

APFT BERHAD (“APFT” OR THE “COMPANY”)

PROPOSED PRIVATE PLACEMENT OF UP TO 333,339,700 NEW ORDINARY SHARES IN APFT (“APFT SHARES”) (“PLACEMENT SHARES”), REPRESENTING APPROXIMATELY 30% OF THE ENLARGED NUMBER OF ISSUED SHARES OF APFT (EXCLUDING TREASURY SHARES, IF ANY) (“PROPOSED PRIVATE PLACEMENT”)

1. INTRODUCTION

On behalf of the Board of Directors of APFT (“**Board**”), TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce that the Company proposes to undertake the Proposed Private Placement.

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

The Proposed Private Placement entails the issuance of up to 333,339,700 Placement Shares, representing up to 30% of the enlarged number of issued shares of APFT of 1,111,132,658 APFT Shares, after taking into consideration the following:

- (i) APFT’s existing number of issued shares of 548,832,785 APFT Shares as at 9 March 2017, being the latest practicable day prior to this announcement (“**LPD**”);
- (ii) assuming full settlement of debts owing to certain creditors of the subsidiaries of APFT via the issuance of 226,299,873 new APFT Shares prior to the implementation of the Proposed Private Placement (“**Proposed Creditors Capitalisation**”);
- (iii) assuming full settlement of debts owing to the directors of APFT, namely Dato’ Faruk Bin Othman (“**Dato’ Faruk**”) and Arif Bin Faruk (“**Arif**”) via the issuance of 257,500,000 new APFT Shares prior to the implementation of the Proposed Private Placement (“**Proposed Directors Capitalisation**”); and
- (iv) assuming full exercise of the 78,500,000 outstanding warrants 2013/2018 of APFT issued pursuant to the provisions of the deed poll dated 28 June 2013 and expiring on 13 July 2018 (“**Existing Warrants 2013/2018**”) into 78,500,000 APFT Shares at the exercise price of RM0.40 each,

prior to the implementation of the Proposed Private Placement.

(collectively known as “**Maximum Scenario**”).

Based on the minimum scenario, the size of the Proposed Private Placement is up to 164,649,800 Placement Shares, representing up to 30% of the existing number of issued shares of APFT of 548,832,785 APFT Shares, assuming the Proposed Creditors Capitalisation and Proposed Directors Capitalisation are not implemented and none of the Existing Warrants 2013/2018 are exercised into new APFT Shares prior to the implementation of the Proposed Private Placement (“**Minimum Scenario**”).

The actual number of Placement Shares to be issued will depend on the total number of issued shares of the Company on a date to be determined later, after the approval set out in Section 5 of this announcement has been obtained.

2.2 Placement arrangement

The Company intends to place out the Placement Shares to independent third party investors to be identified later other than the following:

- (i) a director, major shareholder or chief executive of APFT or a holding company of APFT (“**Interested Person**”);
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In addition, the independent third party investors shall be persons who qualify under Schedules 6 or 7 of the Capital Markets and Services Act, 2007, which include *inter-alia*, the issuance of the Placement Shares to each of them for a consideration of not less than RM250,000 or the issuance of the Placement Shares is made to high-net worth individuals whose net personal assets exceed RM3,000,000 or to corporations with net assets (“**NA**”) exceeding RM10,000,000.

Subject to market conditions and the timing of identification of places, the Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of the approval from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the Proposed Private Placement or any extended period as may be approved by Bursa Securities. The implementation of the placement arrangement in multiple tranches would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares within the approval period as approved by Bursa Securities.

For the avoidance of doubt, the issue price for each tranche of the Placement Shares shall be determined separately. The above said basis of determining the issue price of the Placement Shares is in accordance with market based principles.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing APFT Shares, save and except that the Placement Shares will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

2.4 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.5 Basis of pricing

The issue price of the Placement Shares shall be determined and fixed by the Board at a later date (“**Price Fixing Date**”), after the receipt of Bursa Securities’ approval for the Proposed Private Placement.

The Placement Shares will not be priced at more than 10% discount to the 5-day volume weighted average market price (“**5D-VWAP**”) of APFT Shares immediately before the Price Fixing Date.

