

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

- (1) THE PROPOSED ACQUISITION OF AN EXCLUSIVE PERPETUAL TERRITORIAL LICENSE FROM ERC INSTITUTE PTE. LTD. AS AN INTERESTED PARTY TRANSACTION**
 - (2) RATIFICATION OF THE ENTRY INTO AN ADDENDUM AS AN INTERESTED PARTY TRANSACTION**
 - (3) CORRIGENDUM ON THE COMPANY'S CIRCULAR DATED 24 AUGUST 2021**
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1. INTRODUCTION

- 1.1 The board of directors (the “**Directors**” or the “**Board**”) of Alpha DX Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly owned subsidiary, Invictus Academy, Inc (previously known as DiDi Academy, Inc) (“**Invictus**”) proposes to acquire an exclusive perpetual territorial license (“**Licence**”) from ERC Institute Pte. Ltd. (“**ERCI**”) for an aggregate consideration of S\$2,000,000 (“**Consideration**”) (“**Proposed Acquisition**”) and had, on 30 September 2021 and 1 October 2021, entered into addendums (the “**Addendums**”) to a Master License Agreement (as defined below) with ERCI to, *inter alia*, extend the deadline for the payment of licence fees on the Licence and for the payment of an additional deposit sum.

2. BACKGROUND, RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

- 2.1 The Group had, on 8 September 2021, obtained shareholders’ approval for the acquisition of Invictus from DiDi Investments, Inc (“**DiDi**”) (“**Invictus Acquisition**”) in order to expand its customer base into the Japanese education market, which is of strategic importance to the Group.
- 2.2 As part of the Group’s strategy, Invictus aims to be the first and only private higher education institution of its kind in Japan to provide various EduTrust¹ certified academic and training programs and contents in the Japanese market including various certificate programs, diploma programs, bachelors and masters degree programs as well as a wide range of professional training programmes, and the Proposed Acquisition will enable it to do so.
- 2.3 Prior to the Invictus Acquisition by the Company, as announced on 17 August 2021 in relation to the Invictus Acquisition, Invictus had previously entered into a master license agreement with ERCI on 30 June 2020² and a subsequent addendum on 5 December 2020 (together, the “**Master License Agreement**”) to acquire the Licence for an aggregate consideration of S\$2,000,000 (“**Consideration**” or “**Licence Fee**”), of which Invictus had previously paid S\$500,000 as a deposit which is fully refundable to Invictus should Invictus choose not to proceed with the purchase of the Licence for any reason. The Consideration has been arrived and agreed on a “willing-buyer willing-seller” basis and taking into account expected tuition fees from the licensed programs over the first 3 years of operation, the Group’s strategy and rationale for an expansion into the Japan market. If completed, the Licence will be valid from the date of full payment on the Licence until such time when the Invictus ceases to operate as a provider of the said programs or in the event of bankruptcy of Invictus.

¹ The EduTrust Certification Scheme is a scheme administered by the Committee of Private Education appointed under Section 5 of the Private Education Act (Chapter 247A).

- 2.4 Following the completion of the Invictus Acquisition on 9 September 2021, the Company paid an additional deposit amount of S\$600,000 to ERCI on 6 October 2021 (“**Additional Deposit**”) in order to extend the deadline on the payment of the Licence Fee.
- 2.5 The Group now intends to proceed with the Proposed Acquisition, which upon completion of the payment of the Licence Fee, will allow the Group to commence the provision of online education services to customers in the Japanese education market, in accordance with its vision and strategy.
- 2.6 **The Company will be seeking shareholders’ approval for the Proposed Acquisition as an interested person transaction. In addition, as the Company paid an Additional Deposit amount of S\$600,000 on 6 October 2021 (as part of the Consideration) without obtaining prior shareholders’ approval following the completion of the Invictus Acquisition, the Company is also seeking shareholders’ approval to ratify the entry into the Addendum by the Company. Please refer to paragraph 9 for further details.**

