**ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES IN RELATION TO THE AUDITED FINANCIAL STATEMENTS FOR FY2021**

Pursuant to Rule 704(4) of the Listing Rules (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), the Board of Directors (the "**Board**") of Alpha DX Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Group's independent auditor, Nexia TS Public Accounting Corporation, has included a Material Uncertainty Related to Going Concern section in the independent auditor's report ("**Independent Auditor's Report**") in respect of the Company's consolidated financial statements for the financial year ended 31 December 2021 ("**FY2021**") (the "**Audited Financial Statements**"). The opinion of the auditor is not modified in respect of this matter.

The basis for opinion and material uncertainty in relation to the Group's financial statements for FY2021 are set out in detail in the Independent Auditor's Report, a copy of which is attached as Appendix I in this announcement. The Independent Auditor's Report is part of the annual report of the Company for the financial year ended 31 December 2021 ("**FY2021 Annual Report**"), which has been released via the SGXNET today.

The Board in assessing the appropriateness of the going concern assumptions of the Group and the Company, is of the view that the use of going concern assumptions to prepare the Audited Financial Statements for FY2021 is appropriate after considering the following:

a) The Company is in the process of securing fundings amounting to approximately S$3 million to settle part of the scheme debt through the loan from DiDi. Such loan will be provided by DiDi upon completion of sale of one of its subsidiary corporations, subject to further negotiation with potential buyers. In addition, Didi will also be injecting further funds into the Company through the exercise of its options.

b) The Company is in the midst of negotiation with potential investors to raise additional funds of approximately S$3 million from private placements as part of the Company's continual effort to explore potential fund raising activities.

c) The Group has successfully diversified into new business in the education service industry through the acquisition of Zionext Group and it is expected that Zionext Group is able to contribute substantial revenue to the Group. The Company has projected that Zionext Group can generate sufficient cash flows from operations for its own operations purposes and no further funding required from the Company.

d) The Company's subsidiary corporation, Invictus Academy, Inc. ("**Invictus**") is in the process of selling its investment property, i.e. a freehold land located at Tokojimachi, Kofu-shi, Yamanashi, Japan for an amount that is not less than the carrying amount of S$785,673. The proceeds from such sale will be used by Invictus to repay part of its payable to the Company.

Further to the above, as at the date of this announcement, the Board confirms that to the best of its knowledge and belief, all material disclosures has been provided and sufficient information has been disclosed and announced.

Notwithstanding the above, the Board recommends that the trading of the Company's shares on the SGX-ST continue to be suspended pursuant to Catalist Rule 1303(3) in view that there is a material uncertainty related to going concern that may cast doubts about the ability of the Group and the Company to continue operating as a going concern.

Please refer to "Note 2 to the Audited Financial Statements of Alpha DX Group Limited for the FY2021", a copy of which is attached as Appendix II in this announcement for further details.

**CAUTIONARY STATEMENT**

Shareholders and potential investors of the Company are advised to read this announcement and the other announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD
**ALPHA DX GROUP LIMITED**

Daiji Yamada
Executive Director and Chief Executive Officer
14 October 2022

---

*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"). The Sponsor has not independently verified the contents of this announcement.*

*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*

*Extracted from the Independent Auditor's Report to the Audited Financial Statements of Alpha DX Group Limited for the FY2021.*

## APPENDIX I

## Independent Auditor's Report to the Members of

## Alpha DX Group Limited

### Report on the Audit of the Financial Statements

*Opinion*

We have audited the accompanying financial statements of Alpha DX Group Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 132.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

As disclosed in Note 2 to the financial statements, although the Group has disposed its oil and gas business and diversified into the new education service business through the acquisition of Zionext Pte. Ltd. and its subsidiary corporations ("Zionext Group"), the Company incurred a net loss of S$6.02 million. This was mainly due to professional fees incurred for its corporate exercise and recurring corporate expenses such as staff costs, listing fees and professional fees during the financial year ended 31 December 2021.