For illustrative purposes, the 5D-VWAP of APFT Shares up to and including the LPD is RM0.0448 per APFT Share. Hence, for the purpose of this announcement, the indicative issue price of the Placement Shares will be RM0.041 per APFT Share, represents a discount of approximately RM0.0038 or 9.27% over the 5D-VWAP of APFT Shares up to and including the LPD.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM0.041 per Placement Share, the gross proceeds of up to approximately RM13.67 million from the Proposed Private Placement will be utilised by APFT and its subsidiaries (“**APFT Group**” or “**Group**”) in the following manner:

Utilisation purposes	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for the utilisation of proceeds (from the date of listing of the Placement Shares)
Repayment to trade creditors	(1)	4,500	9,200	Within 12 months
Working capital requirements	(2)	2,061	4,027	Within 12 months
Estimated expenses in relation to the Proposed Private Placement	(3)	190	440	Within 2 weeks
Total estimated proceeds		6,751	13,667	

Notes:

- (1) *Comprise trade creditors for the provision of aircraft fuel, aircraft maintenance, aircraft insurance and equipment expenses as well as services and equipment for the projects in the oil and gas and petrochemical industries. Based on the unaudited consolidated financial results of APFT as at 31 October 2016, the total amount owing to the trade creditors was approximately RM32.87 million whereby RM11.32 million will be settled via the Proposed Creditors Capitalisation.*

- (2) *Being the working capital for the existing business operations of APFT Group as follows:.*

	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
<i>Payment to suppliers of aircraft fuel</i>	550	1,075
<i>Providers of student meals, transport and accommodation</i>	345	674
<i>Payment in relation to maintaining, repairing and overhauling the Group's aircraft and engines, aircraft insurance, annual certification expenses and aircraft spare parts</i>	371	725
<i>Other operating and administrative expenses in the ordinary course of business of the Group.</i>	795	1,553
Total	2,061	4,027

- (3) *The estimated expenses consist of professional fees, fees payable to the relevant authorities and other miscellaneous expenses. Any variation in the actual amount of the expenses for the Proposed Private Placement will be adjusted proportionately to/from the proceeds earmarked for the working capital purposes.*

The actual proceeds to be raised from the Proposed Private Placement will depend on the final issue price of the Placement Shares and the number of Placement Shares issued. Any shortfall/surplus in proceeds from the expected amount will be adjusted against the amount allocated for the working capital of APFT Group.

Pending utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as the Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as additional working capital of APFT Group.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

As at 31 October 2016, the Group's total trade and other payables as well as amount due to directors stood at approximately RM54.43 million and RM13.86 million of which RM11.32 million and RM12.88 million will be settled via the Proposed Creditors Capitalisation and the Proposed Directors Capitalisation, respectively while total borrowings stood at approximately RM3.65 million of which RM3.57 million is payable within 12 months. As the Group's cash and bank balances of approximately RM0.66 million as at 31 October 2016 to fund its day-to-day working capital requirements are limited, the additional funds to be raised from the Proposed Private Placement is expected to ease the Group's cash flows.

After due consideration of the various methods of fund raising available for the purposes as stated in Section 2.6 of this announcement, the Board is of the opinion that the Proposed Private Placement is currently an appropriate avenue of fund raising as it enables the Company to raise additional funds expeditiously to meet its working capital requirements and payment to trade creditors without incurring additional financing costs as compared to funding via bank borrowings. In addition, the Proposed Private Placement will further strengthen the capital base of the Company.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Share capital

The pro forma effects of the Proposed Private Placement on the share capital of APFT are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of APFT Shares (‘000)	RM (‘000)	No. of APFT Shares (‘000)	RM (‘000)
Share capital as at the LPD	548,833	27,442	548,833	27,442
To be issued pursuant to the Proposed Creditors Capitalisation	-	-	226,300	11,315
	548,833	27,442	775,133	38,757
To be issued pursuant to the Proposed Directors Capitalisation	-	-	257,500	12,875
	548,833	27,442	1,032,633	51,632
Assuming full exercise of the Existing Warrants 2013/2018	-	-	78,500	31,400
	548,833	27,442	1,111,133	83,032
To be issued pursuant to the Proposed Private Placement	164,650	6,751	333,340	13,667
Enlarged share capital	713,483	34,193	1,444,473	96,699

