

## **KNUSFORD BERHAD (380100-D)**

### **Notes to the interim financial report – 30 June 2017**

#### **A1 Basis of preparation**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 140, Transfers of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

##### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, Leases

##### **MFRSs, Interpretations and amendments effective for a date yet to be confirmed**

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the abovementioned accounting standards, amendments or interpretations, are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company except as mentioned below:

## **A1 Basis of preparation (continued)**

### **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

### **MFRS 15, Revenue from Contract with Customers**

MFRS 15 will replace the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

### **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

## **A2 Auditors' report**

There was no qualification on the audited report of the Group's preceding annual financial statements.

## **A3 Seasonal or cyclical factors**

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

## **A4 Unusual items due to their nature, size or incidence**

There were no unusual items for the period ended 30 June 2017.

## **A5 Changes in estimates**

Not applicable.

## **A6 Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and 6 months ended 30 June 2017.

## **A7 Dividends paid**

No dividend was paid for the current quarter and 6 months ended 30 June 2017.

## A8 Segmental information

Segmental information is presented in respect of the Group's business segment. Inter-segment pricing is determined based on negotiated terms.

### Current quarter ("2Q 2017") against preceding year corresponding quarter ("2Q 2016")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 June 2017 Revenue	30 June 2016 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading and services	24,622	26,936	(2,314)	(8.6)
Property development	-	-	-	-
Construction	12,223	4,163	8,060	193.6
Investment Property	850	747	103	13.8
	37,695	31,846	5,849	18.4
Inter-segment elimination	(2,169)	(339)	(1,830)	(539.8)
	35,526	31,507	4,019	12.8

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 June 2017 Profit/(Loss) before tax	30 June 2016 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading and services	(1,611)	(992)	(619)	(62.4)
Property development	(443)	(1,030)	587	57.0
Construction	(149)	(507)	358	70.6
Investment Property	176	103	73	70.9
	(2,027)	(2,426)	399	16.4
Elimination	(189)	4	(193)	(4,825.0)
Unallocated income	397	354	43	12.1
Unallocated expenses	(643)	(462)	(181)	(39.2)
	(2,462)	(2,530)	68	2.7

**A8 Segmental information (continued)**

Current year to date (“YTD 2017”) against preceding year corresponding period (“YTD 2016”)

	6 months ended	6 months ended	Changes	
	30 June 2017 Revenue	30 June 2016 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading and services	50,859	55,874	(5,015)	(9.0)
Property development	2,638	-	2,638	100.0
Construction	16,460	7,093	9,367	132.1
Investment Property	1,555	1,383	172	12.4
	71,512	64,350	7,162	11.1
Inter-segment elimination	(3,554)	(527)	(3,027)	(574.4)
	67,958	63,823	4,135	6.5

	6 months ended	6 months ended	Changes	
	30 June 2017 Profit/(Loss) before tax	30 June 2016 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading and services	(3,443)	(1,976)	(1,467)	(74.2)
Property development	1,360	(2,410)	3,770	156.4
Construction	(632)	(1,036)	404	39.0
Investment Property	200	242	(42)	(17.4)
	(2,515)	(5,180)	2,665	51.4
Elimination	(609)	(18)	(591)	(3,283.3)
Unallocated income	474	824	(350)	(42.5)
Unallocated expenses	(1,450)	(1,039)	(411)	(39.6)
	(4,100)	(5,413)	1,313	24.3

**A9 Valuation of property, plant and equipment**

Valuation of property, plant and equipment has been brought forward, without amendment from the preceding annual financial statements.

**A10 Event subsequent to the balance sheet date**

There were no material events subsequent to the balance sheet date.

### A11 Changes in composition of the Group

Save as disclose below, there were no changes in the composition of the Group for the current quarter and 6 months ended 30 June 2017:

The Group had on 25 April 2017 announced that its wholly-owned subsidiary, Knusford Oil & Gas Sdn Bhd ("KOG") had on 25 April 2017 incorporated a new subsidiary company namely, Knusford International Pte Ltd ("KIPL") in Singapore.

KIPL, a wholly-owned subsidiary of KOG, has an issued and paid-up share capital of SGD2.00 comprising of 2 ordinary shares issued at SGD1.00 each. The principal activity of KIPL is investment holding.

