BM MOBILITY LTD.

(Company Registration No. 200800853Z)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON:
(A) UPDATE ON VARIANCES BETWEEN THE UNAUDITED FULL YEAR FINANCIAL RESULTS ANNOUNCEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019; AND
(B) DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019.

The Board of Directors (the "**Board**") of BM Mobility Ltd. (the "**Company**") wish to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 29 July 2019 (each, a "**SGX's Query**") as follows:

SGX's Query:

1. In the auditors' disclaimer of opinion for FY 2019, the auditors stated that 'During the audit, we have not been provided with access to the accounting and other records of the entities that comprised the Disposal Group. Accordingly, we were unable to perform the necessary audit procedures, nor were we able to perform alternative audit procedures, on the opening balances…[and] obtain sufficient appropriate evidence in relation to the loss on discontinued operations of the Disposal Group…'

a. Please explain why the auditors were not given access when the sale of the Disposal Group has not been completed, in light of the Purchaser's non-payment of the full consideration amount, disclosed on 20 June 2019, 24 June 2019 and 15 July 2019.

Company's Response:

1 a. As a consequence of the Proposed Disposal as set out in the Company's Circular to Shareholders dated 12 April 2019, management has used the unaudited management accounts of the Disposal Group as at 31 March 2019 to prepare the consolidated financial statements of the Group for the financial period from 1 January 2018 to 31 March 2019.

The Proposed Disposal had been approved by the Company's shareholders in an extraordinary general meeting held on 29 April 2019.

The Disposal Group has ceased operations since 1 January 2018 and all personnel of the Disposal Group had left including the accounting staff. Under such circumstances, the underlying accounting and other records in relation to the unaudited management accounts of the Disposal Group for the aforesaid financial period had not been maintained by the previous management for the purposes of audit.

Notwithstanding this, management had obtained all the bank statements relating to the Disposal Group for the 15 months period from 1 January 2018 to 31 March 2019 and all bank transactions had been accordingly recorded as expenses of the Disposal Group during the financial period ended 31 March 2019 (refer to 5 a). All bank accounts relating to the Disposal Group had been closed as at 31 March 2019.

As for the alternative audit procedures in relation to the review of opening balances, the auditors had not been granted access to the former auditors' audit working papers as the former auditors has no reciprocal agreement per their firm's policy.

SGX's Query:

2. The auditors were also "unable to obtain sufficient appropriate audit evidence to satisfy [themselves] on the reasonableness of the key assumptions and inputs used in the determination of the recoverable amounts of the Group's goodwill and intangible assets."

a. Please explain what these "appropriate audit evidence" refers to and why the auditors were not able to obtain them;

Company's Response:

2 a. Management has performed the impairment test on the Group's goodwill and intangible assets and determined the recoverable amounts of the goodwill and intangible assets based on value in use calculations of the allocated cash generating units (CGUs). Value in use calculations is based on the discounted cash flow forecast of the allocated CGUs, the preparation of which requires management to make assumptions and estimations in the underlying projected cash flows, including historical growth rates and discount rates used. Part of the assumptions involved fund raising, and there no assurance that the fund can be successfully raised. Therefore, there were no conclusive evidence to support.

SGX's Query:

2 b. Please set out what are the key assumptions used by the Company in arriving at the book value of the Group's goodwill and intangible assets;

Company's Response:

2 b. The key assumptions used by the Company for the value in use calculations in the impairment test are as follows:

Growth rates – 30% to 109%
Discount rates – 13.73%

SGX's Query:

2 c. In respect of paragraph 6 of the Auditors' Opinion, please explain the basis for the Board's assessment that the recoverable amounts exceeded the carrying amounts of the Goodwill and Intangible Assets.

Company's Response:

2 c. Based on the value in use calculations, the recoverable amounts of the goodwill and intangible assets were determined to be in excess of their carrying amounts. Accordingly, management has determined that no impairment is required for the Group's goodwill and intangible assets.

SGX's Query:

2 d. Please quantify and explain how the impairment is independently tested. To substantiate with data how the recoverable amounts exceeded the carrying amounts.

Company's Response:

2 d. The recoverable amounts have been determined based on value in use calculations using projected cash flows from financial budgets prepared by management covering a five-year period. The discount rate was applied to the projected cash flows to determine the recoverable amount.