4.2 Earnings and earnings per APFT Share (“EPS”)

The Proposed Private Placement is not expected to have any immediate material effect on the earnings of the Group for the financial year ending 31 July 2017 as the Proposed Private Placement is expected to be completed in the 3rd quarter of 2017 whilst the proceeds to be raised are expected to be utilised within 12 months from the date of the listing of the Placement Shares. However, the EPS of the Group shall be correspondingly diluted as a result of the increase in the number of APFT Shares in issue pursuant to the issuance of the Placement Shares. Nevertheless, the Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits of the utilisation of proceeds are realised.

4.3 NA and gearing

The pro forma effects of the Proposed Private Placement on the NA and gearing of APFT Group are illustrated below:

Minimum Scenario

	(Audited) As at 31 July 2016 RM'000	(I) After subsequent event up to LPD ⁽¹⁾ RM'000	(II) After (I) and the Proposed Private Placement RM'000
Share capital	23,867	27,442	34,193
Share premium	15,627	15,627	15,437 ⁽²⁾
Warrants reserve	19,233	19,233	19,233
Discount on shares	(19,233)	(19,233)	(19,233)
Translation reserve	(2)	(2)	(2)
Merger deficit	(21,000)	(21,000)	(21,000)
Unappropriated profits	2,517	2,517	2,517
Shareholders' funds / NA	21,009	24,584	31,145
No. of APFT Shares	477,332,785	548,832,785	713,482,585
NA per APFT Share (RM)	0.04	0.04	0.04
Total bank borrowings (RM'000)	9,095	9,095	9,095
Gearing (times)	0.43	0.37	0.29

Notes:

- (1) After taking into consideration of the issuance of 71,500,00 new APFT Shares at RM0.05 each on 9 March 2017 pursuant to the employees' share option scheme ("ESOS") of the Company.
- (2) After deducting the estimated expenses of RM0.19 million for the Proposed Private Placement.

Maximum Scenario

	(Audited)	(I)	(II)	(III)	(IV)	(V)
	As at 31 July 2016 RM'000	After subsequent event up to LPD ⁽¹⁾ RM'000	After (I) and the Proposed Creditors Capitalisation ⁽²⁾ RM'000	After (II) and the Proposed Directors Capitalisation ⁽³⁾ RM'000	After (III) and assuming full exercise of Existing Warrants 2013/2018 RM'000	After (IV) and the Proposed Private Placement RM'000
Share capital	23,867	27,442	38,757	51,632	83,032	96,699
Share premium	15,627	15,627	15,377	15,377	15,377	14,937 ⁽⁴⁾
Warrants reserve	19,233	19,233	19,233	19,233	-	-
Discount on shares	(19,233)	(19,233)	(19,233)	(19,233)	-	-
Translation reserve	(2)	(2)	(2)	(2)	(2)	(2)
Merger deficit	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)
Unappropriated profits	2,517	2,517	2,517	2,517	2,517	2,517
Shareholders' funds / NA	21,009	24,584	35,649	48,524	79,924	93,151
No. of APFT Shares	477,332,785	548,832,785	775,132,658	1,032,632,658	1,111,132,658	1,444,472,358
NA per APFT Share (RM)	0.04	0.04	0.05	0.05	0.07	0.06
Total bank borrowings (RM'000)	9,095	9,095	9,095	9,095	9,095	9,095
Gearing (times)	0.43	0.37	0.26	0.19	0.11	0.10

Notes:

- (1) After taking into consideration of the issuance of 71,500,00 new APFT Shares at RM0.05 each on 9 March 2017 pursuant to the ESOS of the Company.
- (2) After the issuance of 226,299,873 APFT Shares at RM0.05 each pursuant to the Proposed Creditors Capitalisation after deducting estimated expenses of approximately RM0.25 million.
- (3) After the issuance of 257,500,000 APFT Shares at RM0.05 each pursuant to the Proposed Directors Capitalisation.

