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

GRANT OF WAIVER FROM COMPLIANCE WITH CATALIST RULE 1014(2) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") (THE "CATALIST RULES")

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1. INTRODUCTION

Alpha DX Group Limited (under judicial management) (the "**Company**") wishes to announce that on 2 August 2023 it applied to the SGX-ST for a waiver from the compliance of Rule 1014(2) of the Catalist Rules ("**Waiver**") for the Company to obtain approval from its shareholders for the proposed disposal of 100% of the shares in Zionext Pte. Ltd. ("**Zionext**") (the "**Proposed Disposal**").

On 6 October 2023, the SGX-ST informed the Company that the SGX-ST has no objections to the Company's application for the Waiver, subject to the conditions set out in paragraph 3.1 below.

2. INFORMATION ON THE PROPOSED DISPOSAL

The judicial managers of the Company (the "**JMs**") had commenced an exercise inviting expressions of interest for restructuring (or acquiring) the Company and its subsidiaries (collectively, the "**Group**") since February 2023 after the Company was placed under interim judicial management.

The Company had, on 8 August 2023, entered into a conditional sale and purchase agreement for the Company to dispose 100% of the shares in Zionext to Kydon Holdings Pte. Ltd. ("**Kydon**"), the former owner of Zionext and a major creditor of the Company. For details on the Proposed Disposal, including the rationale and terms of the Proposed Disposal, please refer to the Company's announcement dated 14 August 2023.

3. APPLICATION TO AND WAIVER GRANTED BY THE SGX-ST

3.1 Grant of Waiver and Waiver's conditions

Under Chapter 10 of the Catalist Rules, where any of the relative figures in Catalist Rule 1006 exceeds 50% for a disposal, the transaction will be considered a "major transaction" and must be made conditional upon the approval by shareholders of the issuer in a general meeting. Based on the JM's calculations for benchmarking purposes, it appears that the Proposed Disposal may be classified as a major transaction.

However, the JMs note that the relative figures computed under Catalist Rule 1006 in respect of the Proposed Disposal are unlikely to be meaningful or useful for benchmarking purposes, given that both the Group and Zionext are loss-making.

Following that, the Company applied to the SGX-ST for the Waiver such that the Company will not be required to seek shareholders' approval for the Proposed Disposal and make the Proposed Disposal conditional upon or subject to the approval of the shareholders.

SGX-ST has granted the Waiver subject to the fulfilment of the following conditions:

(a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Catalist Rule 106 of the Listing Manual and whether the said conditions have been satisfied;

(b) the Company confirming that the Waiver granted will not be in contravention of any laws and regulations governing the Company and its constitution; and

(c) the Company making an announcement to explain (i) the efforts taken by the JMs to find potential buyers for the Proposed Disposal, (ii) the efforts taken by the JMs to restructure the Company and (iii) how the disposal consideration was arrived at.

The release of this announcement seeks to satisfy the conditions set out in paragraphs (a) and (c) above. In relation to condition set out in paragraph (b) above, the Company confirms that the Waiver granted will not be in contravention of any laws and regulations governing the Company and its constitution.

3.2 Rationale for Waiver application

The Company submitted to the SGX-ST that the compliance with the requirement under Rule 1014(2) of the Listing Manual to enable the Company to complete the Proposed Disposal without having to obtain shareholders' approval should be waived for the key reasons summarised below:

(a) More advantageous realisation of Proposed Disposal assets that are rapidly deteriorating in value

Zionext is facing a very real prospect of significant adverse deterioration of value as:

(i) it is unable to properly carry out its existing contracts with its manpower limitations, is at risk for claims for late delivery and defective performance, customer loss (in particular a major customer carrying more than 90% of anticipated revenue) and potentially a liquidation if the situation does not improve; and

(ii) the distressed state of the Group makes it untenable for Zionext to secure new engagements, and it faces a real risk of being barred from participating in any further public tenders from government agencies.

The Company will thus need to act quickly and urgently to obtain the best possible value of its assets by carrying out the Proposed Disposal, or risk significant value deterioration and possibly realisation at liquidation value. A disposal in a liquidation scenario is unlikely to fetch the same or better price as compared to a sale made by the JMs.