The value in use calculations are most sensitive to the following key assumptions:

(i) Growth rates – the growth rates used were based on the projected increase in ridership through the introduction of the Group's e-bike sharing services to more universities in Malaysia and the expansion of the Group's e-vehicle charging services through installation of more charging stations throughout Beijing, PRC.

(ii) Discount rates – the discount rates used were based on the countries' ten-year government bond rate plus a risk premium representing management's assessment of the risks specific to the relevant industry.

Based on the value in use calculations, the recoverable amounts were determined to be in excess of the carrying amounts.

SGX's Query:

3. In trying to address the Company's ability to operate as a going concern, it was disclosed in the Extract of Note 3(b), that "… Management also believes that with the disposal of the Disposal Group subsequent to the financial period end, which will result in an estimated gain on disposal of approximately RMB 58.77 million (Note 31), the financial position of the Group will improve."

a. Please disclose how much funds will the Company receive from the gain on disposal of RMB 58.77 million;

Company's Response:

3 a. As set out in the Company's Circular to Shareholders dated 12 April 2019 in relation to the Proposed Disposal of the Disposal Group, the consideration for the Proposed Disposal was RMB 3.0 million.

SGX's Query:

3 b. Please disclose how the gain on disposal, which is a non-cash item, will enable the Company to operate as a going concern.

Company's Response:

3 b. The proceeds from the disposal of RMB 3 million will be used to settle some of the Company's current liabilities, which amount to RMB 5.9 million as at 31 March 2019.

The Company has been actively looking for new funding in the past several months. The Company is currently in the midst of finalising a share placement to raise approximately S$500,000 (RMB 2.5 million) as additional working capital for the Company for the next 12 months and to meet its obligations as and when they fall due. The Company has also taken certain cost cutting measures, the most significant of which is the cut of the Company's Executive Directors' salaries by 50% since May 2019.

SGX's Query:

4. It was stated in Note 5 of the Variances Announcement that "the net decrease in administrative expenses by RMB 6.8 million was mainly due to an adjustment of RMB 5.6million for erroneous transactions incurred within the **Disposal Group** to assets and liabilities directly related to disposal group held for sale".

a. Please disclose how the adjustment of RMB 5.6 million was discovered;

Company's Response:

4 a. The RMB 5.6 million relates to the initial allocation of certain costs of the Company recharged to the Disposal Group, namely Zhihe (Fujian) Technology Co., Ltd ("Zhihe Technology"), as management had spent significant time and resources in relation to the Proposed Disposal. However, the recharges were subsequently reversed by the Company (since it has no impact to the Group consolidation as Zhihe Technology is a wholly owned subsidiary of the Company) but not in Zhihe Technology's books. This was discovered through the reconciliation of inter-company balances and transactions on consolidation during the course of the Group audit.

SGX's Query:

4 b. Please disclose what is the 'adjustment' that had to be made, and how this resulted in a decrease in administrative expenses;

Company's Response:

4 b. The adjustment was made to reverse the Company's recharges in Zhihe Technology's books, for the reason stated in 4 a, as part of the reconciliation of inter-company balances and transactions on consolidation upon the completion of the Group audit.

SGX's Query:

4 c. To provide a breakdown and specify the nature of each erroneous transaction;

Company's Response:

4 c. The RMB 5.6 million mainly comprised RMB 5.3 administrative fees and RMB 0.3 million of other administrative expenses recharged by the Company to allocate certain costs of the Company to the Disposal Group as said in 4 a.

SGX's Query:

4 d. To disclose how did the errors occur and who are the parties to each erroneous transaction.

Company's Response:

4 d. Please refer to 4 a.

SGX's Query:

5. It was stated in Note 7 of the Variances Announcement, that the "loss from discontinued operations of RMB 1.3 million arose from the cost incurred for the Disposal Group reclassified from administrative expenses."

a. Please reconcile the loss of RMB 1.3 million to the Company's claims that the disposal would amount to a gain on disposal of the RMB 58.7 million.

Company's Response:

5 a. We wish to clarify that the loss from discontinued operations of RMB 1.3 million relates to expenses incurred by the Disposal Group during the financial period ended 31 March 2019.

The estimated gain on disposal of RMB 58.7 million is only recognised on completion of the Proposed Disposal. As announced by the Company on 18 June 2019, the Proposed Disposal is still in progress for the reasons set out in the said Company's announcement.