(4) After deducting the estimated expenses of RM0.44 million for the Proposed Private Placement.

4.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings in the Company as at the LPD are set out as follows:

Minimum Scenario

	As at the LPD				(I) After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of APFT Shares	%	No. of APFT Shares	%	No. of APFT Shares	%	No. of APFT Shares	%
Dato' Faruk	77,535,422	14.13	766,754 ⁽¹⁾	0.14	77,535,422	10.87	766,754 ⁽¹⁾	0.11
Arif	300,000	0.05	78,002,176 ⁽²⁾	14.21	300,000	0.04	78,002,176 ⁽²⁾	10.93
Aida Binti Faruk ("Aida")	211,000	0.04	78,091,176 ⁽³⁾	14.23	211,000	0.03	78,091,176 ⁽³⁾	10.95
Aisyah Binti Faruk ("Aisyah")	250,000	0.05	78,052,176 ⁽⁴⁾	14.22	250,000	0.04	78,052,176 ⁽⁴⁾	10.94

Notes:

- (1) Deemed interest by virtue of the direct shareholdings of his children, namely Arif, Aida and Aisyah in Forad Holdings Sdn Bhd ("Forad") and the Company pursuant to Section 59(11)(c) of the Companies Act 2016 ("Act").
- (2) Deemed interest by virtue of his interests in Forad and his father, Dato' Faruk and siblings, Aida's and Aisyah's direct shareholdings in the Company.
- (3) Deemed interest by virtue of her interests in Forad and her father, Dato' Faruk and siblings, Arif's and Aisyah's direct shareholdings in the Company.
- (4) Deemed interest by virtue of her interests in Forad and her father, Dato' Faruk and siblings, Arif's and Aida's direct shareholdings in the Company.

Maximum Scenario

Name	As at the LPD				(I) After the Proposed Creditors Capitalisation			
	Direct		Indirect		Direct		Indirect	
	No. of APFT Shares	%	No. of APFT Shares	%	No. of APFT Shares	%	No. of APFT Shares	%
Dato' Faruk	77,535,422	14.13	766,754 ⁽¹⁾	0.14	77,535,422	10.00	766,754 ⁽¹⁾	0.10
Arif	300,000	0.05	78,002,176 ⁽²⁾	14.21	300,000	0.04	78,002,176 ⁽²⁾	10.06
Aida	211,000	0.04	78,091,176 ⁽³⁾	14.23	211,000	0.03	78,091,176 ⁽³⁾	10.07
Aisyah	250,000	0.05	78,052,176 ⁽⁴⁾	14.22	250,000	0.03	78,052,176 ⁽⁴⁾	10.07
Wan Mohd Effendi ("WME")	-	-	-	-	38,706,700	4.99	-	-

Name	(II) After (I) and the Proposed Directors Capitalisation				(III) After (II) and assuming full exercise of Existing Warrants 2013/2018 ⁽⁵⁾			
	Direct		Indirect		Direct		Indirect	
	No. of APFT Shares	%	No. of APFT Shares	%	No. of APFT Shares	%	No. of APFT Shares	%
Dato' Faruk	317,535,422	30.75	18,266,754 ⁽¹⁾	1.77	317,535,422	28.58	18,266,754 ⁽¹⁾	1.64
Arif	17,800,000	1.72	318,002,176 ⁽²⁾	30.80	17,800,000	1.60	318,002,176 ⁽²⁾	28.62
Aida	211,000	0.02	335,591,176 ⁽³⁾	32.50	211,000	0.02	335,591,176 ⁽³⁾	30.20
Aisyah	250,000	0.02	335,552,176 ⁽⁴⁾	32.49	250,000	0.02	335,552,176 ⁽⁴⁾	30.20
WME	38,706,700	3.75	-	-	38,706,700	3.48	-	-

Name	(IV) After (III) and the Proposed Private Placement			
	Direct		Indirect	
	No. of APFT Shares	%	No. of APFT Shares	%
Dato' Faruk	317,535,422	21.98	18,266,754 ⁽¹⁾	1.26
Arif	17,800,000	1.23	318,002,176 ⁽²⁾	22.02
Aida	211,000	0.01	335,591,176 ⁽³⁾	23.23
Aisyah	250,000	0.02	335,552,176 ⁽⁴⁾	23.23
WME	38,706,700	2.68	-	-

