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 30 APRIL 2021

*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 28 April 2021 in relation to the proposed acquisition of ERC Institute Pte. Ltd. ("**Previous Announcement**") and circular dated 30 April 2021. ("**Circular**")*

1 INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Alpha DX Group Limited (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 Announcement.

2 QUERIES BY THE SGX-ST

2.1 Question 1:

Below are the values attributable to the Target / Sale Shares:

Value	**S$**
Issued and paid-up share capital	**S$1m**
Net tangible asset ("NTA")	**S$3.08m**
Book value	**S$4.97m**
Net profits	**S$3.57m**

The Consideration payable by the Company to the Seller for the Sale Shares was arrived at and agreed on a "willing-buyer willing-seller" basis is S$24m, comprising S$18m in cash and up to S$6m in Performance Shares to be issued at issue price of S$0.30/share ("Performance Based Earn-Out").

The Consideration was arrived at taking into consideration the historical financial performance of the Target; the potential synergy that could be realised between the Company and the Target; and potential benefits that may accrue to the enlarged group based on the fulfilment of the Performance Conditions.

1a: Please elaborate on the historical financial performance of the Target.

Company's Response:
Please find historical financial results of the Target for total assets, net current asset and net assets from the financial years ended 30 June ("**FYs**") 2018, 2019, 2020 and six-months financial periods ended 31 December 2020 ("**HY2021**") as below:

S$'million	**Audited FY2018**	**Audited FY2019**	**Audited FY2020**	**Unaudited HY2021**
Revenue	11.4	9.7	9.1	3.3
EBITDA	0.6	0.5	4.5	0.6
Total assets	9.9	7.7	10.6	10.4
Net current asset	0.7	1.3	4.3	3.3
Net assets	1.1	1.4	5.0	3.9

Please refer to Paragraph 5.2 of Appendix II of the Company's Circular for more details on the Target's historical financial information.

1b: In view of the values attributable to the Target/ Sale Shares, please explain the Board's reasons for agreeing to the Consideration of S$24m (of which S$18m is to be paid in cash) and Board's basis in assessing that the Proposed Acquisition will enhance the long term interests of the Company and its shareholders.

Company's Response:

Board's reasons for agreeing to the Consideration of S$24 million

In addition to the values attributable to the Target / Sale Shares, the Board has also taken into consideration a draft of the Valuation Report (which was in a final draft form and not yet been signed off by the Valuer on 28 April 2021) which contains an indicative value of the Target / Sale Shares as well as the a draft of the IFA Letter (which was in a final draft form and not yet been signed off by the IFA on 28 April 2021) in its assessment of the Consideration of S$24 million.

The Company has appointed Cushman & Wakefield VHS Pte. Ltd. as an Independent Valuer to assess and determine the market value of the 100% equity interest in the capital of the Target for the Proposed Acquisition, and the Summary of the Valuation Report is set out in Appendix I of the Circular.

Based on the Valuation Report dated 30 April 2021 issued by the Independent Valuer, the market value of the 100% equity interest in the capital of the Target (without taking into consideration Performance-Based Earn-out) as at 31 December 2020 is in the region of S$14.9 million to S$19.2 million. The Consideration to be fulfilled in cash (which does not take into consideration any Performance-Based Earn-out) of S$18 million is within the range of values provided by the Independent Valuer.

In addition, a scenario analysis has been performed by the Independent Valuer to illustrate the equity value of the Target based on financial performance prediction assuming the Performance Conditions can be met. Based on the scenario analysis, equity value of 100% equity interest in the capital of Target as at 31 December 2020 ranges from S$38.0 million to S$47.7 million. The aggregate Consideration of S$24 million is considerably lower than the range of values provided by the Independent Valuer.

The Company has also appointed W Capital Markets Pte. Ltd. as its IFA to advise the Recommending Directors as to whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. The IFA's opinion that the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders are contained in Section 4 and Appendix II to the Circular.

Basis in assessing that the Proposed Acquisition will enhance long term interests of the Company and its shareholders

The Group is currently providing digital education and learning solutions and customised learning content through (a) learning solution consultancy services; (b) content digitalisation solutions; (c) enterprise learning management system solutions; (d) operations and support; and (e) specialist manpower deployment services.

Upon the integration of the business operations of the Target, the Board is of the opinion that in addition to the expansion of its customer base, the Group will be able to leverage on and benefit from the expertise of the Target, particularly in relation to the provision of educational services, customised learning content, as well as potentially expanding the Group's network and collaborations with global institutions.

