Amendments to FRS 101 Disclosure Initiative

Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127 Equity Method in Separate Financial Statements

Annual Improvements to FRSs 2012 – 2014 Cycle

Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying to Consolidation Exception

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 2017. 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 2018.

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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 2015 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

There was no revaluation of property, plant and equipment made during the period. The valuations have been brought forward without adjustment from the audited financial statements for the financial year ended 31 December 2015.

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A10. SEGMENTAL INFORMATION

The segmental information for the period ended 31 December 2016:

	Construction RM'000	Property Development RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
<u>Segment Revenue</u>					
External revenue	4,050	2,648	-	-	6,698
Inter-segment revenue	4,673	-	-	(4,673)	-
Total Revenue	8,723	2,648	-	(4,673)	6,698
<u>Segment Results</u>					
Operating profit/ (loss)	(506)	182	(1,583)	-	(1,907)
Finance cost	-	-	(142)	-	(142)
Profit/ (loss) from associates	-	-	-	-	-
Taxation	-	-	(2)	-	(2)
Profit/ (loss) after tax	(506)	182	(1,727)	-	(2,051)

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 31 December 2016.

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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

(a) Performance of the current quarter against preceding year corresponding quarter

The Group recorded an operating revenue of RM 0.672 million for the current quarter as compared to RM 3.100 million in the preceding year corresponding quarter, i.e. a decrease of RM2.428 million. This was mainly due to completion of the Group's projects in Paroi and also the completion of the development project in Kuala Kubu Bharu.

The Group recorded a loss before tax of RM0.884 million for the current quarter as compared to a loss before tax of RM0.302 million in the preceding year corresponding quarter. This is in line with and as a result of the reduced business activity recorded during the quarter.

(b) Performance of the current financial period to-date against preceding corresponding financial period

For the year-to-date, the Group recorded operating revenue of RM 6.698 million against the operating revenue of RM17.497 million in the preceding corresponding period ended 31 December 2015, representing a decrease of 61.72%. The lower performance was mainly contributed by:

- Significant physical progress were made in the Group's projects and development during year 2015. This performance was correspondingly reflected in the Group revenues for year 2015. In year 2016, the Group managed to substantially complete it's main projects and development during the early part of 2nd quarter 2016. The revenues recorded for the quarter was therefore comprising mainly balance works which contributed to the lower performance noted; and
- The Group has also started and commenced preliminary works for it next phase of development in Kuala Kubu Bharu. These works have not been billed pending the issuance of regulatory approvals.

The Group recorded a loss before tax of RM 2.049 million for the year-to-date as compared to a profit before tax of RM 0.734 million for the preceding corresponding period then ended. The significant swing in profit to loss was due to the following:

- Profit contribution from construction and property development activities lower due to lower activities recorded for the period; and
- Certain core cost are fixed and does not vary with business activity. Particularly RCSLS coupon payment, permanent staff salaries and certain other regulatory fees.

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B16. COMPARISON OF CURRENT QUARTER RESULTS WITH THE PRECEDING QUARTER

	Current 3 months period ended 31.12.2016 <u>RM'000</u>	Preceding Quarter ended 30.9.2016 <u>RM'000</u>
Revenue	672	1,153
Profit / (Loss) before taxation	(884)	(670)

For the three months period ended 31 December 2016, the Group recorded a revenue of RM0.672 million, representing a decrease of 41.72% compared to the preceding quarter ended 30 September 2016. This is mainly due to poor performance of both the Construction and Property Development divisions during the current quarter as explained above.

The Group recorded a loss before taxation of RM0.884 million for the current quarter as compared to a loss before taxation of RM0.670 million in the preceding quarter. Revenue for the quarter was mainly derived from the Group's Property Development activities. Further certain core costs of the Group remain fixed irregardless of business activity, for example, permanent staff salaries, RCCLS coupon payment and other regulatory fees.

B17. EXPLANATORY NOTE ON MATERIAL CHANGE

There has been no material change during the current quarter.

18. PROSPECTS

The Group faces more challenges in an unstable operating environment in 2017. 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 2017 we will be concentrating mainly on our new launches in Kuala Kubu Bharu, Selangor, comprising commercial shop offices, single storey and 1 ½ storey residential development.

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. EARNINGS/ (LOSS) PER SHARE

The profit / (loss) per share is computed based on the net loss for the financial year of RM2.051 million (2015: net profit for the financial year of RM0.734 million) and on the number of the ordinary shares in issue during the financial year of 48,673,643 (2015: 45,837,285).

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

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B20. EXPLANATORY NOTE ON PROFIT FORECAST/GUARANTEE

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

B21. TAXATION

Taxation for the current period is as follows:

	31 December 2016 RM000
Current period's taxation	-

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

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 31 December 2016 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	1,800	6 months	-	0%	Completed
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	2,450	As and when required	-	-	Completed
6)	Working Capital	7,675	7,675	As and when required	-	-	Completed
		20,475	20,475		-		

B28. REALISED AND UNREALISED PROFIT/LOSSES DISCLOSURE

	As at 31 December 2016 RM000	As at 31 December 2015 RM000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
Realised	(33,709)	(31,082)
Unrealised	-	-
Less: Consolidation adjustments	(2,216)	(1,640)
Total group retained profits/(accumulated losses) as per consolidated accounts	<u>(31,493)</u>	<u>(29,442)</u>

B29. AUTHORISATION

This interim financial report for the financial period ended 31 December 2016 has been seen and approved by the Board of Directors of ARK Resources Berhad on 27 February 2017 for release to Bursa Securities.