3. INFORMATION ON ERCI

- 3.1 ERCI is a wholly-owned subsidiary of DiDi and an exempt private company incorporated under the laws of Singapore. It is engaged in the business of providing various EduTrust¹ certified academic programs through collaborations with global institutions, which includes Advanced Diploma Programs, Bachelor’s Degree Programs, Master’s Degree Programs and corporate training services.
- 3.2 In an extraordinary general meeting of the Company held on 15 May 2021, the shareholders of the Company had approved the proposed acquisition of ERCI on the terms set out in the Company’s circular dated 30 April 2021. The Company subsequently announced on 22 June 2021 that due to a potential issue between Invictus and the previous owner of ERCI, the Company had decided to delay the proposed acquisition of ERCI until after such time when the issue(s) have been satisfactorily resolved in order to avoid undue disturbances to its business and expansion plans.

4. MATERIAL TERMS OF THE MASTER LICENCE AGREEMENT

A summary of the material terms and conditions of the Master Licence Agreement is as follows:

4.1 Rights to offer programmes of ERCI

ERCI shall grant to Invictus exclusive territorial rights in Japan to customise, modify and offer programmes of ERCI set out in Section 4.2 below.

4.2 Licenced Programmes

Invictus shall be entitled to offer the following programmes under the Master Licence Agreement: (a) Foundation Certificate in Business Management; and (b) Advanced Diploma in Business Management.

4.3 Licence Fee

A Licence Fee of S\$2 million shall be paid in full to ERCI on or before the official opening of the school by Invictus and such school is deemed open at the start of the recruitment of students for any licensed programmes under the Master Licence Agreement.

4.4 **Extension of deadline for Licence Fees**

The deadline for the payment of Licence Fees has been extended under the first addendum entered into on 5 December 2020 to 30 April 2021, and in consideration for this extension, Invictus agrees to pay a refundable deposit of S\$500,000 to ERCI which shall be refunded should Invictus choose not to proceed with the purchase of the Licence for any reason. This deposit has been paid prior to the Invictus Acquisition.

4.5 **Commencement Date and Duration**

The Master Licence Agreement shall commence and shall be valid from the 30 June 2020 until such time when the Invictus ceases to operate as a provider of the said programs or in the event of bankruptcy of Invictus.

4.6 **Quality Assurance**

The collaborative arrangements set out in the Master Licence Agreement is subject to ratification by the Committee for Private Education (“**CPE**”) in Singapore. The conduct and delivery of the educational programmes referred to in the Master Licence Agreement shall be subject to the quality assurance framework of ERCI which is designed to be in conformity with the CPE requirements for quality assurance.

4.7 **Access to course material**

Access to all course material for the programmes listed in the Master Licence Agreement shall be given to Invictus to be used under the terms of the Master Licence Agreement and subject to intellectual property rights of ERCI.

4.8 **Delivery of programmes**

ERCI shall provide the requisite training to Invictus for both academic and non-academic staff (at the expense of Invictus) on the conduct and delivery of the programmes in addition to the online and technical assistance on operational matters prior to the commencement of the educational programmes by Invictus.

Invictus shall take full responsibility to administer the educational programmes in respect of all students enrolled through Invictus and indemnify ERCI of any liability in respect of its administration of the programmes.

4.9 **Staffing and teaching**

Invictus shall be responsible for the recruitment and deployment of all academic and non-academic staff required to deliver the education programmes, but all academic deployment must first be vetted by ERCI and conform to the minimum acceptable criteria set by ERCI.

4.10 **Marketing of Programmes**

Invictus shall be responsible for the marketing of the programmes listed in the Master Licence Agreement at its own costs, but ERCI shall provide the marketing collateral to be used for this purpose.

4.11 **Jurisdiction**

The Master Licence Agreement shall be governed and construed according to the laws of Singapore and the courts of Singapore shall have exclusive jurisdiction for all purposes. In the event of a dispute, parties shall at first instance try to resolve the matter through a mediation process provided and governed by the mediation process adapted by the Singapore Mediation Centre.

