

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 21 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 and 3 March 2022, in relation to SGX queries ("**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: When the Company acquired ZioNext, ZioNext had an outstanding loan of S\$3.0 million owed to UOB Bank (the "Loan"). In the interests of completing the acquisition of ZioNext, Kydon Holdings Pte. Ltd. had, pursuant to a letter dated 13 November 2020, agreed to provide the Company with full cooperation to obtain consents, approvals, waivers and/or notifications from the Bank and assist, if necessary, to replace the Loan with similar financial facilities with alternative financial institutions subsequent to the completion of the acquisition of ZioNext. The Loan was subsequently been recalled by UOB on 29 July 2021 for S\$2 million and 15 September 2021 for the remaining of S\$0.9 million. As such, the Company provided ZioNext with cash injection of S\$3.16 million on 29 July 2021, 15 September 2021 and 10 December 2021 by way of advances, which enabled ZioNext to bid for a government tender on 10 March of 2022.

1a: At the point of seeking shareholders' approval to acquire ZioNext (formerly known as Kydon Learning Systems Institute Pte. Ltd.) in September 2020, did the Company disclose that ZioNext had the outstanding S\$3.0 million Loan with UOB?

Company's Response:

Yes, the Company had disclosed in its circular to shareholders 24 September 2020 that it was a condition precedent that there shall be delivery to the Company of written consents, approvals, waivers from the counterparties in respect of any agreements entered into by Kydon Holdings, ZioNext or any of its subsidiaries to the effect that the counterparties consent to the transactions under the sale and purchase agreement and agree not to exercise any right of termination arising by reason of such transactions. The loan agreement between ZioNext and the Bank was identified as one such agreement where written consents, approvals, waivers from the counterparties were required ("**Condition**").

The Company subsequently announced on 22 January 2021 that the Condition was waived by the Company as the Board understood then that the Bank will not be able to provide the written consents, approvals, waivers and/or notifications required prior to the Completion. However, the Vendor has agreed via a letter dated 13 November 2020 to the Company to provide full cooperation to obtain such consents, approvals, waivers and/or notifications from the Bank and assist, if necessary, to replace the current temporary bridging loan with similar financial facilities with alternate financial institutions subsequent to the completion of the acquisition of ZioNext.

1b: Please elaborate on why it was necessary to “replace the Loan with similar financial facilities with alternative financial institutions subsequent to the completion of the acquisition of ZioNext”.

Company’s Response:

ZioNext was unable to obtain the necessary consents and/or approvals for its existing banking facilities following its acquisition by the Company, and ZioNext relies on banking facilities to sustain its operational cashflows. Accordingly its operations will be affected without a replacement of banking facilities. Also, the net proceeds raised through the convertible loan from DiDi were not originally intended to be used to satisfy ZioNext’s operational cashflow requirements.

1c: What due diligence was performed by the Board prior to the acquisition of ZioNext? How was the Board satisfied with the viability, business proposition and financial position, amongst others, of ZioNext? Did the Board take into consideration the S\$3 million Loan which ZioNext had taken up with UOB Bank, when the Company was negotiating on the acquisition of ZioNext? Did the Board consider the possibility of the Loan being recalled by UOB and the need for the Company to provide ZioNext with cash injection?

Company’s Response:

The Company had performed financial, tax and legal due diligence on ZioNext prior to its acquisition, and has engaged a financial advisor to advise on the transaction. Based on the findings of the due diligence conducted by the Company, the Board was satisfied with the viability, business proposition and financial position of ZioNext.

The Board had taken into consideration the findings in its due diligence reports (which covered the loan from the Bank) and imposed relevant conditions to the acquisition of ZioNext in the sale and purchase agreement, which included a condition that written consents, approvals, waivers and/or notifications were required to be obtained by ZioNext in relation to the S\$3 million loan which ZioNext had taken up with the Bank .

The Board had considered the possibility of the Loan being recalled by the Bank and assessed that the subsequent inability of ZioNext to secure alternative financial facilities was remote, given that the Board had expected that approvals for the Loan would either be granted or that ZioNext would be able to secure alternative banking facilities given that ZioNext was able to obtain the loan previously and that ZioNext was a profit-making business.

1d: Why didn’t the Company announce the recall of Loan in July 2021? Why did UOB recall the Loan?