### A12 Changes in contingent liabilities

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	<b>As at 30 June 2017</b>
	<b>RM'000</b>
Guarantees and contingencies relating to Borrowings of subsidiaries (unsecured)	13,178
	=====

### A13 Significant Related Party Transactions

The group has significant related party transactions with companies in which certain directors of the Company have interest, as follows: -

	<b>6 months ended</b>
	<b>30 June 2017</b>
	<b>RM'000</b>
<b>With companies in which certain Directors of the Company, have interests:</b>	
Aramijaya Sdn Bhd	450
Danga Bay Sdn Bhd	235
Ekovest Construction Sdn Bhd	9,211
Iskandar Waterfront Sdn Bhd	5,082
Rampai Fokus Sdn Bhd	961
Iskandar Waterfront City Berhad and its subsidiaries	1,709

## B1 Detailed analysis of the performance of all operating segment of the Group

### Financial review for current quarter

	Individual Period (2 <sup>nd</sup> Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	30 June 2017 RM'000	30 June 2016 RM'000	RM'000	
Revenue	35,526	31,507	4,019	12.8
Gross Profit	980	1,666	(686)	(41.2)
Loss Before Interest and Tax	(2,847)	(2,709)	(138)	(5.1)
Loss before Tax	(2,462)	(2,530)	68	2.7
Loss After Tax	(2,716)	(2,335)	(381)	(16.3)
Loss Attributable to Ordinary Equity Holders of Parent	(2,716)	(2,335)	(381)	(16.3)

### Current quarter (“2Q 2017”) against preceding year corresponding quarter (“2Q 2016”)

For the 2Q 2017, the Group registered revenue of RM35.526 million and loss before of RM2.462 million as compared to revenue of RM31.507 million and loss before of RM2.530 million reported in the 2Q 2016. The increase in Group revenue was mainly due to increase in work done for our construction activities. Despite 12.8 % increase in revenue, the loss before tax was lower by 2.7 % mainly due to higher overhead costs incurred in 2Q 2017 for the trading and services segment.

The performance of the respective operating business segments for the 2Q 2017 under review as compared to the 2Q 2016 is analysed as follow:

#### Trading and services

The trading sector reported a lower revenue of RM24.622 million for the 2Q 2017 as compared to RM26.936 million in 2Q 2016, mainly due to the lesser demand from existing key customers. The higher loss before tax of RM1.611 million in 2Q 2017 as compared to loss before tax of RM0.992 million was mainly due to increase in overhead costs in 2Q2017 and lesser sales to existing key customers.

#### Property development

No revenue was recognised as no property was delivered with vacant possession during the quarter.

#### Construction

The construction sector registered a higher revenue of RM12.223 million in 2Q 2017 as compared to RM4.163 million in 2Q 2016. An increase in revenue for 2Q 2017 was mainly due to increase in work done for our construction projects. The construction sector also recorded lesser loss of RM0.149 million compared to loss before tax of RM 0.507 million in 2Q 2016 due to increase in work done.

#### Investment property

Revenue for the current quarter improved by 13.8% from RM0.747 million to RM0.850 million due to new tenancies entered by the Group. Correspondingly, this sector recorded higher profit before tax of RM0.176 million for the 2Q 2017 compared to RM0.103 million in 2Q 2016.

## Financial review for financial year to date

	Cumulative Period		Changes	
	Current Year To- Date	Preceding Year Corresponding Period	Amount	%
	30 June 2017 RM'000	30 June 2016 RM'000	RM'000	
Revenue	67,958	63,823	4,135	6.5
Gross Profit	5,597	2,746	2,851	103.8
Loss Before Interest and Tax	(4,088)	(5,957)	1,869	31.4
Loss before Tax	(4,100)	(5,413)	1,313	24.3
Loss After Tax	(5,001)	(5,169)	168	3.3
Loss Attributable to Ordinary Equity Holders of Parent	(5,001)	(5,169)	168	3.3

### Current year to date (“YTD 2017”) against preceding year corresponding period (“YTD 2016”)

For the YTD 2017, the Group recorded revenue of RM67.958 million, an increase of RM4.135 million or 6.5% from RM63.823 million in YTD 2016. The Group also recorded lesser loss before tax of RM4.100 million, a decrease of RM1.313 million from RM5.413 million in the YTD 2016. The increase in total revenue despite lower income from trading division was mainly due to increase in work done for our construction projects and sale of a completed development unit. The decrease in the Group’s loss before tax by 24.3% from 2Q 2016 was mainly due to increase in revenue from our construction and property development segments, which has a higher profit margin.