As disclosed in Note 35(a) to the financial statements, certain creditors have issued letter of demands against the Company for fees amounting to S$2.63 million owing to them as at 31 December 2021. Accordingly, the Company's shares had been suspended from trading under Rule 1303(3)(c) of the Catalist Rules since 11 March 2022. The Company has on 2 September 2022 (the "Scheme Date"), proposed to enter into a 'pre-packaged' scheme of arrangement with its creditors pursuant to Section 210 of the Companies Act 1967 read together with Section 64 of the Insolvency Restructuring and Dissolution Act 2018 ("IRDA") (the "Scheme"). The Scheme comprises the complete settlement of the scheme debt amounted to approximately S$5.07 million as at the Scheme Date such that the creditors under the Scheme (the "Scheme Creditors") will receive in return in full (i.e. 100% recovery) on their approved claims. Pursuant to the terms of the Scheme, the cut-off date for the Scheme Creditors to vote on the Scheme has passed on 16 September 2022 and the Company has on 22 September 2022, announced that the Scheme has been approved by the Scheme Creditors with the requisite majority in number and in value. Subsequently, the Company filed an application pursuant to Section 71(1) of the IRDA for the Court to approve the Scheme on 23 September 2022. Should the Scheme be approved and become effective, 40% of the scheme debt of approximately S$2.03 million will be due by December 2022 with the remaining balance of $3.04 million to be paid in three tranches equally 4 months, 6 months and 8 months from 15 November 2022.

## Report on the Audit of the Financial Statements (Cont'd)

*Material Uncertainty Related to Going Concern (Cont'd)*

The ability of the Company to settle the abovementioned fees due to its creditors in accordance with the Scheme depends on the Company receiving a loan from DiDi Investments Inc. ("DiDi"), a substantial shareholder of the Company through the disposal of Didi's investment in a subsidiary corporation, conversion of options by DiDi, funding from potential investor through private placement and realisation of the Group's investment property.

Notwithstanding that the above events and conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's abilities to continue as a going concern, the directors of the Company believe that the use of going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2021 is still appropriate, after taking into consideration of the following factors:

a) The Company is in the process of securing fundings amounting to approximately S$3 million to settle part of the scheme debt through the loan from DiDi. Such loan will be provided by DiDi upon completion of sale of one of its subsidiary corporations, subject to further negotiation with potential buyers. In addition, Didi will also be injecting further funds into the Company through the exercise of its options.

b) The Company is in the midst of negotiation with potential investors to raise additional funds of approximately S$3 million from private placements as part of the Company's continual effort to explore potential fund raising activities.

c) The Group has successfully diversified into new business in the education service industry through the acquisition of Zionext Group and it is expected that Zionext Group is able to contribute substantial revenue to the Group. The Company has projected that Zionext Group can generate sufficient cash flows from operations for its own operations purposes and no further funding required from the Company.

d) The Company's subsidiary corporation, Invictus Academy, Inc. ("Invictus") is in the process of selling its investment property, i.e. a freehold land located at Tokojimachi, Kofu-shi, Yamanashi, Japan for an amount that is not less than the carrying amount of S$785,673 (Note 6). The proceed from such sale will be used by Invictus to repay part of its payable to the Company.

Accordingly, the accompanying financial statements did not include any adjustments that may arise in the event that the Company is unable to continue as a going concern. In the event that the Company is unable to continue in operational existence in the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Report on the Audit of the Financial Statements (Cont'd)

*Key Audit Matters (Cont'd)*

**Accounting for Business Combination and Purchase Price Allocation ("PPA") of acquisition of subsidiary corporations, Zionext Pte. Ltd. and its subsidiary corporations ("collectively, "Zionext Group") and Invictus Academy Inc. ("Invictus")**

*See accounting policies on Note 4.1(i)*
*Refer to Note 3.4(iv), Note 33 and Note 34 to the financial statements*

