

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 3 MARCH 2022**

*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 2 March 2022, in relation to Alpha DX Group Limited ("**Alpha**" or the "**Company**") FY2021 financial results ("**Previous Announcement**").*

1 INTRODUCTION

The Board of Directors (the "**Board**") of the Company (the "**Company**" and 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: We note that the Group's trade and other receivables of S\$5.2 million accounted for about 53.6% of the Group's current assets of S\$9.7 million. The following breakdown of the trade and other receivables is disclosed:

- (i) Trade receivables from non-related parties: S\$2.6 million
- (ii) Other receivables: S\$342K
- (iii) Deposits: S\$2.1 million
- (iv) Prepayments: S\$79K

Please provide information on the following:

1a: Nature of each of the above breakdown items;

Company's Response:

The nature of the line items as well as a description of its constituents are set out below:

Trade receivables from non-related parties: S\$2.6 million	- Trade receivables incurred in the ordinary course of business.
Other receivables: S\$342K	- S\$0.23 million good and services tax receivables and tax receivables. - S\$0.11 million loan receivable from Jobforesight Pte Ltd (" Jobforesight ").
Deposits: S\$2.1 million	- S\$1.1 million in refundable deposits paid to ERC Institute Pte. Ltd. (" ERCI ") for a perpetual territorial licence. Please refer to the Company's response to 1c below as well as the Company's announcement dated 17 August 2021 and 18 November 2021 for further details on this licence.

	<ul style="list-style-type: none"> - S\$0.39 million in excess consideration allocated based on relative fair value based on SFRS(I) 3- Business Combinations. - S\$0.51 million in refundable deposits paid to Jobforesight for a potential acquisition. - S\$0.1 million in deposits for rentals, utilities and insurance collateral.
Prepayments: S\$79K	<ul style="list-style-type: none"> - S\$0.079 million prepayments for insurance, office rental and subscriptions fees and lawyer retainer fees.

1b: Explanation on reasons for the high trade receivables in the education business.

Company's Response:

The Group's trade receivables of S\$2.6 million is not unusually high (accounted for 27% of the Group's revenue as at 31 December 2021). In comparison with previous quarters, the Group had:

- (a) as at 30 June 2021, trade receivables of S\$2.84 million (accounting for 65% of the Group's revenue as at 30 June 2021); and,
- (b) as at 30 September 2021, trade receivables of S\$2.24 million (accounting for 33% of the Group's revenue as at 30 September 2021).

They are incurred in ordinary course of business under the Company's Digital Transformation in Learning and Education ("DTLE") segment in relation to billings for services and accrued revenue for services rendered in FY2021.

1c: Are the "Other receivables", "Deposits" and "Prepayments" in relation to the education business? What are the circumstances that led such items being incurred? Who are such payments made to / receivables expected from?

Company's Response:

The components of "Other receivables", "Deposits" and "Prepayments" (together, "**Trade and Other Receivables**") all relate to the Company's business in either the DTLE or the education segments. Please refer to the Company's response in to question 1a for a breakdown on the components of Trade and Other Receivables.

Save as set out below, all other the items under Trade and Other Receivables are incurred in the ordinary course of business:

- (a) refundable deposits paid to ERCI of S\$1.1 million;
- (b) refundable deposit paid to Jobforesight of S\$0.51 million; and
- (c) loan receivable from Jobforesight of S\$0.11 million.

Refundable deposits paid to ERCI of S\$1.1 million

Refundable deposits of S\$1.1 million were paid to ERCI pursuant to the proposed acquisition of an exclusive territorial perpetual licence ("**Licence**") by Invictus Academy Inc ("**Invictus**"), details of which had been announced by the Company on 17 August 2021 and 18 November 2012. A timeline of this transaction is set out below:

- (a) Invictus (formerly known as Didi Academy Inc) had entered into a master license agreement with ERCI on 30 June 2020 and a subsequent addendum on 5 December 2020 (together, the “**Master License Agreement**”) to acquire an exclusive perpetual territorial licence (“**Licence**”) from ERCI for an aggregate consideration of S\$2,000,000 (“**Licence Fee**”);
- (b) Invictus had, prior to its acquisition by the Company, paid S\$500,000 as a deposit to ERCI pursuant to the Master Licence Agreement which is fully refundable to Invictus should Invictus choose not to proceed with the purchase of the Licence for any reason;
- (c) on 17 August 2021, the Company announced that it proposes to acquire the entire issued and paid-up share capital of Invictus as an interested party transaction (“**Invictus Acquisition**”);
- (d) on 24 August 2021, the Company issued a circular to its shareholders (“**Shareholders**”) for the Invictus Acquisition, on the basis that Invictus’s completion of the acquisition of the Licence will constitute a separate “interested person transaction” under Chapter 9 of the Catalist Rules and will be subject to the approval of Shareholders under Rule 906 of the Catalist Rules;
- (e) on 8 September 2021, shareholders of the Company approved the Invictus Acquisition, which was completed on 9 September 2021;
- (f) on 30 September 2021 and 1 October 2021, Invictus entered into addendums (“**Addendums**”) to the Master Licence Agreements to pay an additional deposit of S\$600,000 (“**Additional Deposit**”) to ERCI in order to extend the deadline on the payment for the Licence Fee, and the Additional Deposit was paid to ERCI on 6 October 2021;
- (g) on 18 November 2021, the Company announced that it will be seeking shareholders’ approval for the proposed acquisition of the Licence from ERCI and as an “interested person transaction” under Chapter 9 of the Catalist Rules (“**Proposed Licence Acquisition**”). In addition, as the Company paid the Additional Deposit on 6 October 2021 without obtaining prior shareholders’ approval, the Company will also seek shareholders’ approval to ratify the entry into the Addendums by the Company.

Further information relating to the Proposed Licence Acquisition as an interested person transaction are provided in paragraph 10 of the Company’s announcement dated 18 November 2021.

\$0.51 million refundable deposit paid to Jobforesight for a potential acquisition.

The refundable deposit of S\$0.51 million was paid to Jobforesight in four (4) tranches between May 2021 to December 2021 pursuant to a memorandum of understanding (“**Jobforesight MOU**”) dated 10 May 2021 entered into between Zionext Pte. Ltd. (“**ZioNext**”) and Jobforesight as well as addendums thereto. The Company announced on 17 June 2021, that the Jobforesight MOU was for the acquisition of Jobforesight, which has developed a cloud-based application “Careershe”, an academic learning & career platform which the Group intends to integrate into its own platforms to expand the Group’s service offerings.

Loan receivable of S\$0.11 million from Jobforesight.

In September of 2020 (i.e. prior to the acquisition of Invictus by the Company), Invictus had provided a S\$110,000 loan to Jobforesight to increase its chances (i.e. to obtain preference from the owners of Jobforesight) of either acquiring Jobforesight or to purchase its key product, “Careershe”.

The provision of this loan played a key part to the subsequent entry by the ZioNext into the Jobforesight MOU.

1d: Aging of the Group's trade receivables, and actions taken to recover the past due receivables.

Company's Response:

As at 31 December 2021, the aging of the Group's trade receivables (under ZioNext which save as disclosed in the following paragraph, are receivable from third parties, which includes government agencies) consist of S\$2.26 million below 90 days and S\$0.377 million more than 90 days (consisting of two (2) debtors with outstanding amounts of S\$374,500 and S\$2,448 respectively) ("**Aged Receivables**").

ERCI, a company wholly-owned by DiDi Investments Inc (a controlling shareholder of the Company), is a debtor for S\$374,500 owed to the Group as part of the Aged Receivables. The Company has taken steps to recover this amount, which will be elaborated upon in the Company's response to question 1e below.

Apart from sending monthly statement accounts to customers, which are part of the Company's normal operating procedures, the Company has currently not taken any steps to recover its trade receivables which are not past 90 days due.

1e: Has the Board assessed if there are recoverability issues?