The performance of the respective operating business segments for the YTD 2017 under review as compared to the YTD 2016 is analysed as follow:

#### Trading and services

The trading sector reported a lower revenue of RM50.859 million for the YTD 2017 as compared to RM55.874 million in YTD 2016. The decrease in revenue was mainly due to the decrease in sales volume from existing key customers. The higher loss before tax of RM 3.443 million in YTD 2017 as compared to loss before tax of RM1.976 million in YTD 2016 was mainly due to increase in overhead costs in YTD 2017.

#### Property development

The property development sector registered a profit before tax of RM1.360 million on the revenue of RM2.638 million, due to sale of a completed unit during the period, decrease in sales & marketing expenses and non-claimable GST expenses for residential property.

#### Construction

The construction sector registered a higher revenue of RM16.460 million in YTD 2017 as compared to RM7.093 million in YTD 2016. The sector has also registered a lesser loss before tax of RM0.632 million due to increase in work done.

#### Investment property

Despite an increase in the revenue, profit before tax decreased mainly due to increase in repair and maintenance cost for building incurred during YTD 2017.

## B2 Comparison with preceding quarter results

### Financial review for current quarter compare with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30 June 2017	31 March 2017	Amount	%
	RM'000	RM'000	RM'000	
Revenue	35,526	32,432	3,094	9.5
Gross Profit	980	4,617	(3,637)	(78.8)
Loss Before Interest and Tax	(2,847)	(1,241)	(1,606)	(129.4)
Loss before Tax	(2,462)	(1,638)	(824)	(50.3)
Loss After Tax	(2,716)	(2,285)	(431)	(18.9)
Loss Attributable to Ordinary Equity Holders of Parent	(2,716)	(2,285)	(431)	(18.9)

The Group recorded a revenue of RM35.526 million for the current quarter as compared to the preceding quarter of RM32.432 million. The increase in revenue was mainly attributed to higher revenue recognised from construction sector. Despite an increase in the revenue, the loss before tax increased from RM1.638 million to RM2.462 million mainly due to preceding quarter results inclusive of sales of development unit which has a higher profit margin.

## B3 Prospects

The sluggish outlook for the construction and property development industry where the Group business substantially depends on, is expected to prolong and remain challenging to the Group's performance. Moving forward, the Group expects to increase its construction order book which currently stand at RM106.579 million and enhance its trading activities. The Group will continue to look for new business opportunities in Malaysia and abroad, in its effort to strive for a commendable performance for the remaining period of the financial year.

## B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

## B5 Taxation

	Current quarter ended 30 June 2017 RM '000	6 months ended 30 June 2017 RM '000
Income tax		
Current provision	1,024	1,965
Deferred tax	(770)	(1,064)
	<u>254</u>	<u>901</u>

## B6 Corporate proposals

There were no corporate proposals announced or pending completion as at the date of this report.



**B7 Group borrowings**

	As at 2 <sup>nd</sup> Quarter ended 2017		
	Long term	Short Term	Total
	RM'000	RM'000	borrowings RM'000
<b>Unsecured</b>			
Revolving credit	-	13,100	13,100
Finance lease liabilities	1,966	1,213	3,179
	<u>1,966</u>	<u>14,313</u>	<u>16,279</u>

	As at 2 <sup>nd</sup> Quarter ended 2016		
	Long term	Short Term	Total
	RM'000	RM'000	borrowings RM'000
<b>Secured</b>			
Revolving credit	-	3,700	3,700
<b>Unsecured</b>			
Revolving credit	-	6,000	6,000
Finance lease liabilities	998	1,315	2,313
	<u>998</u>	<u>11,015</u>	<u>12,013</u>

The increase in borrowing is mainly for the purpose of working capital requirement.

**B8 Changes in material litigation.**

Save as disclosed below, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board are not aware and do not have any knowledge of any proceedings, pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries:

The wholly-owned subsidiary of Knusford Berhad (“KB”), Knusford Marketing Sdn Bhd (“KMKSb”) has commenced legal proceedings against Kinsteel Berhad (“Kinsteel”) and its subsidiary, Kin Kee Marketing Sdn Bhd (“Kin Kee”) claiming for the following:

KMKSb is claiming for the following from Kin Kee:

- a) The sum of RM20,074,567.90;
- b) Interest on the RM20,074,567.90 at 3% per annum and continuing from 7 May 2014 (being the date of the first instalment paid under the Agreement) till the date of final settlement;
- c) Cost; and
- d) All other orders that the court may deem fit.