<u>Area of focus</u>

On 22 January 2021, the Company acquired 100% of the issued share capital in Zionext Pte. Ltd. for total consideration of S$11,773,537. Zionext Group is in the business of offering learning technology solutions and customised digital learning content. The Group determined that the assets acquired and liabilities assumed constitute a business, therefore accounted for the transaction as a business combination using acquisition method in accordance with SFRS(I) 3 *Business Combination*. The Group performed a PPA exercise for the acquisition, where the purchase consideration was allocated to the fair value of the identifiable assets acquired and liabilities assumed, resulting in the recognition of goodwill of S$9,447,731. As part of the PPA exercise, management performed an estimation of the fair value of the identifiable assets acquired and liabilities assumed. In this exercise, management engaged independent valuers to perform the valuation of certain assets of Zionext Group.

On 9 September 2021, the Group acquired 100% of the issued share capital in Invictus Academy Inc. ("Invictus"), a company incorporated in Japan, for consideration of S$2,000,000. The Group determined that the assets acquired and liabilities assumed are not considered to be a business as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, therefore accounted the transaction as an asset acquisition. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

We focused on this area because such transactions can be complex and judgement is involved in determining whether an acquisition is a business combination or an acquisition of an asset, each of which have different accounting treatment. In addition, the quantitative impact of the acquisition on the consolidated financial statements through PPA exercise, which involves the fair valuation of the consideration transferred and the identification of the acquired assets and liabilities assumed and their respective fair values, requires the use of significant management judgement and estimates.

<u>How our audit addressed the area of focus</u>

In obtaining sufficient audit evidence, the following procedures have been performed:

1. Obtained an understanding of management's process related to the acquisition accounting. We reviewed the board resolution and sales and purchase agreement, assessed the accounting treatment in accordance with SFRS(I) 3 and identified critical terms with accounting impact, including the purchase consideration and determined the acquisition date.

2. Obtained an understanding of the transactions, including an assessment of whether the transactions constituted an asset acquisition or business combination.

3. Assessed the competence, objectivity and capabilities of the external valuation expert engaged by the Group and evaluated the reasonableness of their conclusions in relation to the key assumptions used. This included assessing the completeness of assets and liabilities identified, and the appropriateness of the fair value of the consideration transferred and the identifiable assets acquired and liabilities assumed.

4. Involved our internal valuation specialist in evaluating the reasonableness of the key estimates used in the valuation and assessing the methodology applied in the PPA exercise and the appropriateness of the key assumptions used in determining the valuation of intangible assets.

5. Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

## Report on the Audit of the Financial Statements (Cont'd)

*Key Audit Matters (Cont'd)*

**Impairment assessment of Goodwill on acquisition**

*See accounting policies on Note 4.6(a), Note 4.8(ii) and Note 4.12*
*Refer to Note 3.4(ii) and Note 9 to the financial statements*

Area of focus (Cont'd)

As at 31 December 2021, the Group's goodwill on acquisition of Zionext Group amounted to S$9,447,731, accounted for 43% of the Group's total assets. The goodwill is attributable to the Zionext Group's strong position and profitability in the business that is offering learning technology solutions and customised digital learning content and synergies that are expected to arise after the Group's acquisition of new subsidiary corporations. The Group is required to perform the goodwill impairment assessment at least on an annual basis by comparing the recoverable amount of the cash generating unit ("CGU") to the carrying amount. The Group assessed the recoverable amount for the CGU based on the value-in-use calculation which requires significant judgements in estimating key assumptions. As disclosed in Note 9, the Group's goodwill is allocated to the Digital Transformation in Learning and Education ("DTLE") CGU.

