

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 2 MARCH 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 1 March 2022 in relation to Resignation of Independent Non-Executive Directors, Mr Chang Chi Hsung ("**Mr Chang**") and Mr Ng Chee Weng @ Max Ng Chee Weng ("**Mr Ng**") dated 2 March 2022 in relation to Writ of Summons received from the Company's continuing sponsor, PrimePartners Corporation Finance Pte. Ltd. ("**PPCF**") and in relation to resignation of PPCF and dated 2 March 2022 in relation to responses to SGX Regco's queries ("**Previous Announcements**")*

1 INTRODUCTION

The Board of Directors (the "**Board**") of Alpha DX Group Limited (the "**Company**" and 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 Announcements.

2 QUERIES BY THE SGX-ST

2.1 Question 1: Reason stated for the resignations of Mr Chang and Mr Ng is due to "differences with management on the administrative and timeliness of certain disclosure and announcement of matters to shareholders" with reference to the 25 Feb 2022 announcement.

1a: Please elaborate on the reasons stated by Mr Chang and Mr Ng.

Company's Response:

The Company understands that Mr Chang is of the view that the Company did not inform the Board on a timely manner in relation to the letters of demand from solicitors acting for Kydon Holdings Pte. Ltd. and PPCF. The Company further understands that Mr Chang is also of the view that management did not obtain the Board's approval for the reallocation of S\$1,025,037 of the net proceeds raised from the convertible loan from DiDi Investments, Inc. ("**DiDi**") prior to utilisation of S\$639,230 as general working capital expenses ("**Second Reallocation**").

Mr Ng has explained to the Company that he notes the views of Mr Chang set out above.

The Company would like to clarify that the Company believes that has been a material misunderstanding between the Company and Mr. Chang in relation to the timing of receipt of the letters received by the Company from Kydon Holdings Pte. Ltd. and PPCF. While the letter of demand by Kydon Holdings Pte. Ltd. ("**Kydon Letter**") was dated on 18 February 2022, it was not received by the Company until 23 February 2022 as no hardcopy or email was sent to the Company's registered address. The Kydon Letter was instead sent to the office of the former Audit Committee Chairman, Mr Chang, who received it on 23 February 2022, and immediately notified the management and the Board.

The Company would also like to further clarify that while the letter of demand PPCF ("**PPCF Letter**") was dated on 11 February 2022, the Company was not aware of the existence of the PPCF Letter until 24 February 2022 (when it was mentioned by representatives of the PPCF to the Board during a Board meeting conducted on the same day) as no personnel was present at the Company's office to receive the PPCF Letter, due to the current work-from-home arrangements. The Company was then able to retrieve the PPCF Letter and its contents on 25 February 2022.

In relation to the Second Reallocation, the Company had disclosed on page 47 of the unaudited condensed interim financial statements for the fourth quarter and financial year end 31 December 2021, that the Company acknowledges the oversight of Second Reallocation and had obtained the Board's approval to rectify the Second Reallocation on 28 February 2022. Mr Chang and Mr Ng had not approved the Second Reallocation as they had resigned prior to the disclosure of the rectification.

1b: Are there any disagreement or unresolved differences between the Company's Executive Directors / management and Mr Chang and Mr Ng.

Company's Response:

Save as disclosed in the Company's response to question 1a above, there are no disagreements or unresolved differences between the Company's Executive Directors / management and Mr Chang and Mr Ng.

1c: Are there any material governance concerns, internal control concerns or matters concerning the management of company's affairs which have a material impact on the company's financial performance or operations, that should be brought to the attention of the shareholders?

Company's Response:

The Company acknowledges that the Second Reallocation should have been brought to the attention of the Board on an earlier date. Save as set out above, there are no material governance concerns, internal control concerns or matters concerning the management of company's affairs which have a material impact on the company's financial performance or operations, that should be brought to the attention of the shareholders.