Notes:

- (1) Deemed interest by virtue of the direct shareholdings of his children, namely Arif, Aida and Aisyah in Forad and the Company pursuant to Section 59(11)(c) of the Act.
- (2) Deemed interest by virtue of his interests in Forad and his father, Dato' Faruk and siblings, Aida's and Aisyah's direct shareholdings in the Company.
- (3) Deemed interest by virtue of her interests in Forad and her father, Dato' Faruk and siblings, Arif's and Aisyah's direct shareholdings in the Company.
- (4) Deemed interest by virtue of her interests in Forad and her father, Dato' Faruk and siblings, Arif's and Aida's direct shareholdings in the Company.
- (5) None of the substantial shareholders and/or persons connected to them holds any Existing Warrants 2013/2018 as at the LPD.

4.5 Convertible securities

Save for the Existing Warrants 2013/2018 which are exercisable into new APFT Shares, the Company does not have any other existing convertible securities.

5. APPROVALS REQUIRED

The Proposed Private Placement is subject to and conditional upon the following approvals being obtained:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (ii) the shareholders of APFT for the Proposed Private Placement at a general meeting to be convened.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors, major shareholders and/or persons connected with them has any interest, direct and indirect, in the Proposed Private Placement in view of the fact that the Placement Shares will not be placed to them as mentioned in Section 2.2 of this announcement.

7. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Private Placement, which includes the rationale and effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

8. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approval from Bursa Securities being obtained, the Board expects the Proposed Private Placement to be completed within 6 months from the date of the approval from Bursa Securities.

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9. ADDITIONAL INFORMATION

9.1 Commentary on the financial performance and financial position of APFT Group

The summary of the financial information of the Group for the past 3 audited financial years/period as well as the 3-month period ended 31 October 2016 is as follows:

	Audited			Unaudited
	15-month financial period ended ("FPE") 31 March 2014 ⁽¹⁾ (RM'000)	Financial year ended ("FYE") 31 March 2015 (RM'000)	16-month FPE 31 July 2016 ⁽²⁾ (RM'000)	3-month period ended 31 October 2016 ⁽³⁾ (RM'000)
Revenue	33,676	84,531	26,955	15,160
LAT attributable to the owners of the Company	(20,764)	(22,051)	(34,702)	(3,315)
Shareholders' funds/ NA	50,480	29,577	21,009	17,693
Share capital	61,746	63,041	23,867	23,866
Cash, bank balances and fixed deposits ⁽⁴⁾	3,792	2,666	2,511	775
No. of APFT Shares in issue ('000)	308,730	315,203	477,333	477,333
Weighted average no. of APFT Shares in issue ('000)	190,609	314,692	408,351	477,333
NA per APFT Share (RM)	0.16	0.09	0.04	0.04
Basic LPS ⁽⁵⁾ (sen)	(10.89)	(7.01)	(8.50)	(0.69)
Diluted LPS (sen)	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾

Notes:

- (1) The Group changed its financial year end from 31 December to 31 March.
- (2) The Group changed its financial year end from 31 March to 31 July.
- (3) There were no comparative figures for the preceding year corresponding period due to the change in the financial year end from 31 March to 31 July.
- (4) The cash, bank balances and fixed deposits include:

	15-month FPE 31 March 2014 (RM'000)	FYE 31 March 2015 (RM'000)	16-month FPE 31 July 2016 (RM'000)	3-month period ended 31 October 2016 (RM'000)
Cash and bank balances	3,285	1,988	2,398	662
Fixed deposit pledged for banking facilities	507	678	113	113
Total	3,792	2,666	2,511	775

- (5) *LAT attributable to the owners of the Company divided by the weighted average number of issued APFT Shares for the financial year under review.*
- (6) *Not applicable as the exercise price of the Existing Warrants 2013/2018 of RM0.40 each was higher than the last transacted market price of APFT Shares on 31 March 2014, 31 March 2015, 31 July 2016 and 31 October 2016.*

(a) 3-month period ended 31 October 2016

APFT Group recorded revenue of RM15.16 million for the 3-month period ended 31 October 2016 of which RM0.47 million was contributed from flight education training while the remaining RM13.63 million was contributed from mechanical engineering works and services.

