

ALPHA DX GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200310813H)

RESPONSES TO QUERIES
BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
DATED 26 FEBRUARY 2022

*Unless otherwise defined in this announcement, all capitalised terms used in this announcement shall have the same meanings as the Company's announcement on SGXNet dated 25 February 2022 in relation to the letter of demand from Kydon Holdings Pte Ltd ("**Previous Announcement**")*

1 INTRODUCTION

The Board of Directors (the "**Board**") of Alpha DX Group Limited (together with its subsidiaries, the "**Group**") wishes to announce its responses to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Company's Previous Announcement.

2 QUERIES BY THE SGX-ST

2.1 Question 1: The letter of demand was dated 18 Feb 2022, but the Board was only aware of it on 23 Feb 2022.

1a: Please explain why the Board was not notified earlier, and who was aware of the letter of demand?

Company's Response:

While the letter of demand ("**Letter**") was dated on 18 February 2022, it was not received by the Company until 23 February 2022. No hardcopy or email was sent to the Company's registered address. The Letter was sent to the office of the former Audit Committee Chairman, Mr Chang Chi Hsung, who received it on 23 February 2022, who immediately notified the management and the Board.

1b: Who in Alpha is responsible for overseeing the Acquisition, and payments for the Acquisition?

Company's Response:

The Company's Chief Executive Officer, being Mr Daiji Yamada.

1c: What is the Company's policy and procedures in relation to the letter of demand?

Upon receipt of the Letter on 23 February 2022, the management of the Company immediately informed the Board, which conducted an assessment on the materiality of the Letter during a board meeting on 24 February 2022. The Board agreed with the management that an immediate announcement on the Letter was necessary. An announcement was made by the Company shortly thereafter, prior to market opening hours on 25 February 2022.

2.2 Question 2: Please provide details on:

2a: Breakdown of the Outstanding Sum

Company's Response:

The Outstanding Sum consists of the outstanding consideration of S\$1,900,000 relating to the Acquisition and late interest charges of S\$937.75.

2b: Why Alpha is required to pay interest charges.

Company's Response:

2b: Under the terms of the Sales and Purchase Agreement dated 17 September 2020, if any part of the outstanding consideration is not paid on its due date, (being 31 August 2021), interest at SIBOR + one (1) per cent above the base rate (per annum) from time to time calculated on the outstanding amount of the consideration shall be payable by the Company to Kydon Holdings Pte. Ltd. from its due date of payment until actual payment, before and after judgement.

2c: The terms of the purchase consideration in relation to the Acquisition, including the amounts to be paid and the payment due date; amounts paid to-date, and balance to be paid.

Company's Response:

Referring to Circular to shareholders dated 24 Sept 2020, the following are the key terms of the purchase consideration.

Total Consideration Amount	S\$12,000,000
First Consideration	S\$8,000,000 in cash and S\$2,000,000 through the allotment and issuance of the Consideration Shares at S\$0.005 per share
Balance Consideration	S\$2,000,000 in cash
Payment due date- First Consideration	22 January 2021
Payment due date- Balance Consideration	31 August 2021
Amounts paid to-date	S\$8,100,000 and S\$2,000,000 through the allotment and issuance of the Consideration Shares
Balance yet to be paid	S\$1,900,000

2.3 Question 3: We refer to Alpha's announcement of 15 July 2020 and circular to shareholders dated 24 Sept 2020, in relation to the Proposed Acquisition. It was stated that the total consideration of S\$12m is to be fulfilled in cash (\$10m) and shares (\$2m). \$10m has been earmarked from Alpha's fund raising exercise, for the Acquisition. Please provide details on:

3a: The Group's fund raising exercise(s) from 2020 till now.

Company's Response:

The Company had conducted the following fund-raising exercise from 2020 till now:

A S\$24,000,000 Convertible loan from DiDi Investments, Inc, S\$22,000,000 of which was disbursed on 21 January 2021 and S\$2,000,000 was disbursed on 10 September 2021.

3b: Use of proceeds from such fund raising exercise(s). Were the proceeds utilised as intended? If not, were shareholders apprised of the change in use of proceeds and reasons for such change?