Company’s Response:

The Company assessed that the recall of the Loan was not material for disclosure to its shareholders as the Company was able to inject the necessary funds into ZioNext on 29 July 2021, 15 September 2021 and on 10 December 2021 to maintain its business operations. Additionally, the Company had also expected ZioNext to secure alternative financial facilities with other financial institutions in the short term.

The Bank recalled the Loan as ZioNext was ultimately not able to satisfy the Bank that it had an ultimate shareholding of 30% from local shareholders.

1e: Did the Company announce its cash injection of S\$3.16 million into ZioNext?

Company’s Response:

The Company had disclosed on page 45 of the unaudited condensed interim financial statements for the third quarter and nine months ended 30 September 2021 and page 48 of the unaudited condensed interim financial statements for the fourth quarter and financial year end 31 December 2021, that during

FY2021, the Company had made an injection of capital to a subsidiary corporation of S\$3,160,000 (which was made on 29 July 2021, 15 September 2021 and on 10 December 2021).

2.2 Question 2: “Despite the best efforts of the Group, ZioNext was unable to secure any alternative financial facilities for the Loan (which for the avoidance of doubt, was not due to the financial health of ZioNext or for commercial reasons), which was confirmed by the month of November 2021 when it had received rejections from the local banks and financial institutions, which was an unexpected event for the Group, and which resulted in its inability to meet its short-term liabilities and its inability to repay all its creditors.”

2a: Please elaborate on why ZioNext was unable to secure any alternative financial facilities, if it was not due to financial health of ZioNext nor due to commercial reasons.

Company’s Response:

The local banks required ZioNext to show that it had an ultimate shareholding of at least 30% from local shareholders, and the Group was working with the local banks to show that it had at least 30% ultimate shareholding ownership from local shareholders. The Group was ultimately unable to show sufficient proof of this to the local banks as a portion of the shares of the Company were held in nominee accounts.

After the loan from the Bank was recalled, ZioNext was exploring other options to obtain funding from other lending institutions. The discussions with the lending institutions were initially smooth and ZioNext believed that it would be able to obtain a loan, but it was informed by the lending institutions in the month of November 2021 that they required security for a loan. As the Group had no qualifying assets (such as Singapore-based properties) to be put up as security to the lending institutions, the ZioNext’s request for loan was rejected in the same month.

2b: Why did the Company not announce its inability to meet its short-term liabilities and inability to repay all its creditors in Nov 2021?

Company’s Response:

Notwithstanding the injection of funds by the Company into ZioNext, the Company still had sufficient short-term assets to meet its short-term liabilities in November 2021.

Furthermore, the Company had managed to reach an in-principle agreement to convert S\$0.9 million of its liabilities into shares of the Company, and the Company had plans to raise further funds in the near-term should there be positive outcomes from the discussions between Group and the Ministry of Higher and Secondary-Specialized Education of the Republic of Uzbekistan in relation to a memorandum of understanding between the two parties for the development and implementation of a next generation ubiquitous learning platform and university in Uzbekistan.

2c: Does this contradict with the Board’s assessment and confirmation (in its responses to SGX Queries on 2 March 2022) that the Group was able to continue as a going concern?

Company’s Response:

No, this does not contradict with the Board’s assessment and confirmation (in its responses to SGX’s queries on 2 March 2022) that the Group was able to continue as a going concern, as the Board assessed the Company to be a going concern on both November 2021 and 2 March 2022.

However, the circumstances facing the Company has materially changed after the 2 March 2022 Announcement, as the Company has received a statutory demand on 4 March 2022, which led to the application by the Company to the courts of Singapore for the Moratorium on 9 March 2022 as a short-term measure in order to allow the Company time to resolve its cash flow issues. The Board assessed that the statutory demand on 4 March 2022 could cause a cascading effect on the other creditors of the Company demanding immediate repayment on all their debts.

In making this assessment, the Board also took into consideration the progress of the Company's negotiations with its creditors, which have either not yielded desired outcomes or have deteriorated since the receipt of the statutory demand from Kydon Holdings on 4 March 2022. The Board has therefore made a revised going concern assessment of the Company as a result of the events that happened after the 2 March 2022 Announcement.

2d: What were the reasons provided from the local banks and financial institutions for the loan rejections?