We considered the audit of management's impairment assessment of goodwill to be a key audit matter due to the magnitude of the amount recognised in the financial statements. In addition, the assessment process involved significant management estimate and was based on assumptions that are affected by future market and economic conditions. Management determined the recoverable amounts of the CGU associated with the goodwill based on value-in-use calculation using discounted cash flows, which involved significant judgements in estimating the gross margin, weighted average growth rate and discount rate.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

1. In relation to management's goodwill impairment assessment, reviewed management's process for performing annual impairment assessment.

2. In respect of the discounted cash flows ("DCF"):

    - assess the reasonableness of the forecasted cash flows by taking into consideration the relevant CGU's expected future operating performance (including revenue growth rates, gross margin, and cost margins), as well as historical actual performance, future plans and the general industry outlook;

    - assessed the reasonableness of the key assumptions using commonly accepted methodologies and benchmarks;

    - engaged auditor's expert to assess reasonableness of discount rate applied;

    - evaluated management's sensitivity analysis of the recoverable amounts of the CGU which involved the assessment of the impact to the recoverable amounts of the CGU when reasonable possible changes to the weighted average growth rate, gross margin, and discount rate are made;

    - assessed the adequacy of the disclosures relating to the underlying estimates and assumptions; and

    - tested the mathematical accuracy of the underlying calculations.

## Report on the Audit of the Financial Statements (Cont'd)

*Key Audit Matters (Cont'd)*

**Revenue recognition**
*See accounting policies on Note 4.11*
*Refer to Note 3.4(iii) and Note 24 to the financial statements*

Area of focus

The Group's revenue is derived from:

1. Media Services - These services relate to provision of content development service and courseware items. Revenue is recognised at a point in time when the Group has rendered the services to the customer, the customers have accepted the services and the customers have a present right to payment.

2. Managed Services - These services relate to provision of helpdesk support services for learning-tech, staff augmentation and outsourcing. These services are charged on a monthly basis and the Group recognised revenue over time during the contractual period as the customers simultaneously receives and consumes the benefits provided by the Group as the Group performs.

3. Platform/System Services - These include System implementation and enhancement services and Maintenance and support services. For System implementation and enhancement services, the Group recognised revenue over time by reference to the Group's progress towards completing the systems implementation and enhancement projects. For Maintenance and support services, the Group recognised revenue over time during the contractual period as the customers simultaneously receives and consumes the benefits provided by the Group as the Group performs.

Due to the nature of these revenue sources and being the new revenue streams for the Group, significant audit effort is required to test the occurrence, accuracy and completeness of the revenue recognised. Consequently, we considered this a key audit matter.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

1. Obtained understanding of key controls and performed walkthrough over the respective revenue cycles.

2. Evaluated management's assessment of the application of relevant accounting treatment for revenue recognition, particularly SFRS(I) 15 *Revenue from Contracts with Customer* and considered the appropriateness of the Group's revenue recognition accounting policies.

3. In relation to revenue recognised over time, reviewed major contracts to identify performance obligations, and assessed the progress of the performance obligations satisfied and the reasonableness of management's computation for revenue recognition.

4. Performed substantive audit procedures through verification of sales invoices and delivery orders or service performance forms, representing satisfaction of the identified performance obligation.

5. Performed sales cut-off procedures at financial year end to ensure that revenue is recognised in the correct financial period.

6. Reviewed credit notes, focusing on those raised after financial year end to ascertain if revenue has been adjusted accordingly.

7. Reviewed the journal entries posted to revenue to detect any unusual transactions in relation to revenue or any indication of fraud.

## Report on the Audit of the Financial Statements (Cont'd)

*Other Information*

Management is responsible for the other information. The other information comprises the Board of Directors, Corporate Governance Report and Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

*Responsibility of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, 1967 ("the Act") and Singapore Financial Reporting Standards International ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Report on the Audit of the Financial Statements (Cont'd)

*Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ms. Meriana Ang Mei Ling.