Company's Response:

The use of proceeds set out in the Company's circular dated 24 September 2020 were as follows:

Use of Proceeds	S\$
Payment of consideration to the Vendor in relation to the Proposed Acquisition	10,000,000
Repayment of an earlier S\$1,000,000 short term loan from the Investor	1,000,000
Payment of professional fees and expenses incurred by the Company in relation to the Convertible Loan, the Proposed Acquisition and other associated costs	1,600,000
Payment of restructured debts of the Company (i.e Alpha Energy Holdings Limited) which remain payable in cash	2,000,000
Retained in the Company for general working capital purposes and for future investments and acquisition opportunities	9,400,000
Total	24,000,000

The proceeds were not utilised as intended with a reallocation of S\$1,498,942 (comprising a first reallocation of S\$473,905 on 13 November 2021, and a second reallocation of S\$1,025,037 on 28 February 2022) from “Payment of professional fees and expenses incurred by the Company in relation to the Convertible Loan, the Proposed Acquisition and other associated costs” and “Payment of restructured debts of the Company (i.e Alpha Energy Holdings Limited) which remain payable in cash” to “Retained in the Company for general working capital purposes and for future investments and acquisition opportunities”. The first reallocation and second reallocation were used to strengthen the Group’s working capital position.

Subsequent to the first and second reallocation, the status of the use of the net proceeds as at the date of this announcement is set out in the table below:

Use of Proceeds	Amount allocated	Amount after first reallocation on 13 Nov 2021	Amount after second reallocation on 28 Feb 2022	Amount utilised	Balance unutilised
	S\$	S\$	S\$	S\$	S\$
Payment of consideration to the Kydon Holdings Pte. Ltd. in relation to the Proposed Acquisition	10,000,000	10,000,000	10,000,000	(8,100,000)	1,900,000
Repayment of an earlier S\$1,000,000 short term loan from DiDi Investments, Inc.	1,000,000	1,000,000	1,000,000	(1,000,000)	-
Payment of professional fees and expenses incurred by the Company in relation to the convertible loan, the Proposed Acquisition and other associated costs	1,600,000	1,384,379	825,727	(825,727)	-
Payment of restructured debts of the Company (i.e. Alpha DX Group Limited) which remain payable in cash	2,000,000	1,741,716	1,275,331	(1,275,331)	-
Retained in the Company for general working capital purposes and for future investments and acquisition opportunities	9,400,000	9,873,905	10,898,942	(10,513,135)	385,807
Total	24,000,000	24,000,000	24,000,000	(21,714,193)	2,285,807

The funds utilised under “general working capital” were utilised in the following manner:

	S\$
Staff costs and director fees	905,074
Operating costs	878,711
Professional fees (mainly for corporate restructuring and associated costs for potential acquisitions)	2,146,188
Advances to a subsidiary corporations for general working capital purposes	300,000
Injection of capital to a subsidiary corporation for repayment of bank loan	\$2,900,000
Injection of capital to a subsidiary corporation for payment of refundable deposit for a potential acquisition, pursuant to a non-binding agreement	\$260,000
Interest on the convertible loan and borrowing	523,161
Consideration to seller in relation to acquisition of Invictus Academy	2,000,000
Refundable deposit for exclusive perpetual territorial license	600,000
Total	10,513,135

Shareholders were not apprised of the change in the use of proceeds at the point of reallocation and utilisation as the amount reallocated (representing in aggregate approximately 6.25% of the total proceeds) does not have a material impact to overall proceeds.

2.4 Question 4: What is the status of negotiations between Alpha and Kydon Holdings Pte Ltd concerning the Outstanding Sum?

Company’s Response:

The Company has been negotiating with Kydon Holdings Pte Ltd (“KH”) on a proposed repayment plan on the 24 February 2022 and KH had on 28 February 2022 agreed on an extension on time and for resolution on a timely manner. The Company will make further announcements on this repayment plan in due course.

2.5 Question 5: Please provide a confirmation from the Board, on whether the Alpha Group has received any other letters of demand or claims from creditors. If so, please provide details, and update on the status of such demands / claims.