4.12 **Independent Valuation**

The Company will appoint an independent valuer to assess and determine the market value of the Licence. A summary of the valuation report will be made available for Shareholders in the circular to be despatched by the Company in respect of the Proposed Acquisition in due course (“**Circular**”).

5. **MATERIAL TERMS OF THE ADDENDUMS**

A summary of the material terms and conditions of the Addendum is as follows:

5.1 **Extension of Deadline**

ERCI agrees to extend the deadline in the Master Licence Agreement for the complete payment of the license fee from 30 April 2021 to such date when the shareholders’ approval for the acquisition of the Licence has been obtained at the extraordinary general meeting of the Company or 31 January 2022, whichever is earlier.

5.2 **Additional Refundable Deposit**

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, Invictus shall pay to ERCI an additional deposit of S\$600,000 (the “**Additional Deposit**”). The Company paid the Additional Deposit on 6 October 2021.

The Additional Deposit shall be fully refunded to Invictus in the event that the shareholders’ approval for the Proposed Acquisition of the Licence by Invictus is not obtained at the EGM to be convened by the Company, or if shareholders’ approval for the acquisition of the Licence by Invictus has not been obtained at an EGM to be convened by the Company by 31 January 2022.

In the event that the Proposed Acquisition of the Licence by Invictus is completed, the Additional Deposit shall form part of the License Fee.

6. **RATIONALE AND BENEFIT OF THE ADDENDUMS**

6.1 The rationale for entering into the Addendums is to extend the payment deadline on the Licence Fee. The benefit is to retain the License that will allow the Group to commence the provision of online education services to customers in the Japanese education market, in accordance with its vision and strategy. The Company proceeded with the payment of Additional Deposit as it is of the view that it is important to retain the License for its benefit.

7. **SOURCE OF FUNDS**

7.1 The Company had used its internal resources to finance the deposit and Additional Deposit paid in relation to the Addendums for the Proposed Acquisition, whilst the balance Consideration amount is intended to be financed through the issuance of new ordinary shares in the issued and paid-up share capital of the Company. The Company is in the midst of negotiating with ERCI of the terms of such share issuance, and will update its shareholders in due course. Relevant information pertaining to such share issuance will also be contained in the Circular.

7.2 The Directors are of the reasonable opinion that, having made due and careful enquiry and taking into consideration, as at the date of this Announcement:

- (a) the Group’s cash and cash equivalents as of the date of this Announcement;
- (b) the Group’s present bank facilities; and
- (c) the expected earnings of to be made through the Licence;

that the working capital available to the Group is sufficient to meet the Group's present requirements as of date of this Announcement and for the next 12 months following the completion of the Proposed Acquisition.

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

8.1 Based on the latest announced consolidated financial statements of the Group (being the unaudited financial statements for the financial period ended 30 September 2021 ("9M2021") such financial period being the most recently announced financial period), and the Consideration, on the assumptions that the relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases of Calculation	Relative Figure (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	N.A. ⁽¹⁾
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	0% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	4.12% ⁽³⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A. ⁽⁴⁾

Notes:

- (1) This is not applicable to an acquisition of assets.
- (2) There are no profits attributable to the Licence.
- (3) The market capitalisation of the Company is calculated on the basis of 242,960,591 Shares, and the VWAP of S\$0.20 per Share, based on the trades done on the Catalist of the SGX-ST on 12 November 2021, being the last full market day which the Shares were traded immediately preceding the date prior to the Company's trading halt on 15 November 2021.
- (4) Equity securities may be issued in relation to the Proposed Acquisition, and the Company will provide an updated table when the terms of such share issuance have been finalised.

8.2 Classification of the Proposed Acquisition under Chapter 10 of the Catalist Rules

Based on the above figures, the Proposed Acquisition is a discloseable transaction under Rule 1010 of the Catalist Rules. However, as the Proposed Acquisition constitutes an "interested person transaction" pursuant to Chapter 9 of the Catalist Rules, the Proposed Acquisition is subject to the approval of Shareholders under Rule 906 of the Catalist Rules.