The Company has since taken appropriate action control measures (including instructions to the finance staff and personnel of the Company) to ensure that Board approval will be obtained, and a timely announcement will be made on the SGXNet prior to any future reallocation or utilisation of the net proceeds raised from the convertible loan from DiDi. The existing internal control system of the Company already requires the Company's finance staff and personnel to process any reallocation or utilisation of the net proceeds raised from the convertible loan from DiDi.

2.2 Question 2: In response to SGX RegCo's queries, the Company responded on 2 March 2022 that the Board has assessed that the Group is able to continue as a going concern. Basis provided includes the Group's cash position of S\$3.4 million and working capital position of S\$1.2 million as at 31 Jan 2022.

2a: In view of the Group's cash position, please provide reasons and circumstances leading to the receipt of letter of demand (S\$1.9 million) from Kydon Holdings and Writ of summons received from PPCF (S\$605K).

Company's Response:

At the time of the acquisition of Zionext Pte. Ltd. ("**ZioNext**") (formerly known as Kydon Learning Systems Institute Pte. Ltd.), ZioNext had an outstanding loan owed to United Overseas Bank Limited ("**Bank**") totaling S\$3.0 million ("**Loan**").

In the interests of completing the acquisition of ZioNext, Kydon Holdings Pte. Ltd. ("**Kydon Holdings**") had, pursuant to a letter dated 13 November 2020, agreed to provide the Company with full cooperation to obtain consents, approvals, waivers and/or notifications from the Bank and assist, if necessary, to replace the Loan with similar financial facilities with alternative financial institutions subsequent to the completion of the acquisition of ZioNext. The Loan had subsequently been recalled by the Bank on 29 July 2021 for S\$2 million and 15 September 2021 for the remaining of S\$0.9 million.

As it was necessary for ZioNext to remain in good standing and to sustain its business operations, the Company provided ZioNext with cash injection of S\$3.16 million on 29 July 2021, 15 September 2021 and 10 December 2021 by way of advances ("**Cash Injection**"), which enabled ZioNext to bid for a

government tender on 10 March of 2022. ZioNext could not rely on its operating cash flow to repay the Loan to the Bank as it did not expect the Loan to be recalled without having secured other financial facilities.

On 9 September 2021, the Company completed its acquisition of Invictus Academy Inc (“**Invictus**”) for S\$2,000,000 and on 6 October 2021, the Company paid ERC Institute Pte. Ltd. (“**ERCI**”) an additional refundable deposit of S\$600,000 in consideration for ERCI agreeing to extend the deadline for the payment of licence fees and waiver of payment obligations of Invictus under the master licence agreement, which further depleted its cash reserves.

However, despite the best efforts of the Group, ZioNext was unable to secure any alternative financial facilities for the Loan (which for the avoidance of doubt, was not due to the financial health of ZioNext or for commercial reasons), which was confirmed by the month of November 2021 when it had received rejections from the local banks and financial institutions, which was an unexpected event for the Group, and which resulted in its inability to meet its short-term liabilities and its inability to repay all its creditors.

2b: Are there any disputes between the Company and Kydon; as well as the Company and PPCF on the outstanding amounts? If so, please elaborate. If not, please explain why such amount remain outstanding.

Company’s Response:

Company is reviewing its legal position in relation to its liabilities to Kydon Holdings and PPCF. The reasons and circumstances leading to the receipt of the letter of demand from PPCF are explained in the Company’s answers to question 2a above.

2.3 Question 3: In response to SGX RegCo’s queries, the Company disclosed on 2 Mar 2022 that the bases for the Board assessing that the Group is able to continue as a going concern is because the Group’s short-term liabilities of S\$7.3m can be partially satisfied by the Group’s cash of S\$3.4m and the Company is in negotiations to convert some liabilities into equity, as well as in discussions with creditors to extend the due date of its short term liabilities.

3a: Please elaborate on the progress of such negotiations / discussions to restructure the Group’s short-term liabilities and whether any agreement has been entered into.