And KMKSb is also claiming for the following from Kinsteel:

- a) The sum of RM20,074,567.90;
- b) Interest on the RM20,074,567.90 at 3% per annum and continuing from 7 May 2014 till 8 April 2016 (being the date of expiry of the Plaintiff’s written notice);
- c) Interest on the RM20,074,567.90 at 8% per annum and continuing from 9 April 2016 till the date of final settlement;
- d) Cost; and
- e) All other orders that the court may deem fit.

## **B8 Changes in material litigation. (continued)**

The Claim is made by KMKSB against Kin Kee for failing to deliver steel bars in the agreed quantity (“Agreement”) which has been paid and Kinsteel has provided an irrevocable corporate guarantee to secure the performance of Kin Kee (“Guarantee”). KMKSB has served a writ of summons and statement of claim against Kinsteel and Kin Kee on 28 April 2016, claiming for the value of the outstanding goods that remains undelivered and the interest accrued thereon pursuant to the Agreement and the Guarantee respectively.

On 5 September 2016, KMKSB had entered into a consent judgment with Kinsteel and Kin Kee in the High Court of Malaya in Kuantan.

The following is a summary of the consent judgment :-

- a) The Defendants are to pay a total sum of RM2,000,000 in 4 instalments vide four (4) post dated cheques, of RM500,000 each.
- b) The Defendants are to deliver a total of 3,050 metric tonne (mt) of steel bars over a period of eleven (11) months to KMKSB, commencing from 05 October 2016 to 05 August 2017.
- c) The balance sum owing to KMKSB which is the difference between RM20,074,567.90 less the value of steel bars delivered to KMKSB at the end of the 11 months delivery as at August 2017 and any monies received under item (a) above (“the Balance Sum”) shall be settled through the following manner :-
  - i. That the Balance Sum be paid in a lump sum by 5 September 2017; or
  - ii. That the Balance Sum be paid in three (3) equal monthly instalments commencing from September 2017 to November 2017 at the interest rate calculated at 8% per annum on the Balance Sum.
- d) Each party shall bear their own cost in respect of this matter; and
- e) In the event of any breach of the terms of the Consent Judgment, the total outstanding contained in the Statement of Claim or any part thereof shall be immediately due and payable by the Defendants to KMKSB, and that KMKSB shall be entitled to enforce this Consent Judgment for the said balance outstanding sum together with interest accruing thereon at the rate as stipulated in the Statement of Claim together with legal cost of RM35,000.00 and the Defendants shall not contest the same in whatever situation.

The Defendants had breached their obligations to deliver the steel bars pursuant to item (b) above. Our solicitor had written a letter to the Defendant’s solicitor dated 06 October 2016 to place them on notice of the said breach and a notice under Section 218(1)(e) & 218(2)(a) of the Companies Act 1965 had been served to Defendants on 25 November 2016.

A winding up petition had been served to Kinsteel and Kin Kee on 22 December 2016. The Notice of Appointment pursuant to Rule 32 Companies (Winding Up) Rules 1972 was fixed on 8 March 2017 at 9.00am. The Hearing of that winding up petition was fixed on 23 March 2017 at 9.00am. Both agendas were held at Kuantan High Court.

Kinsteel had on 03 January 2017 made an Announcement to Bursa Securities Berhad that Kinsteel has been granted an order pursuant to Section 176 (1) and 176 (10) of Companies Act 1965 by the High Court of Kuala Lumpur to restrain all further proceedings, and any actions or proceedings brought by any party including its Scheme Creditors consists of creditors and bankers up to 28 February 2017.

Kinsteel explained that the Order was applied in order to convene a meeting with its creditors pursuant to Section 176(1) of the Act for the purpose of considering and if thought fit, to approve with or without any alteration or modification, a proposed scheme of arrangement and compromise for Kinsteel.

Kinsteel had on 14 March 2017 submitted another Restraining Order’s (RO) application at Kuantan Court and the hearing date has been fixed on 16 March 2017.

KMKSB had on 16 March 2017 filed in a Notice of Application, Affidavit in support together with a certificate of urgency, seeking among others, for an order to intervene and a stay of proceedings.