9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

9.1 Assumptions

The *pro forma* financial effects of the Proposed Acquisition on the net tangible assets per share of the Group, the earnings per share of the Group and the share capital of the Company as set out below are prepared purely for illustration only and do not reflect the actual future financial situation of the Group after the Proposed Acquisition.

The objective of presenting the *pro forma* financial effects of the Proposed Acquisition as shown below is to illustrate what the historical financial information might have been had the Proposed Acquisition been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Proposed Acquisition been completed at the earlier date.

The *pro forma* financial effects have been prepared based on (i) the latest audited financial statements of the Group for the FY2020, such financial year being the most recently completed financial year, and (ii) the Consideration paid in FY2020, adjusted for:

- (a) the acquisition of Zionext Pte. Ltd. (formerly known as Kydon Learning Systems Institute Pte. Ltd.) and its subsidiaries (which the purchase consideration was based on contractual terms and disregards fair value adjustments);
- (b) the disbursement of S\$24,000,000 from DiDi Investments, Inc. to the Company under a convertible loan agreement which was converted by issuance of conversion shares;
- (c) the disposal of JK North Slope LLC which was completed on 25 May 2021; and
- (d) the Invictus Acquisition.

9.2 NTA

Purely for illustrative purposes only and assuming that the Proposed Acquisition had been completed on 31 December 2020, being the end of FY2020, the effect on the adjusted net tangible asset (“NTA”) per share of the Group as at 31 December 2020 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	6,665	5,565
Number of issued Shares (excluding treasury shares)	242,955,916	242,955,916
NTA per Share (S\$ cents)	2.74	2.29

9.3 Earnings/Loss

Purely for illustrative purposes only and assuming that the Proposed Acquisition had been completed on 1 January 2020, being the beginning of FY2020, the effect on the loss per Share of the Group for FY2020 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss attributable to the equity holders of the Company(S\$'000)	3,251	3,251
Weighted number of issued Shares (excluding treasury shares)	242,955,916	242,955,916
Loss per Share (S\$ cents)	1.34	1.34

10. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION AND THE RATIFICATION FOR THE PAYMENT OF THE ADDITIONAL DEPOSIT AS AN INTERESTED PERSON TRANSACTION

- 10.1 ERCI is fully owned by DiDi, a controlling shareholder of the Company holding 70.56% of the issued and paid-up share capital of the Company as at the date of this announcement. Pursuant to Chapter 9 of Catalist Rules, ERCI is regarded as an “associate” of an “interested person” and the Proposed Acquisition thus constitutes an “interested person transaction”.
- 10.2 Rule 906(1) of the Catalist Rules provides that an issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:
- (a) 5% of the group’s latest audited NTA; or
 - (b) 5% of the group’s latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by the shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.
- 10.3 Rule 918 of the Catalist Rules provides that if a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
- 10.4 Pursuant to consultations with SGX-ST, the Company has been informed by SGX-ST through its Sponsor on 1 July 2021 that for the purposes of computing material thresholds under Rules 905 and 906 of the Catalist Rules, the Company should make reference to its net tangible asset value for its latest nine months ended 30 September 2021 being S\$3.67 million (“**9M2021 NTA**”), as a benchmark which is the same benchmark used for the Invictus Acquisition. The value at risk of the Proposed Acquisition is S\$2,000,000 (being the Consideration) and the value at risk of the Additional Deposit is S\$600,000.
- 10.5 The value at risk of the Proposed Acquisition expressed as a percentage of 9M2021 NTA is approximately 54%. As this value exceeds 5% of the 9M2021 NTA, pursuant to Rule 906 of the Catalist Rules, the Proposed Acquisition is an interested person transaction which is subject to the approval of the Shareholders.
- 10.6 The value at risk of the Additional Deposit expressed as a percentage of 9M2021 NTA is approximately 16.37%. As this value exceeds 5% of the 9M2021 NTA, pursuant to Rule 906 of the Catalist Rules, the entry into the Addendum for the payment of the Additional Deposit is an interested person transaction which is subject to ratification by the Shareholders. The Company will request for a refund on the Additional Deposit if shareholder’s approval is not obtained.