Company's Response:

Please refer to the Company's responses to 2a.

2e: If by November 2021, it was clear that ZioNext was unable to meet its short-term liabilities, resulting in the need for the Company to inject cash of more than S\$3m into ZioNext, why did the Board confirm that the Alpha Group is able to continue as a going concern in its responses to SGX Queries published on 2 Mar 2022?

Company's Response:

Please refer to the Company's responses to 2b and 2c.

2.3 Question 3: In the Company's responses to SGX Queries published on 2 Mar 2022, the Board opined that trading in the Company's shares should not be suspended pursuant to Catalist Rule 1303(3) – ie, going concern. On the same day (2 Mar 2022), the Company announced its unaudited full year financial statements for FY2021, which was prepared on a going concern basis. However, on 7 March 2022, the Company requested for a trading halt, which was converted to a trading suspension on 11 March 2022 following further queries by SGX RegCo. It was subsequently disclosed that the Company had, on 9 Mar 2022, made an application to the Singapore Court for a statutory moratorium as a short-term measure in order to allow the Company time to resolve its cash flow issues.

3a: Please explain in detail why the Board did not assess going concern to be an issue and had not suspended trading earlier.

Company's Response:

The receipt of the statutory demand on 4 March 2022 from Kydon Holdings had materially altered the outlook of the Board in its going concern assessment of the Company. Please refer to the Company's responses to 2b and 2c.

2.4 Question 4: It is stated in the Company's announcement of 14 March 2022, that the Company may obtain more than S\$5 million by, amongst others, recall deposits and loans, sell investment property and rely on future cash flows from continuing operations ("2022 Cash Inflows").

4a: Please elaborate on the nature and status of each of these potential 2022 Cash Inflows.

Company's Response:

(a) *\$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 ("MOU") dated 10 May 2021 entered into between ZioNext and Jobforesight as well as addendums thereto. The Company announced on 18 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.

(b) *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 get 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.

(c) *S\$1.10 million refundable deposit paid to ERCI*

The Company made the payment of the additional S\$600,000 deposit pursuant to 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.

(d) *Investment property owned by Invictus*

The investment property ("**Property**") is located in Tokojimachi, Kofu-city, Yamanashi, and was owned by Invictus prior to its acquisition by the Company.

(e) *Future cash flows from its continuing operations (with short-term receivables of approximately S\$2.6 million as at 31 January 2022)*

The Group currently has short-term receivables of S\$2.6 million, which are incurred in the ordinary course of business.

(f) *Status of the 2022 Cash Inflows*

The Group has reached out to Jobforesight and ERCI to inform them that the Company may potentially recall the deposits and loans provided to them. The Group is also considering listing the Property for sale.

The Company is currently planning its cash flows and will make a decision once there is more clarity on the financial support to be provided by DiDi pursuant to the undertaking as well as on its negotiations with its creditors.

2.5 Question 5: "Pursuant to discussions with DiDi commencing on 4 March 2022, the Board understands that DiDi may not have the cash on hand to provide an immediate cash injection into the Company." As part of the Company's trading resumption plans (as announced on 28 Dec 2020), an undertaking from DiDi was obtained to provide continuing financial support to the Group for at least 12 months following resumption of trading, so as to enable the Company to execute its business plans, remain a going concern and repay its debts as and when they fall due. The Company resumed trading in June 2021.

5a: In view of the significance of Didi's undertaking to the Group, what due diligence did the Company and Board perform, in or around Dec 2020 and June 2021, to verify Didi's ability to fulfil its undertaking?

Company's Response:

While the Board did not conduct any formal due diligence on DiDi, the Board was satisfied that DiDi had the capability to provide financial assistance to the Group given the strong reputations of both owners of DiDi (both of whom are principals of Yamanashi Gakuin School Group ("YGUG")), the size of YGUG

and their strong connection to various financial institutions including Yamanashi Chuo Bank and Mizuho Financials.

5b: Please clarify what has changed since Dec 2020, including the financial position of DiDi.

Company's Response:

The Company has no detailed information on the financial position of DiDi and are not able to comment on this matter.

5c: Mr Yoshiyasu Naruse is a director cum controlling shareholder of Didi. He is also the Chairman and non-executive director of Alpha. Why was the Company not aware of the change in DiDi's financial support position and why was this not announced? What did the Board do to assess how such change in Didi's financial support position would affect the Group's ability to operate as a going concern?