(b) Interests of creditors outweigh shareholders in a distressed scenario

(i) In the Company's current distressed state, the interests of its creditors outweigh that of its shareholders, given that creditors are paid ahead of shareholders in a winding-up. If the value deterioration continues, the recoverable value for Zionext would be reduced, and the lesser the recoverability there is for creditors, the greater the prospect of limited or nil recoverability for the Company's shareholders.

(ii) Furthermore, the JMs have assessed that, pending confirmation by a formal proof of debts exercise, the debts/liabilities of the Company exceed the recoverable value of the assets of the Company. This means that in a liquidation scenario today, shareholders are unlikely to have any recovery for their investments in the Company, and it is thus not meaningful to seek shareholders' approval for the Proposed Disposal. The Proposed Disposal is meant to achieve a better recovery for creditors, and better position for the Company to carry out a

corporate exercise such as a reverse take-over where shareholders may still have a chance of realising some value from their investments from a new business injection.

(c) Costs of convening general meetings

It is in the interests of the Company to avoid incurring unnecessary costs to convene general meetings to seek shareholders' approval for the Proposed Disposal. The Company has limited funds and its available cash resources should be channelled to other purposes for the benefit of its creditors (in its current distressed scenario).

3.3 Efforts taken by the JMs to restructure the Company and find potential buyers for the Proposed Disposal

(a) The JMs had commenced an exercise inviting expressions of interest for restructuring (or acquiring) the Group since February 2023 after the Company was placed under interim judicial management.

(b) The objective was to work out a deal that was capable of fulfilling one or more of the statutory objectives for a judicial management i.e. better recovery or outcome than a liquidation scenario, or the implementation of a scheme to reorganise the debts.

(c) However, none of the parties which the JMs had spoken to expressed an interest in retaining Zionext in the context of a restructuring of the Company (and its debts vis-à-vis its creditors), save for Kydon which had expressed interest in acquiring Zionext. The JMs attribute the lack of interest principally to the niche business and select clientele (mainly government agencies) that Zionext has, which requires staff that are suitably qualified and familiar with the clientele's needs to properly run the business (and secure new business).

(d) The JMs also informed the Company's creditors of the sale of Zionext to Kydon on 2 August 2023 and did not receive any objections from them.

(e) Notwithstanding the Proposed Disposal, the JMs are still in the process of considering and negotiating other potential restructuring deals.

3.4 How the consideration for the Proposed Disposal was arrived at

As mentioned in paragraph 3.3 above, Kydon stood as the only bidder for Zionext, and was only willing to acquire Zionext by setting-off against the full value of the debt owed by the Company to Kydon of approximately S$1.9 million.

After further negotiations between the JMs and Kydon, this amount was increased to approximately S$2.0 million and the increased amount would be used defray part of the transactional and compliance costs required for this sale.

The consideration for the Proposed Disposal represented the only value offered for Zionext to date, and had to be considered in the context of the following:

(a) Zionext had inadequate staff to run or secure new business, and was already facing customer complaints, difficulties in collecting payments, and potentially claims for liquidated damages.

(b) The deteriorating condition of Zionext and any further delay for the sale of Zionext would result in a further deterioration of its value and possibly winding up of Zionext.

(c) The Company would face having nil recoverability if Zionext were to be subject to winding-up. In a winding-up scenario, Zionext would be subject to its own creditors' claims (e.g. from its customers, suppliers or employees), all of which would have to be discharged before the

Company, as the shareholder, has any recoverability, given that shareholders rank last in the context of a winding-up.

(d) Kydon was the sole bidder to-date, and was willing to acquire Zionext on an as-is where-is basis, without extensive representations and warranties from the Company (i.e. without further legal exposure to the Company).

4. NO NEED FOR EXTRAORDINARY GENERAL MEETING

As the SGX-ST has granted the Waiver, the Company will not be convening an extraordinary general meeting to seek shareholders' approval for the Proposed Disposal.

SUBMITTED BY THE JUDICIAL MANAGERS

For and on behalf of the Company
Tan Wei Cheong
Joint and Several Judicial Manager
9 October 2023

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Evolve Capital Advisory Private Limited ("**Sponsor**"), for compliance with the relevant rules of the SGX-ST.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST 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 details of the contact person for the Sponsor are: -
Name: Mr Jerry Chua (Registered Professional, Evolve Capital Advisory Private Limited)
Address: 138 Robinson Road, Oxley Tower, #13-02, Singapore 068906 Tel :(65) 6241 6626