10.7 Accordingly, the Company will be convening the EGM to seek Shareholders' approval for the Proposed Acquisition and ratification for payment of the Additional Deposit on 6 October 2021 pursuant to the Addendum.

10.8 Pursuant to Rule 917(5) of the Catalist Rules, the current total of all interested person transactions (excluding the Additional Deposit) during the course of the financial year ending 31 December 2021, up to the date of this Announcement are as follows:

Name of Interested Person	S\$'000
Didi Investment, Inc	2,952 ⁽¹⁾

Note:

(1) This amount includes the Additional Deposit paid amounting to S\$600,000, the consideration amount paid for the Invictus Acquisition amounting to S\$2,000,000 and payments under financial and business development advisory service agreements by the Group amounting to S\$352,000 (For the avoidance of doubt, these financial and business development advisory service agreements were entered before Didi Investment, Inc became a controlling shareholder of the Company on 30 September 2021. Accordingly, they do not constitute interested person transactions at the point of entry into these agreements and the above aggregation is made for completeness).

10.9 Save as disclosed above, no other interested person transactions were entered into between the Company with Didi Investment, Inc, and/or its associates.

11. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company comprises Mr. Chang Chi Hsung, Mr. Ng Chee Weng @ Max Ng Chee Weng, and Mr. Fabian Sven Bahadur Scheler. The Chairman of the Audit Committee is Mr Chang Chi Hsung. All the members of the Audit Committee do not have any interests in the Proposed Acquisition, the Addendums and the payment of the Additional Deposit and are accordingly deemed to be independent for the purposes of the Proposed Acquisition. The Audit Committee will form its view as to whether the Proposed Acquisition, the Addendums and the payment of the Additional Deposit is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority Shareholders after considering the opinion of the independent financial adviser to be obtained in due course. The Audit Committee's view on the Proposed Acquisition, the Addendums and the payment of the Additional Deposit will be set out in the Circular.

12. INDEPENDENT FINANCIAL ADVISER

The Company will also appoint an independent financial adviser in due course to advise the independent Directors on whether the Proposed Acquisition, the Addendums and the payment of the Additional Deposit is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority Shareholders.

13. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition, the Addendums or Additional Deposit. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

14. CIRCULAR AND EGM

A circular containing further details on the Proposed Acquisition, the Addendums and the Additional Deposit and enclosing a notice of extraordinary general meeting and the Valuation Report in connection therewith will be despatched to Shareholders of the Company in due course

15. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Mr. Yoshiyasu Naruse, a non-independent non-executive Director of the Company, is also the chief executive officer and a beneficial owner of DiDi, which in turn owns 100% of the issued and paid up share capital of ERCI. Mr. Naruse has abstained from voting on the board resolutions relating to the Proposed Acquisition the Addendums and the payment of the Additional Deposit.

Save as disclosed in this announcement, none of the Directors or the substantial shareholders of the Company has any direct or indirect interest in the Proposed Acquisition, the Addendum or the Additional Deposit, other than through their respective shareholding interests in the Company (if any).

16. CORRIGENDUM ON THE COMPANY'S CIRCULAR DATED 24 AUGUST 2021

Due to an inadvertent error, section 2.4 of the circular of the Company dated 24 August 2021 had stated that the Master License Agreement had been entered into on 30 June 2021. The Company would like to clarify that the Master License Agreement had been entered into on 30 June 2020.

17. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Master License Agreement (including the addendum entered on 1 December 2020) and the Addendums are available for inspection during normal business hours at the Company's registered office 229 Mountbatten Road, #01-11 Mountbatten Square Singapore 398007 for a period of three (3) months from the date of this Announcement.

18. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in dealing their shares as there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will complete or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD
ALPHA DX GROUP LIMITED

Tan Wee Sin
Company Secretary
18 November 2021

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 document, including the correctness of any of the statements or opinions made or reports contained in this document.

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