Company's Response:

To the best of the Board's and the Company's knowledge, there has been no change in DiDi's position to provide financial support to the Company. The Company and DiDi are evaluating all channels and options available to DiDi at this point of time, as well as a concrete timetable for the provision of financial support. The Company will update its shareholders in due course on the outcome of its discussions with DiDi.

However, if DiDi could not support the Company financially in timely fashion, the Board is of the view that the Company is not able to continue operating on a going concern basis unless it is able to enter into satisfactory settlement arrangements with its creditors in respect of its current liabilities and secure further capital injections into the Group from other parties. The Board's assessment is contained in paragraph 3b of Company's announcement 14 March 2022 in its responses to SGX's queries dated 2 March 2022, which takes into account the 2022 Cash Inflows and the Group's estimated cash outflows by 31 December 2022.

2.6 Question 6: On 30 September 2021 and 1 October 2021, Invictus entered into 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.

6a: Why did the Company enter into the addendums and pay such Additional Deposit when there were still outstanding amounts due from ERCI to the Company, and when the Company was aware of its depleting cash reserves at that point in time (given the recall of loan from bank to ZioNext, inability to secure other financial facilities, the Company's cash injection into ZioNext, payment of \$2m consideration for acquisition of Invictus, balance of \$1.9m consideration for acquisition of ZioNext which was due in Aug 2021, amongst other payment obligations) ?

Company's Response:

After the loan from the Bank was recalled, ZioNext was exploring other options to obtain funding from other lending institutions. The discussions with the lending institutions were initially smooth and the Group expected ZioNext to be able to secure a loan, but it was not until the month of November 2021 that ZioNext was informed by the lending institutions that they required security for a loan. As such, when the Additional Deposit was paid in October 2021, the Group believed that it would have sufficient cash flows.

The Licence from ERCI was also a crucial element in the Group's provision of services to a potential joint project in Uzbekistan, and it was therefore important for the Group to extend the payment deadline on the Licence Fee. Should the Group successfully reach an agreement with the potential partners in Uzbekistan on developing and implementing a new learning platform and university in Uzbekistan, the Company would be in a position to obtain further investments from other investors.

6b: ERCI is a company wholly owned by Didi (a controlling shareholder of the Company, which also undertook to provide financial support to the Group to meet its debts as and when they fall due). Can the Board explain why it is in the interest of Alpha and its minority shareholders to pay a total of \$1.1m deposit to ERCI, when Alpha was facing tight cashflows and Didi had been unable to fulfil its obligation to provide financial support to Alpha.

Company's Response:

The purpose for paying the Additional Deposit was to extend the payment deadline on the Licence Fee. Given that the Licence was a crucial element in the Group's provision of services to a potential joint project with the government of Uzbekistan (which is further explained in the Company's response to 6a) as well as to its expansion plans in the Japanese Market, the Board believes that it was in the best interest of the Company to pay the Additional Deposit.

With regard to DiDi's undertaking to provide financial support to the Company, a formal request to DiDi for their financial support was only made to DiDi on 4 March 2022, and the Company is still in discussions with DiDi on all channels and options available to DiDi at this point of time, as well as a concrete timetable for the provision of financial support to the Company.

6c: What is the status of the Master Licence Agreement with Invictus, and the expansion plans into overseas markets via the exclusive perpetual territorial license?

Company's Response:

The Company has engaged an independent valuer for a valuation on the Licence to prepare an independent opinion in preparation for an extraordinary general meeting of the Company to approve the acquisition of the Licence. However, this transaction, as well as the Group's expansion plans into overseas markets, is now put on hold as the Company is focused on the immediate concerns facing the Company, which includes obtaining financial support from DiDi pursuant to the undertaking, appointing new independent directors, and negotiating with its creditors as well as securing a new continuing sponsor.

6d: Why did the Company proceed to pay the S\$600K Additional Deposit to ERCI without seeking shareholders' approval in accordance with Catalist Rule 906?