Company’s Response:

As at the date of this announcement, the Board confirms that the Company has also received a letter of demand on 11 February 2022 (“PPCF Letter”) from solicitors representing PrimePartners Corporate Finance Pte. Ltd. (“PPCF”) for an outstanding amount of \$604,844.76 and the Board was notified of the same on 25 February 2022. Due to the current work from home arrangement, the PPCF Letter was only collected from the Company’s office on 25 February 2022 following an email from PPCF’s solicitors on the same day.

Based on the Board’s assessment, the amount or action claimed under the PPCF Letter (represents approximately 4% of net asset value (“NAV”) as at 31 December 2021). Together with the amount of claim from Kydon Holdings Pte Ltd under Previous Announcement, the aggregated amount does not exceed the threshold interval of 20% of the Company’s NAV (that the Board and Company has used for evaluating materiality), hence the Company believed that an immediate announcement on the PPCF Letter was not warranted.

The Company has on 1 March 2022 received a Writ of Summons and Statement of Claim filed by PPCF in the High Court of the Republic of Singapore. PPCF claims that a sum of S\$604,844.76 is payable pursuant to a Continuing Sponsorship Agreement and a Financial Advisory Agreement entered into between the Company and PPCF and S\$111,789.75 is payable for late interest charges as at 1 March 2022. Hence, the Company made an immediate announcement of the Writ separately today.

2.6 Question 6: In light of the above,

6a: Please provide the Board's assessment of the Group's ability to continue as a going concern and the bases for the said assessment.

Company's Response:

The Board has assessed that the Group is able to continue as a going concern.

As at 31 January 2022, the Group's short-term liabilities approximately amount to S\$7.3 million, which can be partially satisfied by the Group's cash and cash equivalents of S\$3.4 million and the Company is in negotiations to convert some the liabilities amounting to approximately S\$2 million (particularly for professional fees owing by the Company itself) into the Company's shares (Shares for debts arrangement). The Group's working capital position as at 31 January 2022 is approximately S\$1.2 million.

As at the date of this announcement, the Group is currently in discussions with its creditors to restructure its short-term liabilities by extending the due date of its short-term liabilities. The Group will also rely on the future cash flows from its continuing operations (with short-term trade receivables of approximately S\$2.6 million as at 31 January 2022) to satisfy its short-term liabilities.

6b: Please provide the Board's opinion on whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the bases for such opinion.

Company's Response:

The Board is of the opinion that trading of the Company's shares should not be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion are based on going concern assessment stated in the Company's response to question 6(a) above.

6c: Please provide the Board's confirmation on whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Company's Response:

The Board of Directors confirms, to its best knowledge and belief, that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner, on the basis of the explanations set out in the Company's response to questions in this announcement.

2.7 Question 7: For the purpose of the Company's resumption of trading on 8 June 2021, the Company had obtained, amongst other, an undertaking from its Investor, DiDi Investments Inc to provide continuing financial support. The Board had also provided its opinion on the Group's ability to operate as a going concern, and confirmed sufficiency of working capital for at least 12 months after resumption of trading.

7a: Please provide an update on the Group's working capital available, including but not limited to, cash and bank balances, unutilised fund raising proceeds and other credit lines.

Company's Response:

As at 31 January 2022, the Group had cash and cash equivalents of S\$3,410,000 (which includes unutilised fund raising proceeds of approximately S\$2.3 million) and there are no other credit lines available.

7b: Please provide an update on the Group's business and operations since it resumed trading in June 2021.

Company's Response:

Since the Group's resumption of trading in June 2021, the Group has expanded its business through its acquisition of ZioNext Ptd. Ltd. ZioNext Pte. Ltd. being the only operating segment (Digital Transformation in Learning and Education segment) has remained profitable. Invictus Academy, inc (formerly known as "DiDi Academy Inc") is at a startup business process. The Group will provide further details in its condensed interim financial statements for the financial year ended 31 December 2021.

BY ORDER OF THE BOARD
ALPHA DX GROUP LIMITED

Tan Wee Sin
Company Secretary
2 March 2022

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms. Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.