Company’s Response:

The Company has reached an in-principle agreement to convert S\$1.1 million of its liabilities into shares of the Company. However, in light of the suspension of trading of the Company’s shares on the SGX-ST, the Company is currently renegotiating with the same party on the terms of a settlement.

Although the Company is continuing its discussions with its creditors (including Kydon Holdings and PPCF), discussions have not been positive and Kydon Holdings and PPCF have each issued a statutory demand on 4 March 2022 and a Writ of summons on 1 March 2022 respectively.

Additionally, the Board would like to inform shareholders that Company is also in continued discussions with potential investors and with DiDi for a further injection of funds to resolve its current cash flow issues.

On 9 March 2022, the Company has made an application to the courts of Singapore for a statutory moratorium under Section 64 of the Insolvency Restructuring and Dissolution Act 2018 (No. 40 of 2018) (“**Moratorium**”) as a short-term measure in order to allow the Company time to resolve its cash flow issues.

3b: Assuming the negotiations / discussions do not result in positive outcomes, ie, disregarding matters which are not definitive, please provide the Board’s opinion on the Group’s ability to operate as a going concern and state in detail the bases in arriving at such opinion.

Company's Response:

Assuming the negotiations / discussions between the Company and its creditors do not result in positive outcomes, ie, disregarding matters which are not definitive, the Board is of the opinion that the Group is not 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 comprises the Company's short-term liabilities of S\$6.09 million and ZioNext's short-term liabilities of S\$1.21 million.

At the current juncture, the Company may rely on the Group's cash and cash equivalents of S\$3.41 million to partially satisfy its short-term liabilities, which is not sufficient to cover its short-term liabilities of S\$7.3 million. Accordingly, the Board is of the view that the Group is not able to continue operating on a going concern basis.

Additionally, the Board has also assessed the cash flow position of the Company by taking into account estimated funds available to it by 31 December 2022. On the assumption that the Company is able to restructure its short-term liabilities of S\$7.3 million to make periodic payments by 31 December 2022, the Company may obtain access an additional S\$5.30 million to S\$5.49 million in cash inflows by 31 December 2022 through the following avenues:

- (a) to recall a refundable deposit of S\$0.51 million paid to JobForesight Pte Ltd for a potential acquisition of equity interests in JobForesight Pte. Ltd.;
- (b) to recall a loan due from Jobforesight Pte. Ltd. of S\$0.11 million;
- (c) to recall a refundable deposit of S\$1.10 million paid to ERCI for the purposes of acquiring an exclusive perpetual territorial licence from ERCI ("**ERCI Deposit**");
- (d) to sell an investment property owned by Invictus, the commercial value of which is estimated by to be between JPY83,750,000 and JPY100,000,000 (or approximately S\$0.98 million to S\$1.17 million based on an exchange rate of S\$1: ¥84.97 as at 28 February 2022) based on an valuation report on the investment property; and
- (e) to rely on future cash flows from its continuing operations (with short-term receivables of approximately S\$2.6 million as at 31 January 2022)

(together, the "**2022 Cash Inflows**").

Taking into account the Group's estimated net operational expenses of S\$1.91 million between the date of this announcement and 31 December 2022, the Group estimates that it would incur approximately S\$9.21 million in net cash outflows between the date of this announcement and 31 December 2022.

However, having taking into account the Group's current cash and cash equivalents of S\$3.41 million and the 2022 Cash Inflows of S\$5.30 million to S\$5.49 million, the available funds to the Group (of approximately S\$8.71 million to S\$8.90 million) by 31 December 2022 would still represent a S\$0.31 million to S\$0.50 million shortfall against its estimated S\$9.21 million in net cash outflows between the date of this announcement and 31 December 2022.

Accordingly, the Board is of the view that the Company is not able to continue operating on a going concern basis unless the Group receives a fresh injection of funds.

