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

DISPOSAL OF SHARES IN ZIONEXT PTE. LTD.

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1. INTRODUCTION

1.1 Alpha DX Group Limited (Under Judicial Management) ("**Company**", together with its subsidiaries, the "**Group**") has been placed under interim judicial management since January 2023 and judicial management since March 2023, under the care of Messrs Tan Wei Cheong and Lim Loo Khoon of Deloitte & Touche LLP ("**JMs**").

1.2 The Company had, on 8 August 2023, entered into a conditional sale and purchase agreement ("**Agreement**") for the Company to dispose all of its shareholdings ("**Zionext Shares**") in Zionext Pte. Ltd. ("**Zionext**") to Kydon Holdings Pte. Ltd. ("**Buyer**") ("**Proposed Disposal**"). Following the completion of the Proposed Disposal ("**Completion**"), the Company will cease to hold any direct or indirect interest in Zionext and its subsidiaries ("**Zionext Group**").

1.3 The Buyer is a major creditor vis-à-vis the Company. To the knowledge of the Company, the Buyer is not an interested person[1] vis-a-vis the Company, and neither the Buyer nor any of its director(s) and/or controlling shareholder(s) is related in any way to the Company, its director(s) and/or its substantial shareholder(s).

2. INFORMATION ON DISPOSAL ASSETS

Zionext is the only operating subsidiary of the Company and is incorporated in Singapore. The Zionext Group is in the e-learning business, providing learning technology solutions and customised digital learning content. The Zionext Group entities have active projects which require suitably qualified employees to execute, which the entities are presently not in a position to attract given the overall distressed state of the Group. The unavailability of suitably qualified employees, coupled with the inability of the Zionext Group to provide performance bonds for new contracts, have resulted in the Zionext Group's inability to secure new and viable contracts.

3. RATIONALE FOR PROPOSED DISPOSAL

The Zionext Group, as an e-learning business, has its value largely derived from its ongoing contracts and its ability to secure new engagements. Its business (and consequently its value) is, however, deteriorating rapidly and significantly as there is significant reduction in employee headcount due to significant departures, particularly of mid-management staff who are critical to its business and operations, mainly due to the overall distressed state of the Group. The reduced headcount has left Zionext with significant limitations in carrying out its existing contracts. The Zionext Group also faces difficulties in securing new contracts for the reasons stated above, and is at risk of customers terminating existing contracts as a result of defective or non-delivery of services.

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[1] As defined in Rule 904(4) of the Listing Manual of the Singapore Exchange Securities Limited ("**SGX-ST**") (Section B: Rules of Catalist) ("**Catalist Rules**").

The JMs have after considering the above, and mindful of further deterioration in the business and value of the Zionext Group, assessed that the Proposed Disposal would achieve a more advantageous realisation of its value for creditors than on a winding up scenario, and better position the Company to carry out a corporate exercise such as a reverse take-over where shareholders of the Company may be able to realise some value from their investments from a new business injection.

4. PRINCIPAL TERMS OF THE AGREEMENT

The following are the salient terms and conditions contained in the Agreement:

4.1 Consideration for the Proposed Disposal

The consideration for the Proposed Disposal (the "**Consideration**") is S$2,010,125.73 and shall be satisfied by the Buyer as follows:

(a) S$1,910,125.73 shall be set-off against the debt owed by the Company to the Buyer, and shall constitute the full and final settlement of the debt and any and all liabilities owed by the Company to the Buyer; and

(b) S$100,000 shall be paid to the Company on the Completion date.

The Consideration is negotiated and arrived at further to arm's length negotiations between the Company and the Buyer on a "willing buyer willing seller" basis, having regard limited offers being presented to the JMs for the Zionext Group thus far. Having considered that the subject-matter of the Proposed Disposal is fast deteriorating and requires a quick sale process for a more advantageous realisation of value, the lack of funds for a valuation, and that a valuation is unlikely to be meaningful in the context of a distressed sale (if there is no bid or offer received at the valuation price), an independent valuation has not been commissioned by the Company.

The sale proceeds will form part of the Company’s assets which will be utilised for professional fees, including towards achieving the judicial management’s objectives.

4.2 Condition Precedent

Completion of the Proposed Disposal is conditional upon the fulfilment (or waiver by the Company) of the following condition:

(a) (i) the approval of the shareholders of the Company for the sale of the Zionext Shares being obtained at a general meeting of the Company; or (ii) a waiver from the Singapore Exchange Regulation Pte. Ltd. from the requirement for shareholders’ approval to be obtained for the sale of the Zionext Shares under the Catalist Rules.

The Agreement shall terminate by 31 December 2023 if the aforesaid condition is not fulfilled (or waived) by such date.

4.3 **Interim Arrangements**

Upon signing of the Agreement, the Buyer shall be entitled to nominate one (1) representative as a director of Zionext to support the JMs in managing Zionext in the ordinary and usual course of business.

4.4 **Passing of Title and Risk on Completion**

All rights, title, interests and risks in the Zionext Shares shall transfer and pass from the Company to the Buyer on Completion.

4.5 **Mutual Release and Discharge**

As part of the Proposed Disposal, with effect from Completion, the Company and the Buyer shall irrevocably, unconditionally and absolutely release and discharge the other party from any and all: (a) claims or demands that a party has or may have against the other party; (b) duties or obligations that a party has or may have with the other party; and (c) indebtedness or other liabilities owed by a party to the other party. Prior to Completion, the Company and Zionext shall be required to enter into a deed to mutually release and discharge any and all debts and/or liabilities owed by either of them to the other.

5. RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE CATALIST RULES

5.1 The relative figures for the Proposed Disposal set out in paragraph 5.2 below are computed on the bases set out in Rule 1006 of the Catalist Rules and the latest announced consolidated financial statements as at 30 June 2022 (the "**1H2022 Financial Statements**").

5.2 The relative figures are as follows:

Rule	**Basis**	**Relative figures (%)**
1006(a)	The net asset value ("**NAV**") of the assets to be disposed of, compared with the group's NAV.	53.8 Notes (1) and (2)
1006(b)	The net profits/(losses) attributable to the assets disposed of, compared with the group's net profits/(losses). Note (1)	3.4 Notes (1) and (3)
1006(c)	The aggregate value of the consideration received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	7.4 Note (4)
1006(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.	Not applicable
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable

Notes:

(1) Figures attributable to Zionext are derived from its management accounts as at 31 May 2023.

(2) NAV of Zionext as at 31 May 2023 of S$2.00 million excludes intangible assets amounting to S$1.27 million relating to capitalised software development costs. Due to the uncertainty in Zionext's current operational capabilities to complete the software development during this restructuring period, such amount has been excluded from the NAV. Group's NAV is S$3.72 million as at 30 June 2022.

(3) Net loss of Zionext of S$0.20 million is derived by extrapolating the net loss amount of S$0.17 million as at 31 May 2023 over a period of 5 months (S$0.17 milion x 6 / 5 months) to a 6-month period. Net loss of the Group as at 30 June 2022 of S$5.87 million is derived after excluding a one-off impairment of goodwill on consolidation (S$6.57 million) and impairment of capitalised software development costs (S$1.05 million), and thereafter annualising the remaining balance figure (S$2.94 million x 12 / 6 months).

(4) Market capitalisation is derived from the last traded price of S$0.112 prior to the suspension of trading of the Group's shares on 11 March 2022, multiplied by 242,955,916 issued outstanding ordinary shares, excluding treasury shares.

5.3 As the relative figure computed for Catalist Rule 1006(a) exceeds 50%, the Proposed Disposal constitutes a "major transaction" which is disclosable for the purposes of Chapter 10 of the Catalist Rules, and subject to prior approval of the shareholders, unless waived by the SGX-ST.

5.4 The Company has, through its sponsor, submitted an application to the SGX-ST seeking a waiver from the requirement for shareholders' approval. The Company will make further announcement(s) upon receipt of the response from the SGX-ST.

6. ILLUSTRATIVE FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects as set out below are prepared purely for illustrative purposes only and do not reflect the actual financial position of the Company following the Proposed Disposal.

These pro forma financial effects have been prepared based on the latest audited accounts of the Company for financial year ended 31 December 2021, being the most recently completed financial year.

6.1 Book Value

The book value and the net tangible assets ("**NTA**") value of the Zionext Shares as at 31 December 2021 are as follows:

	Zionext Shares (S$)
Book Value	15.0 million
NTA Value	3.8 million

The Consideration represents a deficit of approximately S$13.0 million below the book value of the Zionext Shares of S$15.0 million.

6.2 **Loss on Disposal**

The Group would expect to realise an attributable net loss on disposal and a deficit of the proceeds below the aggregate book value of the Zionext Shares as follows:

	Zionext Shares (S$)
(Loss) on Disposal	(13.7) million

6.3 **NTA per Share**

For the purposes of illustrating the financial effects of the Proposed Disposal on the NTA per Share, it is assumed that the Proposed Disposal was completed on 31 December 2021:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$' million)	3.0	(1.2)
NTA per Share (S$' cents)	1.24	(0.50)

6.4 **Loss per Share**

For the purposes of illustrating the financial effects of the Proposed Disposal on the loss per Share of the Company, it is assumed that the Proposed Disposal was completed on 31 December 2021.

	Before the Proposed Disposal	**After the Proposed Disposal**
(Loss) from continuing operations after tax and minority interests attributable to shareholders (S$' million)	(6.2)	(19.9)
(Loss) from continuing operations per Share (S$)	(0.03)	(0.08)

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

To the knowledge of the Company, none of the directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Disposal other than through their respective directorships and/or shareholding interests in the Company.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into by the Company in connection with the Proposed Disposal.

9. DOCUMENT FOR INSPECTION

The Agreement is available for inspection during normal business hours at the registered office of the JMs at 6 Shenton Way #33-00 OUE Downtown 2, Singapore 068809, for a period of three (3) months from the date of this announcement.

10. FURTHER ANNOUNCEMENTS

Further announcements on the Agreement will be made in due course as and when there are material developments.

SUBMITTED BY THE JUDICIAL MANAGERS

For and on behalf of the Company
Tan Wei Cheong
Joint and Several Judicial Manager
14 August 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 Singapore Exchange Securities Trading Limited ("**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.

Information in this announcement relating to the Buyer has been provided by the Buyer. Shareholders are cautioned that the Company and the judicial managers have not independently verified the accuracy and correctness of such information, and accordingly do not accept any responsibility for any such information.

The details of the contact person for the Sponsor are: -
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