Company's Response:

The Board has assessed that there may be recoverability issues on the Company's trade receivables of S\$374,500 due from ERCI, which will be elaborated upon below. For additional context, there is also currently a refundable deposit paid by the Group to ERCI of S\$1.1 million ("**ERCI Deposit**") as set out in the responses to question 1c above. The total amount recoverable from ERCI would be S\$1,474,500 ("**ERCI Recoverable Amount**"). The Board will therefore assess the recoverability of the entire ERCI Recoverable Amount as a whole.

Based on the information of ERCI's financial position available to the Board, ERCI would be able to repay its S\$374,500 outstanding trade receivables to the Group by 30 June 2022 and the S\$1.1 million ERCI Deposit by 31 December 2022 (if so demanded), by relying solely on its operating net cash inflows. Should ERCI be able to obtain additional financing from a financial institution, repayments to the Company may be made on an earlier date. Mr. Daiji Yamada, the executive director of the Company, will be seeking an appointment as a director of ERCI to ensure that the cash flows of ERCI are proper, and repayments are made to the Company periodically and in a timely fashion.

Save as set out above, and to the best of the Board's knowledge, there are no recoverability issues on any other portion of its trade receivables and its deposits.

2.2 Question 2: Revenue for FY2021 amounted to S\$9.75 million and was solely contributed by the Digital Transformation in Learning and Education ("DTLE") business segment.

- Please provide details on the revenue streams and the Group's revenue recognition for the DTLE business segment.

Company's Response:

Under the Company's accounting policies and in accordance with Singapore Financial Reporting Standards, revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by delivering a promised good or service to the customer, that is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The revenue streams are set out as follows:

1. Digital learning services

These relate to development of specific contents over a short-term period for clients which may be recognized at point in time or over time when services are completed and accepted by customers.

2. Managed services

These relate to supply of labour related services which are recognized over time, i.e. over the contractual period of services

3. Technology services

These relate to software development services which are recognized at over time upon completion of each performance obligation and acceptance by customer. The value of revenue recognized for each performance obligation is determined based on management's assessment of effort in completion of various task in each performance obligation.

2.3 Question 3: The Group recorded trade and other payables of approximately S\$7.07 million as at 31 Dec 2021, of which S\$5.27 million relates to "Other Payables to non-related parties" and S\$1.66 million relates to "Accrued Operating Expenses".

3a: Please provide further breakdown and explain the nature of "Other Payables" and why these were incurred.

Company's Response:

The Group's "Other Payables to non-related parties" of S\$5.27 million comprises the following:

- (a) S\$3.22 million in legal and professional fees incurred by the Company for completed and ongoing corporate actions including the proposed acquisitions and restructuring of the Group's business and on-going corporate related professional expenses;
- (b) S\$1.90 million in balance consideration payable to Kydon Holdings Pte. Ltd. ("**Kydon Holdings**") pursuant to the Group's acquisition of ZioNext, and
- (c) S\$0.15 million for goods and services tax payables.

3b: Please explain the nature of the "Accrued Operating Expenses" and why is there a need to accrue such expenses.

Company's Response:

The item titled "Accrued Operating Expenses" of S\$1.66 million comprises the following:

- (a) accruals for salaries in the month of December 2021 of S\$0.55 million;
- (b) subcontractor, project related cost and professional fees for services performed for FY2021 but have not yet been invoiced of S\$0.77 million; and
- (c) interest payable for FY2021 of S\$0.34 million.

Accruals for salaries, subcontractor costs, project related costs and professional fees are costs incurred in the ordinary course of business and are recorded as operations expenses.

Interest payable of S\$0.34 million relate to:

- (A) accrued interest of S\$0.11 million pursuant to the writ of summons issued by PPCF on 1 March 2022; and

- (B) accrued distributions of S\$0.23 million on perpetual securities issued by the Company to CES Oil Services Pte. Ltd. on 6 March 2019 pursuant to the Company's previous restructuring of its oil and gas assets completed on 31 May 2019.

2.4 Question 4: The proposed acquisition of an exclusive perpetual territorial license (the "License") from ERC Institute Pte. Ltd. has been postponed, but the Company has paid additional deposit of S\$600K.