Company's Response:

While the extension on the deadline on the Licence Fee was important to the Company, the Company recognized after the transaction that it was an interested person transaction and that it should not have paid the Additional Deposit without seeking shareholders' approval in accordance with Catalist Rule 906. The Company announced on 18 November 2021 that it will be convening an extraordinary general meeting to seek Shareholders' approval for a proposed acquisition of the Licence and ratification for payment of the Additional Deposit, and announced at page 46 of its unaudited condensed interim financial statements for the fourth quarter and financial year ended 31 December 2021 that the Company is currently in the process of finalizing the preparation of the circular for the extraordinary general meeting to be conducted in respect of this matter.

2.7 Question 7: The Company acquired Invictus Academy (formerly known as Didi Academy) in Sept 2021 to expand its customer base into the Japanese education market. If the acquisition of the Licence does not materialise, Invictus would not be able to commence its operations in Japan as planned. On 28 January 2022, the Company announced that Invictus and ERCI have mutually agreed in writing to extend the deadline in the Master License Agreement and Additional Deposit from 31 January 2022 to 31 March 2022.

7a: Why was the proposed acquisition of the License delayed?

Company's Response:

Following the confirmation from ZioNext that it was unable to secure alternative financial facilities in November 2021, the Company had to focus its attention on other pressing matters concerning the

Group, which includes its negotiations with creditors and to finalise a project execution agreement with the Government of Uzbekistan for the proposed joint projects which has been the critical milestone and the condition for the proposed investments arranged by DiDi. The Company was also keen to reserve its cash reserves as much as possible until it is able to complete the investments in the Company arranged by DiDi. Furthermore, given that the deadline to complete the acquisition of the Licence has been extended to 31 March 2022 and in light of the aforementioned developments, the Company believed that a slight delay to the acquisition of the Licence was acceptable in the circumstances.

7b: Please provide updates on the acquisition of License and whether the extended deadline of 31 March 2022 can be met.

Company's Response:

In the wake of the recent events, the Company will have to negotiate with ERCI on a further extension on the payment of Licence Fees or a revision to the Master Licence Agreement. The Company is currently negotiating with the management team of ERCI to amend the terms of the Master Licence Agreement so as to allow the transaction to be completed on a later date.

7c: In the event that the acquisition of the Licence does not materialize and Invictus is unable to commence operations, what is the Company's plans and the impact on the Group's financials?

Company's Response:

If the acquisition of the Licence does not complete, the Group will have to halt its expansion plans into the Japanese education market. This will also force the Company to renegotiate the scope of its involvement in potential joint projects in Uzbekistan, and it is possible that such changes may not be accepted by the Group's potential partners. However, there would be no material impact on the Group's current financials.

7d: What due diligence did the Board perform prior to acquisition of Invictus?

Company's Response:

The Board engaged Cushman & Wakefield VHS Pte. Ltd. to conduct an independent valuation of Invictus as disclosed in the circular dated 24 August 2021.

2.8 Question 8: The Board assess that there may be recoverability issues on the Company's trade receivables of S\$374,500 and refundable deposits of S\$1.1m due from ERCI.

8a: What do the trade receivables pertain to?

Company's Response:

The trade receivables relates to the invoices issued by ZioNext in the month of December 2020 (i.e. prior to the Company's acquisition of ZioNext) for implementation and development projects.

8b: Why is there recoverability issue?

Company's Response:

The Board understands that ERCI does not have the cash flows to repay the ERCI Recoverable Amount immediately, and will require time to do so. The Company further understands that ERCI is arranging for short term financing arrangements to repay its trade payables to ZioNext. Please refer to the Company's response to question 1e in its announcement dated 14 March 2022 in relation to SGX's queries dated 3 March 2022.

2.9 Question 9: In June 2021, the Company announced that ZioNext entered into MOU for proposed investment in JobForesight. In Aug and Sept 2021, the Company announced that ZioNext had entered into MOU with Mistry of Higher and Secondary Specialised Education of the Republic of Uzbekistan.

9a: Please provide status updates of these MOUs.

Company's Response:

ZioNext has informed Jobforesight that it may seek to recover its deposits and to cancel the Jobforesight MOU. Save as previously announced, the Company has no other updates on its memorandum of understanding with the Ministry of Higher and Secondary-Specialised Education of the Republic of Uzbekistan.

BY ORDER OF THE BOARD
ALPHA DX GROUP LIMITED

Daiji Yamada
Executive Director and Chief Executive Officer
24 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.*

The contact person for the Sponsor is Ms. Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.