The Board would also like to clarify the Company's response to SGX's queries dated 26 February 2022 announced by the Company on 2 March 2022 ("**2 March 2022 Announcement**") regarding its going concern assessment. Since the 2 March 2022 Announcement, the Company has received a statutory demand on 4 March 2022, which led to the application by the Company to the courts of Singapore for the Moratorium on 9 March 2022 as a short-term measure in order to allow the Company time to resolve its cash flow issues. In addition, the Company's negotiations with its creditors have either not yielded desired outcomes or have deteriorated since the receipt of the statutory demand from Kydon Holdings

on 4 March 2022. The Board is therefore now making a revised going concern assessment of the Company as a result of the events that happened since the 2 March 2022 Announcement.

2.4 Question 4: For the purpose of the Company's resumption of trading on 8 June 2021,

(i) The Board had provided its opinion on its ability to operate as a going concern and confirmed sufficiency of working capital for at least 12 months after resumption of trading.

- Please confirm if such opinion and confirmations are still valid and whether the considerations taken into account then are still valid. If not, please provide further details.

Company's Response:

For the purposes of the Company's resumption of trading on 8 June 2021, the Board relied on, *inter alia*, the following:

- (a) the Group's cash and cash equivalents as at the 24 May 2021;
- (b) the Group's bank facilities as at 24 May 2021;
- (c) the expected earnings of the ZioNext and its subsidiaries for the next 20 months commencing from 24 May 2021; and
- (d) the completion of the disposal of *inter alia*, its operating subsidiaries based in the United States of America, being Brooks Range Petroleum Corporation, TP North Slope Development LLC, and Caracol Petroleum LLC, as a condition for the resumption of trading of the Company's shares on the Catalist of the SGX-ST as announced by the Company on 28 December 2020.

(collectively, the "**Considerations**").

The Consideration in (b) above no longer valid, as the Group has not been able to replace the Loan with similar financial facilities (details and circumstances of which are elaborated upon in the Company's responses to question 2a above).

2.5 Question 5: The Investor and Controlling shareholder of the Company, Didi Investments Inc. had provided an undertaking to provide financial support to the Group for at least 12 months after resumption of trading, to enable it to execute its business plans, remain a going concern and repay its debts as and when they fall due. In response to SGX RegCo's queries, the Company disclosed on 2 Mar 2022 that its working capital available is S\$3.4m and it does not have other credit lines.

- Why is the financial support from Didi Investments Inc. not taken into consideration by the Board in assessing availability of working capital and going concern?

Company's Response:

The Company has, on 4 March 2022, sent a formal request to DiDi to request for financial support pursuant to the undertaking from DiDi. The Company is also in discussions with Mr. Yoshiyasu Naruse, a non-independent non-executive director of the Company and Mr. Koji Furuya, both of whom are the each 50% beneficial owner of DiDi, on this matter.

Pursuant to discussions with DiDi commencing on 4 March 2022, the Board understands that DiDi may not have the cash on hand to provide an immediate cash injection into the Company. The Company and DiDi are evaluating all channels and options available to DiDi, as well as on a concrete timetable for the provision of financial support. The Company will update its shareholders in due course on the outcome of its discussions with DiDi.

As outcome of the Company's negotiations with DiDi are not conclusive at this juncture, the Board has not taken into consideration the financial support from DiDi at this time in assessing the availability of working capital and going concern.

2.4 Question 6: Are there any disagreements between the Company and its sponsor PPCF? Please provide details.

Company's Response:

There are no disagreements between the Company and its sponsor PPCF.

2.5 Question 7: Is the Company in talks with new sponsors? Please provide updates to shareholders on progress.

Company's Response:

Yes. As announced on 2 March 2022, the Company has been in discussions with a few potential firms to undertake the continuing sponsorship activities of the Company in place of PPCF. Discussions are still on-going and the Company will make an appropriate announcement of such engagement in due course, and will continue to provide a status update to Shareholders on this matter as and when necessary.

BY ORDER OF THE BOARD
ALPHA DX GROUP LIMITED

Tan Wee Sin
Company Secretary
14 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.*

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