4a: Please provide the Company's rationale for paying the additional S\$600K deposit.

Company's Response:

The Company made the payment of the additional S\$600,000 deposit pursuant to addendums ("Addendums") entered into between ERCI and Invictus in order to extend the payment deadline for the payment on the Licence Fee until such time when shareholders' approval was obtained for the acquisition of the Licence, as well as for the waiver of payment obligations of Invictus under the Master Licence Agreement.

As the Company paid the Additional Deposit on 6 October 2021 without obtaining prior shareholders' approval, the Company announced on 18 November 2021 that it also seeking shareholders' approval to ratify the entry into the Addendums by the Company.

4b: Please clarify if the License is essential for Invictus Academy Inc to conduct its academy courses in Singapore.

Company's Response:

The Board would like to clarify that the Group's businesses in Singapore are conducted through ZioNext, and there are currently no plans for Invictus to conduct any academy courses in Singapore.

The Licence is however essential for Invictus to commence the provision of education services to customers (i.e. students and schools) in the Japanese education market, in accordance with its vision and strategy, which will allow Invictus to provide a unique value proposition in the Japanese education market.

4c: Has the Company obtained all the licenses required for Invictus Academy Inc. to operate its business?

Company's Response:

Save for the Licence, Invictus has obtained all necessary business licenses, registration, approvals to conduct its businesses in Japan according to the Group's business plan.

4d: The Company obtained shareholders' approval and completed the acquisition of Invictus Academy (formerly known as Didi Academy) in September 2021. What is the impact of the delayed acquisition of the License on the Company's plans for Invictus Academy? What happens if the acquisition of the Licence does not materialise? Is the acquisition of the Licence a condition precedent to the acquisition of Invictus Academy? Has Invictus Academy commenced operations and has the Group recorded any revenue from Invictus?

Company's Response:

The delay in the acquisition of the Licence has impacted the Group's plans to commence operations in Japan and delayed the Group's planned official opening of Invictus's online school from April of 2022 to September of 2022.

If the acquisition of Licence does not materialise, Invictus would not be able to commence its operations in Japan as planned.

The acquisition of the Licence is not a condition precedent to the acquisition of Invictus. The Company's rationale for acquiring Invictus is further elaborated upon in the Company's circular dated 24 August 2021 in relation to the Company's acquisition of Invictus.

Invictus has not commenced operations and the Group has not recorded any revenue from Invictus. However, Invictus has been in negotiation with various education institutions in Japan to form alliances and partnerships to expand the Group's channels for delivering programs under the Licence. Invictus has also been working on the opening of its main campus as well as its satellite campuses across Japan, and is customizing its own programs to be integrated with the licensed programs from ERCI for the enterprise market.

2.5 Question 5: Please provide updates on the Group's operations in (a) Kydon; (b) Invictus and (c) any other projects / initiatives which the Company had previously announced.

Company's Response:

The Company would like to clarify that ZioNext (previously known as Kydon Learning Systems Institute Pte. Ltd.) is the operating subsidiary of the Company.

Save as previously announced, the Group has no other updates in relation to its operations in ZioNext, and Invictus and any other projects / initiatives which the Company has previously announced. A summary of the updates previously announced by the Company is set out below:

- (i) the Company had announced on 18 June 2021 that ZioNext had entered into a memorandum of understanding for a proposed investment in JobForesight, a Singapore-based company which has developed a cloud-based application "Careershe" that offers an academic & career planning platform that is targeted at the Chinese market; and
- (ii) the Company had announced on 26 August 2021 and 1 September 2021 that ZioNext had entered into a memorandum of understanding with the Ministry of Higher and Secondary-Specialized Education of the Republic of Uzbekistan for the development and implementation of the next generation ubiquitous learning platform for a new University in Uzbekistan, the Ansaro University of Uzbekistan.

BY ORDER OF THE BOARD
ALPHA DX GROUP LIMITED

Tan Wee Sin
Company Secretary
14 March 2022

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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