As such, over time, the Group will stand to benefit from the potential commercial, operational and costs synergies, particularly where the Target's capabilities can benefit the Group. The Board, taking into consideration the merits of (i) the viability, profitability and growth of the Target's business; and (ii) the general outlook of the education sector, believes that there would be potential synergies particularly in the area of technology integration and the use of the next generation ubiquitous learning platform being offered and developed by ZioNext as well as in various collaborative projects such as a Uzbekistan project whereby the Target and ZioNext jointly develop and implement the new academic programs on the ubiquitous learning platform. Given the potential synergies which will be created by the addition of the Target, the Board believes that the Proposed Acquisition will enhance the long-term interests of the Company and its Shareholders.

2.2 Question 2: The Seller of the Target is DiDi Investments, Inc., which is the Lender of the Convertible Loan of S$24m. In the circular dated 24 Sep 2020, it was stated that the purpose of the Convertible Loan is to repay Didi an earlier S$1 million short term loan, to fund the acquisition of Kydon Learning Systems Institute Pte. Ltd., to finance the payment of transaction fees and expenses relating to the Convertible Loan, and to be retained in the Company for general working capital purposes and <u>for future investments and acquisition opportunities</u>.

2a: Was it anticipated during/before the circular dated 24 Sep 2020 that the Company might acquire the Target from Didi?

<u>Company's Response:</u>

The Company did not anticipate that an opportunity to acquire the Target might arise prior to 24 September 2020. The board paper in relations to the acquisition the Target from Didi was initially tabled on 15 March 2021 and subsequently approved on 28 April 2021.

2b: What would have been the ratios computed under Rule 1006 assuming the Convertible Loan and Proposed Acquisition are aggregated?

<u>Company's Response:</u>

The ratios computed under Rule 1006 assuming the Convertible Loan and Proposed Acquisition are aggregated as below. For avoidance of doubt, the assumption made to answer the question 2(b) is to assume that the Convertible Loan has been fully converted into Shares.

	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.	-10.4%(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.	14.6%(3)(4)	-42.2%(4)(5)
(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.	8.6%(6)	
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	N.A.(7)	

Notes:

(1) This is not applicable to an acquisition of assets.

(2) The net profits attributable to the Target for the financial period commencing on 1 January 2020 and ending on 31 December 2020 was S$1.45 million. The Group's net loss before tax for FY2020 was US$10.50 million (approximately S$13.88 million based on an exchange rate of S$1 to US$0.756 as at 31 December 2020).

(3) For illustrative purposes, the aggregate value of the consideration given, being S$43.60 million, comprising S$18.00 million cash and 20 million shares to be issued as Performance Shares, is compared with the market capitalisation of the Company of S$298.19 million, calculated on the basis of 232,960,591 Shares (comprising 56,389,163 existing Shares, 171,428,571 conversion shares and 5,142,857 introducer shares) (excluding treasury shares and the VWAP of S$1.28 per Share (after the completion of Share Consolidation), based on the trades done on the Catalist of the SGX-ST on 13 November 2019. This assumes the scenario where S$24million of convertible loan has been disbursed and no Options are exercised.

(4) Pursuant to Rule 1003(3) of the Catalist Rules, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. In this instance, the market value represented by the shares, being higher in value, S$1.28 is used.

(5) Pursuant to Rule 1003(3) of the Catalist Rules, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value ("**NAV**") represented by such shares, whichever is higher. In this instance, as the shares of the Company has been suspended since 13 November 2019 ("**Trading Suspension**") and following the various corporate exercises undertaken by the Company to date, the market value represented by the shares prior to Trading Suspension is no longer meaningful. In this instance, the NAV of the Group as at 31 December 2020, being -US$96.40 million (approximately -S$127.45 million based on an exchange rate of S$1 to US$0.756 as at 31 December 2020) and US$18.15 million (S$24million based on an exchange rate of S$1 to US$0.756 as at 31 December 2020) arising from the proceeds from the convertible loan, is compared against the aggregate value of the consideration given, being S$43.60 million, comprising S$18.00 million cash and 20 million shares to be issued as Performance Shares.

(6) The number of equity securities previously in issue calculated based on 232,960,591 Shares (comprising 56,389,163 Shares in issue as at the Latest Practicable Date, 171,428,571 Conversion Shares and 5,142,857 introducer shares) (excluding treasury shares). A maximum of 20,000,000 Performance Shares may be issued in relation to the Proposed Acquisition,

(7) Not applicable as the Proposed Acquisition is not a disposal of mineral, oil and gas assets.

2c: What would have been the ratios computed under Rule 1006 assuming the Convertible Loan, the Kydon Acquisition and the Proposed Acquisition are aggregated?

Company's Response:

The ratios computed under Rule 1006, assuming the Convertible Loan, the Kydon Acquisition and the Proposed Acquisition are aggregated, are as below. For avoidance of doubt, the assumption made to answer the question 2(c) is to assume that the Convertible Loan has been fully converted into Shares.