APFT Group recorded LAT attributable to the owners of the Company of RM3.32 million for the 3-month period ended 31 October 2016 of which RM3.36 million was contributed from flight education training while the remaining RM0.32 million was contributed from mechanical engineering works and services (prior to the inter-company elimination). The LAT incurred was mainly due to gross loss of RM20.46 million as the revenue generated was insufficient to cover the costs of services such as rental, salaries and maintenance of aircraft.

The cash position of APFT Group for the 3-month period ended 31 October 2016 stood at RM0.78 million.

(b) 16-month FPE 31 July 2016 vs FYE 31 March 2015

APFT Group's revenue for the 16-month FPE 31 July 2016 decreased by 68.11% to approximately RM26.96 million (FYE 31 March 2015: approximately RM84.53 million). The decrease in revenue was mainly due to decrease in revenue generated from mechanical engineering works and services to approximately RM9.96 million in the 16-month FPE 31 July 2016 (FYE 31 March 2015: approximately RM68.08 million) as most of the contracts awarded to PT Technic (M) Sdn Bhd ("PTTSB") were close to completion in the FYE 31 March 2015. As at the LPD, PTTSB has 3 new contracts, namely Kuantan 2nd Crytex Plant Project, Kuantan Resin Project-Structural Steel Work and Kuantan Resin Project-Tankage Work which have commenced work in September 2015, February 2016 and April 2016 respectively.

In line with the decrease in revenue, APFT Group recorded a LAT attributable to the owners of the Company of approximately RM34.70 million in the 16-month FPE 31 July 2016 (FYE 31 March 2015: approximately RM22.05 million). The LAT incurred was mainly due to:

- (a) gross loss of approximately RM20.46 million in the 16-month FPE 31 July 2016 (FYE 31 March 2015: approximately RM2.67 million) as a result of the decrease in revenue as explained above which was insufficient to cover the costs of services such as rental, salaries and maintenance of aircraft;
- (b) increase in impairment loss on trade receivables to approximately RM2.09 million in the 16-month FPE 31 July 2016 (FYE 31 March 2015: approximately RM1.51 million) due to write off of certain debtors with outstanding debts of more than 60 days. As at LPD, APFT had entered into negotiations with the debtors to discuss the term of repayment; and

- (c) impairment loss on property, plant and equipment of approximately RM3.14 million due to write down of the value of aircrafts to their recoverable amount (i.e., fair value less costs to sell).

The cash position of APFT Group for the 16-month FPE 31 July 2016 decreased to RM2.51 million (FYE 31 March 2015: approximately RM2.67 million). The decrease in cash position of approximately RM0.16 million was mainly due to repayment of hire purchase creditors which reduced the total hire purchase creditors to approximately RM1.17 million in the 16-month FPE 31 July 2016.

(c) FYE 31 March 2015 vs 15-month FPE 31 March 2014

APFT Group's revenue for the FYE 31 March 2015 increased by 151.01% to approximately RM84.53 million (15-month FPE 31 March 2014: approximately RM33.68 million). The increase in revenue for the FYE 31 March 2015 was mainly contributed by PTTSB, which became our 51%-owned subsidiary on 30 January 2014 as APFT Group recorded consolidation of PTTSB's full financial year's results for the FYE 31 March 2015. PTTSB contributed revenue of approximately RM68.08 million to APFT Group for FYE 31 March 2015 (15-month FPE 31 March 2014: approximately RM13.71 million).

