

APFT BERHAD

TYPE	: GENERAL ANNOUNCEMENT
SUBJECT	: MATERIAL UNCERTAINTY RELATED TO GOING CONCERN
DESCRIPTION	: REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2018

1. The Board of Directors of APFT Berhad (“APFT” or “the Company”) wishes to announce that its external auditor, Messrs Adam & Co. have issued a statement of “Material Uncertainty Related to Going Concern” (“Statement”) in respect of APFT’s Financial Statements for the financial period ended 31 January 2018 (FY2018).
2. Pursuant to Paragraph 9.19(37) of Main Market Listing Requirements, the description of the Statements is as follows:-

“Material Uncertainty Related to Going Concern

As disclosed in Note 2 to the financial statements, the Group and the Company incurred a net loss of RM 67,567,994 and RM 14,508,455 respectively for financial period from 1 August 2016 to 31 January 2018 and as of that date, the Group and the Company had a negative operating cash flow of RM 8,387,056 and RM 14,287,049 respectively. The Group’s total current liabilities exceeds its total current assets by RM 31,919,349.

In addition, one of the subsidiaries was unable to meet its borrowings obligations during the financial period as disclosed in Notes 23 and 24 to the financial statements. Few principal bankers had issued letters of demand and statement of claim to the subsidiary. Certain creditors as disclosed in Note 39 had issued letters of demand to the subsidiary due to long overdue debts.

In view of the matters set out above, there are material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern.

We draw attention to Note 39 of the Financial Statements, which indicates that the Company has triggered the Prescribed Criteria under Paragraph 2.1(a) of Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In forming our audit opinion, we have considered the adequacy of the disclosure of these matters in the financial statements. Our opinion is not qualified on these matters.

Basis for Qualified Opinion

As disclosed in Note 18 to the financial statements, the Group had issued Employees’ Share Option Scheme (“ESOS”) amounting to RM 3,575,000. We were unable to obtain the valuation report from external specialist on the fair value of share options granted. Consequently, we were not able to obtain sufficient appropriate audit evidence to establish the completeness, valuation and allocation of the ESOS.

The following are the Key Audit Matters as reported in the Independent Auditors’ Report of the FY2018:-

Key audit matter	How our audit addressed the key audit matter
<p><u>Revenue Recognition</u></p> <p>Refer to Note 29 in the consolidated financial statements. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the risks and rewards have been transferred resulting in a significant risk associated with revenue from an audit prospective. Therefore, this matter was determined to be a key audit matter.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Analysed and obtained an understanding of the process and test the controls relevant to the recognition of revenue in accordance with relevant MFRSs. • Perform test of details on sales invoices and delivery documents e.g. delivery orders to ensure risks and rewards have been transferred to buyers to ensure revenue recognition is appropriate and being recorded in the correct period. • Perform floor-to-list test i.e. selecting invoices from the floor and tracing them to the sales listing.
<p><u>Assessment of impairment of property, plant, and equipment in relation to the Group's flight education and training</u></p> <p>The Group has significant property, plant, and equipment relating to its flight education and training. The downturn in the segment has impacted these operations and indicates that the related items of property, plant and equipment may be impaired. Therefore, this matter was determined to be a key audit matter.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Performed physical assets sighting to ensure the existence and ensure the assets in good working condition to generate future profit. • Assess whether objective evidence exist indicating impairment of asset during the year. (i.e continuous operating losses, restriction in lawS and regulation, loss of customers, etc.) • Should such evidence exist, the amount of impairment loss is measured by the management as the difference between the asset's carrying amount and the recoverable amount of the assets.

In relation to the above, the Board wishes to advise on the following:

a) **Material Uncertainty Related to Going Concern**

In line with the Group's restructuring plan, the Management has taken the relevant steps to restart the Flight Training Business and Air Charter Services. The Management has submitted its application for the Flight Training license. On the hand other, the Management is submitting its application for Air Charter license. The Board is in the opinion that these measures would improve the financial performance of the Group.

The exercise will be completed upon receiving the relevant licenses from the licensing authorities.

b) Qualified Opinion

Save for the Circular to Shareholders dated 2 September 2014 which was also announced to Bursa Malaysia Securities Berhad on 2 September 2014, the current Management was unable to locate the valuation report on the fair value of share options granted. The Board acknowledges the issue and will ensure that the issue would be rectified accordingly by the 30th September 2018.

c) Key Audit Matters

The Board recognizes the Key Audit Matters as reported in the Independent Auditors' Report of the FY2018 and would ensure that all issues that were raised be completed by 31 July 2018.

This announcement is dated 26 June 2018.