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.	-19.9%(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.	22.3%(3)(4)	-64.2%%(4)(5)
(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.	12.9%(6)	
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	N.A.(7)	

Notes:
(1) This is not applicable to an acquisition of assets.
(2) The net profits attributable to the Target for the financial period commencing on 1 January 2020 and ending on 31 December 2020 was S$1.45 million and the net profits attributable to the Kydon Learning System Institute Pte Ltd and its subsidiaries ("**KLSI Group**") for financial year ended 31 December 2019 was S$1.32 million. The Group's net loss before tax for FY2020 was US$10.50 million (approximately S$13.88 million based on an exchange rate of S$1 to US$0.756 as at 31 December 2020).
(3) For illustrative purposes, the aggregate value of the consideration of S$66.40 million given ,being S$22.80 million for KLSI Group consideration and S$43.60 million for the Target, is compared with the market capitalisation of the Company of S$298.19 million, calculated on the basis of 232,960,591 Shares (comprising 56,389,163 existing Shares, 171,428,571 conversion shares and 5,142,857 introducer shares) (excluding treasury shares and the VWAP of S$1.28 per Share (after the completion of Share Consolidation), based on the trades done on the Catalist of the SGX-ST on 13 November 2019. This assumes the scenario where S$24million of convertible loan has been disbursed and no Options are exercised.
(4) Pursuant to Rule 1003(3) of the Catalist Rules, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. In this instance, the market value represented by the shares, being higher in value, S$1.28 is used.
(5) Pursuant to Rule 1003(3) of the Catalist Rules, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the NAV represented by such shares, whichever is higher. In this instance, as the Trading Suspension and following the various corporate exercises undertaken by the Company to date, the market value represented by the shares prior to Trading Suspension is no longer meaningful. In this instance, the NAV of the Group as at 31 December 2020, being -US$96.40 million (approximately -S$127.45 million based on an exchange rate of S$1 to US$0.756 as at 31 December 2020) and US$18.15 million (S$24million based on an exchange rate of S$1 to US$0.756 as at 31 December 2020) arising from the proceeds from the convertible loan is compared against the aggregate value of the consideration given, being S$66.40 million, being S$22.80 million for KLSI Group consideration and S$43.60 million for the Target .
(6) The number of equity securities previously in issue calculated based on 232,960,591 Shares (comprising 56,389,163 Shares in issue as at the Latest Practicable Date, 171,428,571 conversion shares and 5,142,857 introducer shares) (excluding treasury shares). A maximum of 20,000,000 Performance Shares may be issued in relation to the Proposed Acquisition and 10,000,000 Shares in relation to the acquisition of KLSI Group,
(7) Not applicable as the Proposed Acquisition is not a disposal of mineral, oil and gas assets.

2.3 Question 3: The Conditions Precedents to the Proposed Acquisition include (d) the Company having completed a fund-raising exercise on or before the Long Stop Date resulting in net proceeds for the Company of not less than S$15m (in aggregate amount), and (e) the resumption of trading of the Shares of the Company on the Catalist of the SGXST.

Please explain the reasons for the inclusion of such CPs.

Company's Response:

The Company would not have sufficient funds to fund the Proposed Acquisition without having conducted a Fund-Raising Exercise, which would have necessitated the resumption of trading of the securities of the Company on the SGX-ST.

2.4 Question 4: The Company has appointed Cushman & Wakefield as an independent valuer to determine the market value of the Target. Would the outcome of the valuation have an impact on the consideration for the Proposed Acquisition of the Target? If so, how will it be impacted? If not, why not?

Company's Response:

The outcome of the Valuation Report would have had an impact on the Consideration. However, the Company has had the benefit of making reference to a draft of the Valuation Report (which was in a final draft form and not yet been signed off by the Valuer on 28 April 2021) which contains an indicative value of the Target / Sale Shares, and the Consideration was further assessed based on this indicative value. The Valuation report was also considered by the IFA and the audit committee of the Company in making its recommendation to the Shareholders of the Company.

2.5 Question 5: Paragraph 5.3 of the announcement provides the directors' opinion that on sufficiency of the Group's working capital taking into account net proceeds from the Proposed Fund-Raising Exercise. Please also provide the directors' opinion and bases to support sufficiency of working capital based on present banking facilities (ie, without the Proposed Fund-Raising Exercise).

Company’s Response:

The Company will not have sufficient working capital if it were to fund the Proposed Acquisition without having conducted the Fund-Raising Exercise and accordingly, in order to ensure that the Company would have sufficient working capital, it is a Condition Precedent to the Proposed Acquisition that the Company must have completed the Fund-Raising Exercise on or before the Long Stop Date.

BY ORDER OF THE BOARD
ALPHA DX GROUP LIMITED

Tan Wee Sin
Company Secretary
4 May 2021

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*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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