Despite the increase in revenue, APFT Group's LAT attributable to the owners of the Company for the FYE 31 March 2015 increased by 6.20% to approximately RM22.05 million (15-month FPE 31 March 2014: approximately RM20.76 million). The increase in LAT attributable to the owners of the Company for the FYE 31 March 2015 was mainly due to:

- (i) impairment of goodwill of PTTSB of RM10.00 million in the FYE 31 March 2015 as a result of delay in refinery and petrochemicals integrated development project which PTTSB was bidding for;
- (ii) increase in rental expenses for equipment and office by 337.84% to approximately RM9.51 million (15-month FPE 31 March 2014: approximately RM2.17 million) due to rental expenses incurred by PTTSB which included but not limited to rental of cranes, welding machineries, gensets and site offices; and
- (iii) losses incurred in flight education and training of approximately RM14.32 million mainly due to low students' intake for our flight education and training as a result of local major airlines cutting back on their training program coupled with the difficulty for students in obtaining financing to pursue their flight training courses as well as slowdown in demand as explained above.

The cash position of APFT Group for the FYE 31 March 2015 decreased to RM2.67 million (15-month FPE 31 March 2014: RM3.79 million). The decrease in cash position of approximately RM1.12 million was mainly due to:

- (i) increase in amount due from contract customers to RM10.75 million in the FYE 31 March 2015 (15-month FPE 31 March 2014: RM4.20 million) as a result of higher billing recognised by PTTSB in the FYE 31 March 2015 as compared to the early stage of the projects which were recognised in the fifteen (15)-month FPE 31 March 2014;

- (ii) repayment of amount due to non-controlling interest, PT Technic Engineering Sdn Bhd of approximately RM2.46 million;
- (iii) improve in trade payable turnover period to approximately 72 days in the FYE 31 March 2015 (15-month FPE 31 March 2014: approximately 93 days); and
- (iv) decrease in other payable to approximately RM9.62 million in the FYE 31 March 2015 (15-month FPE 31 March 2014: RM15.71 million) as a result of full settlement of remaining balance of acquisition of an equity instrument, Metro Money Exchange Sdn Bhd of approximately RM4.13 million.

9.2 Impact of the Proposed Private Placement and value creation to APFT Group and its shareholders

As at 31 October 2016, the Group's total trade and other payables as well as amount due to directors stood at approximately RM54.43 million and RM13.86 million (of which RM11.32 million and RM12.88 million will be settled via the Proposed Creditors Capitalisation and the Proposed Directors Capitalisation, respectively) while total borrowings stood at approximately RM3.65 million of which RM3.57 million is payable within 12 months. As the Group's cash and bank balances of approximately RM0.66 million as at 31 October 2016 to fund its day-to-day working capital requirements are limited, the additional funds to be raised from the Proposed Private Placement is expected to ease the Group's cash flows.

In addition, the Proposed Private Placement will enable the Group to raise funds without incurring additional interest costs as compared to bank borrowings and will improve the Group's cash flows position. These are expected to have a positive impact on the Group's earnings and will enhance shareholder value.

In view of the above, despite the dilution of EPS of the Group and dilutive effect on the existing shareholders' shareholdings in APFT, the Proposed Private Placement is expected to have a positive impact on the earnings of the APFT Group when the benefits are realised, which will then directly enhance its shareholders' value.

9.3 Adequacy of the Proposed Private Placement in addressing the Company's financial concerns

In view of the low cash and bank balances of the APFT Group and to meet its working capital requirements such as payment to its trade payables, operating and administrative expenses as stated in Section 2.6 of this announcement, the management of the Group foresees that the Group will require additional cash flow to support its operations for the next 12 months. With the availability of proceeds from the Proposed Private Placement to fund the short term requirements of the Group, the APFT Group will be able to conduct its courses and training as stated in Section 9.4 of this announcement. The courses and training is expected to provide an additional stream of revenue on top of the revenue derived from the training of fixed wing pilot. The Board expects that this would in turn enhance the Group's financial performance.

Premised on the above, the Board is of the view that the Proposed Private Placement would be sufficient in addressing the Group's current financial concern.

9.4 Steps taken by APFT Group to improve its financial position

APFT Group is mainly involved in the provision of flight education and training as well as mechanical engineering works for oil, gas and petrochemical industries. The Group has been incurring losses for the past 5 years as a result of softening demand for the fixed wing pilot training market in Malaysia mainly due to local major airlines cutting back on their training program for new pilots as well as the delay in the refinery and petrochemicals integrated development projects due to the current lacklustre oil, gas and petrochemical industries.