**Nexia TS Public Accounting Corporation**
**Public Accountants and Chartered Accountants**

**Singapore**
**14 October 2022**

*Extracted Note 2 to the Audited Financial Statements of Alpha DX Group Limited for the FY2021*

**APPENDIX II**

## 2. Going concern

Although the Group has disposed its oil and gas business and diversified into the new education service business through the acquisition of Zionext Pte. Ltd. and its subsidiary corporations ("Zionext Group"), the Company incurred a net loss of S$6.02 million. This was mainly due to professional fees incurred for its corporate exercise and recurring corporate expenses such as staff costs, listing fees and professional fees during the financial year ended 31 December 2021.

As disclosed in Note 35(a) to the financial statements, certain creditors have issued letter of demands against the Company for fees amounting to S$2.63 million owing to them as at 31 December 2021. Accordingly, the Company's shares had been suspended from trading under Rule 1303(3)(c) of the Catalist Rules since 11 March 2022. The Company has on 2 September 2022 (the "Scheme Date"), proposed to enter into a 'pre-packaged' scheme of arrangement with its creditors pursuant to Section 210 of the Companies Act 1967 read together with Section 64 of the Insolvency Restructuring and Dissolution Act 2018 ("IRDA") (the "Scheme"). The Scheme comprises the complete settlement of the scheme debt amounted to approximately S$5.07 million as at the Scheme Date such that the creditors under the Scheme (the "Scheme Creditors") will receive in return in full (i.e. 100% recovery) on their approved claims. Pursuant to the terms of the Scheme, the cut-off date for the Scheme Creditors to vote on the Scheme has passed on 16 September 2022 and the Company has on 22 September 2022, announced that the Scheme has been approved by the Scheme Creditors with the requisite majority in number and in value. Subsequently, the Company filed an application pursuant to Section 71(1) of the IRDA for the Court to approve the Scheme on 23 September 2022. Should the Scheme be approved and become effective, 40% of the scheme debt of approximately S$2.03 million will be due by December 2022 with the remaining balance of $3.04 million to be paid in three tranches equally 4 months, 6 months and 8 months from 15 November 2022.

The ability of the Company to settle the abovementioned fees due to its creditors in accordance with the Scheme depends on the Company receiving a loan from DiDi Investments Inc. ("DiDi"), a substantial shareholder of the Company through the disposal of Didi's investment in a subsidiary corporation, conversion of options by DiDi, funding from potential investor through private placement and realisation of the Group's investment property.

Notwithstanding that the above events and conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's abilities to continue as a going concern, the directors of the Company believe that the use of going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2021 is still appropriate, after taking into consideration of the following factors:

(a) The Company is in the process of securing fundings amounting to approximately S$3 million to settle part of the scheme debt through the loan from DiDi. Such loan will be provided by DiDi upon completion of sale of one of its subsidiary corporations, subject to further negotiation with potential buyers. In addition, Didi will also be injecting further funds into the Company through the exercise of its options.

(b) The Company is in the midst of negotiation with potential investors to raise additional funds of approximately S$3 million from private placements as part of the Company's continual effort to explore potential fund raising activities.

(c) The Group has successfully diversified into new business in the education service industry through the acquisition of Zionext Group and it is expected that Zionext Group is able to contribute substantial revenue to the Group. The Company has projected that Zionext Group can generate sufficient cash flows from operations for its own operations purposes and no further funding required from the Company.

(d) The Company's subsidiary corporation, Invictus Academy, Inc. ("Invictus") is in the process of selling its investment property, i.e. a freehold land located at Tokojimachi, Kofu-shi, Yamanashi, Japan for an amount that is not less than the carrying amount of S$785,673 (Note 6). The proceed from such sale will be used by Invictus to repay part of its payable to the Company.

**APPENDIX II**

## 2. Going concern (Cont'd)

Accordingly, the accompanying financial statements did not include any adjustments that may arise in the event that the Company is unable to continue as a going concern. In the event that the Company is unable to continue in operational existence in the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.