**B8 Changes in material litigation. (continued)**

The Court had approved our application and directed as follows:-

- a) The Plaintiff's Application for RO will only be heard after disposing the Intervener's Application;
- b) In relation to the Intervener's Application:-
  - i. KMKSBB and Defendant to file affidavit in reply by 31 March 2017;
  - ii. KMKSBB to file affidavit in reply by 06 April 2017;
  - iii. Parties to file and serve a skeletal submission by 13 April 2017. The skeletal submission is to be e-file to Court, hand over a hard copy as well as email to the Secretary of Yang Arif.
  - iv. The hearing date is fixed on 20 April 2017.
- c) The Judge further informed us that KMKSBB winding up petition which was fixed on 23 March 2017, is also fixed for Hearing on 20 April 2017 as the learned Judge is not available.

Our solicitor attended the Kuantan High Court hearing held on 20 April 2017 and noted the following:

- a) Kinsteel had obtained another RO in the Alor Setar Court on 11 April 2017;
- b) As the RO was in placed in Alor Setar, the matters in Kuantan had to be stayed until the disposal of the RO in Alor Setar;
- c) The court fixed the 12 July 2017 for the matters in Kuantan to be resumed;
- d) The defendants creditors (Kin Kee Holdings) lawyers asked for the RO in Kuantan to be dismissed but the court refused; and
- e) The Judge had no other choice to fixed the matters in Kuantan on 12 July 2017 as the RO in Alor Setar would expire on 10 July 2017.

On 11 July 2017, Kinsteel and Kin Kee had obtained another RO at the Shah Alam High Court and will expire on 9 October 2017. The suit which was originally fixed for hearing on 12 July 2017, was unable to proceed due to this new RO obtained by Kinsteel at Shah Alam High Court, the hearing was now adjourned to 10 October 2017.

**B9 Dividends declared**

No interim dividend has been declared for the current quarter ended 30 June 2017.

**B10 Earnings per share**

	<b>Current quarter ended 30 June 2017</b>	<b>Preceding year corresponding quarter ended 30 June 2016</b>	<b>Cumulative 6 months ended 30 June 2017</b>	<b>Cumulative 6 months ended 30 June 2016</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Loss	(2,716)	(2,335)	(5,001)	(5,169)
Issued ordinary shares at beginning of period	99,645	99,645	99,645	99,645
Effect of shares issued for the period	-	-	-	-
Weighted average number of shares at end of period	99,645	99,645	99,645	99,645
Basic loss per ordinary shares (sen)	(2.73)	(2.34)	(5.02)	(5.19)
Diluted earning per ordinary shares (sen)	N/A	N/A	N/A	N/A

**B11 Notes to the statement of profit or loss and other comprehensive income**

	<b>Current quarter ended 30 June 2017 RM'000</b>	<b>6 months ended 30 June 2017 RM'000</b>
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(177)	(254)
Other income including investment income	(387)	(638)
Interest expense	247	486
Depreciation and amortization	1,014	2,074
Provision for and write off of receivables	152	152
Provision for and write off of inventories	-	-
Provision for doubtful debt written back	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items (with details)	-	-

**B12 Fair value information**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liabilities, either directly or indirectly

Level 3 – Inputs for the financial asset or liabilities that are not based on observable market data

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total fair value RM'000</b>	<b>Carrying amount RM'000</b>
<b>30 June 2017</b>					
<b>Financial liabilities</b>					
Finance lease liabilities	-	-	3,347	3,347	3,179
<b>30 June 2016</b>					
<b>Financial liabilities</b>					
Finance lease liabilities	-	-	2,544	2,544	2,313

**B13 Realised and Unrealised Profits/(Losses)**

The Group retained earnings are analysed as follows:-

	<b>As at 30 June 2017 RM'000</b>	<b>As at 31 December 2016 RM'000</b>
<i>Total retained earnings of the Company and its subsidiaries</i>		
Realised gain	178,168	189,908
Unrealised loss	3,436	2,383
	<hr/> 181,604	<hr/> 192,291
<i>Total share of retained earnings of joint venture</i>		
Realised gain	946	726
Unrealised gain	277	277
	<hr/> 182,827	<hr/> 193,294
Less: Consolidation adjustments	(37,662)	(43,128)
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 145,165	<hr/> <hr/> 150,166

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No.1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysia Institute of Accountants on 20 December 2010.