In view of the above, APFT Group has put efforts to improve its financial position which include the following:

- (i) APFT Maintenance Training Sdn Bhd (“**APFTMT**”), a wholly-owned subsidiary of Asia Pacific Flight Training Sdn Bhd (“**APFTSB**”), which in turn is a wholly-owned subsidiary of APFT, had on 23 September 2014 entered into a joint aviation technical training partnership with Lufthansa Technical Training GMBH whereby Lufthansa Technical Training GMBH shall deliver the European Aviation Safety Agency (“**EASA**”) Category A program to APFTMT at the Group’s facilities. As at the LPD, APFTMT had conducted a trial on this program and is currently in the midst of arranging the official enrollment for the commencement of this program in mid of 2017.
- (ii) APFTSB, a wholly-owned subsidiary of APFT, had on 5 December 2014 awarded a 7-year contract by the Ministry of Education to conduct the Diploma Vokasional Malaysia program in Ground Operations, being one of the Government ‘Transformasi’ program. Up to the LPD, APFTSB had received 150 students allocated by the Ministry of Education pursuant to this contract and had received additional 50 students in January 2017. The program will be offered to other sponsors once approval is given by the ministry.
- (iii) APFTSB had in April 2014 obtained the temporary approval from Kementerian Pelajaran Tinggi for the offering of 3 new Diploma and Advance Diploma programs, namely Diploma in Aircraft Maintenance, Advance Diploma in Aircraft Maintenance (Mechanical) and Advance Diploma in Aircraft Maintenance (Avionics), all of which are accredited by Malaysian Qualifications Agency. An audit is expected to be carried out by the Kementerian Pelajaran Tinggi in March 2017. Should the quality of these courses meet the expected requirements, APFTSB will be granted an official approval from Kementerian Pelajaran Tinggi.

APFTSB has obtained approval from Malaysian Qualifications Agency and Kementerian Pelajaran Tinggi for the offering of Diploma in Air Traffic Management. These additional courses are expected to provide APFT Group with additional revenue in addition with existing training of fixed wing pilot programs upon commencement in April 2017 after release of Sijil Pelajaran Malaysia’s result for the year of 2016.
- (iv) APFTMT had in 2015 commenced the provision of the Jeppesen Dispatcher course. For the March 2017 intake, 10 students had enrolled for the course.
- (v) APFT Group has entered into an agreement with an agency from Korea to provide the new courses mentioned in (iii) and (iv) above to Korean students in Malaysia. The training is expected to commence in the 2nd quarter of 2017.

- (vi) APFTSB had been providing training of helicopter cadets to the Jabatan Bomba dan Penyelamat (“**BOMBA**”) since 2012 and the BOMBA had on 26 October 2014 granted a new contract up to November 2017 to APFT Group for the training of helicopter cadets.
- (vii) APFT Group is currently in the midst of negotiating with a government agency in Malaysia for the helicopter pilot training program. The existing training of helicopter cadets provided by APFT Group to BOMBA has provided the Group a competitive advantage in the negotiation with government agency in Malaysia. In view that the negotiation is still on-going and the contract has not been awarded, APFT Group is not able to provide additional information.
- (viii) PTTSB had in FYE 31 July 2016 secured 3 new contracts amounting to approximately RM57 million of which 2 of the new contracts are to design, supply, fabrication and installation of site fabricated tanks while another is for supply, fabrication and install steel structure, mechanical equipment. All 3 projects are currently ongoing and are expected to be completed by 1st half of 2017. As the current projects are nearing to completion, PTTSB is also sourcing for new potential projects in the oil and gas and the general construction field.

In view of the steps undertaken as mentioned above, the Board is of the opinion that the Group’s strategies to offer new programs is expected to improve the financial position of the Group.

10. ADVISER AND PLACEMENT AGENT

TA Securities has been appointed as the Adviser and Placement Agent in relation to the Proposed Private Placement.

11. APPLICATION TO THE RELEVANT AUTHORITIES

The application to Bursa Securities in respect of the Proposed Private Placement is expected to be submitted within 1 month from the date of this announcement.

This announcement is dated 10 March 2017.