SGX's Query:

5 b. What is the nature of the costs associated with the RMB 1.3 million incurred;

Company's Response:

5 b. The expenses incurred by the Disposal Group during the financial period ended 31 March 2019 comprised the followings:

Property tax – RMB 1.1 million
Utilities and security guard expenses – RMB 0.2 million

SGX's Query:

5 c. When were these costs incurred, respectively;

Company's Response:

5 c. The said expenses were incurred for the properties held by the Disposal Group's in the PRC during the 15 months from 1 January 2018 to 31 March 2019.

SGX's Query:

5 d. Provide a breakdown on the costs incurred.

Company's Response:

5 d. Please refer to 5 b.

SGX's Query:

6 . It was stated in Note 10 of the Variances Announcement, that a "deferred tax asset of RMB 670,000 was de-recognised as at the date of acquisition of Wanted Marketing Communications Sdn. Bhd and its subsidiary as the fair value was determined as Nil based on the finalized purchase price allocation exercise performed for the said acquisition."

a. In an announcement dated 29 January 2018, the Company had disclosed that the consideration paid for Wanted Marketing was RM 850,000. The NTA was disclosed as RM 400,000. Please confirm that the deferred tax asset of RMB 670,000 was not included in the NTA disclosed.

Company's Response:

6 a. During the arm's length negotiations for the consideration paid for Wanted Marketing, the Group had considered amongst others the NTA of Wanted Marketing of RM 400,000. We confirmed that the NTA based on the unaudited management accounts of Wanted Marketing then did not include any deferred tax asset. Deferred tax asset is also not considered as a tangible asset for the purposes of determining NTA.

SGX's Query:

7. It was stated in Note 12 of the Variance Announcement that the RMB 45.7 million decrease in assets and liabilities related to Disposal Group classified as held for sale, was mainly due to:

a. "the netting off of balance of RMB 46 million within the Disposal Group."

SGX's Query:

7 a (i). Please disclose what is this sum of RMB 46 million that was 'net off';

Company's Response:

7 a (i). The sum of RMB 46 million relates to the amounts due from Quanzhou YiXiang Textile Co., Ltd recorded in Zhihe Technology's books and vice versa, which had not been eliminated on consolidation. As such, the said sum was netted off (ie fully eliminated on consolidation) upon the completion of the Group audit.

SGX's Query:

7 a (ii). To disclose what the 'balance' refers to; to disclose the nature of this balance of RMB 46 million;

Company's Response:

7 a (ii). As said in a. (i), the balance refers to inter-company balances eliminated on consolidation. The amounts are non-trade, unsecured, interest-free and repayable on demand in cash.

SGX's Query:

7 b (i). Please disclose what are these 'adjustments' that had to be made and why;

Company's Response:

7 b (i). Please see a. (i).

SGX's Query:

7 b (ii). To provide a breakdown of the amount of RMB 6.3 million;

Company's Response:

7 b (ii). The breakdown of RMB 6.3 million is as follows:

Administrative fees – RMB 5.3 million
Other administrative expenses – RMB 0.3 million
Other sales and distribution expenses – RMB 0.7 million

SGX's Query:

7 b (iii) . To specify the nature of each erroneous transaction and who discovered the errors;

Company's Response:

7 b (iii). The expenses set out in b. (ii) above relates to the recharges by the Company to Zhihe Technology as said in 4 a. The recharges were subsequently reversed by the Company but not in Zhihe Technology's books. This was discovered through the reconciliation of inter-company balances and transactions on consolidation during the course of the Group audit.

SGX's Query:

7 b (iv). To disclose who are the parties to each erroneous transaction;

Company's Response:

7 b (iv). The expenses were recharged to Zhihe Technology by the Company which, as said in b. (iii), were subsequently reversed.

SGX's Query:

7 b (v). To explain why the transactions are 'erroneous';

Company's Response:

7 b (v). As said in b. (iii), the recharges were subsequently reversed by the Company but not in Zhihe Technolgy's books, that gave rise to the error during the reconciliation of inter-company balances and transactions on consolidation during the course of the Group audit.

SGX's Query:

7 c. "adjustments for erroneous amounts of RMB 9 million wrongly accounted under the Disposal Group in relation to the Group's acquisitions occurred during the current reporting period"

(i). Please disclose what are these 'adjustments' that had to be made and why;

Company's Response:

7 c (i). We wish to clarify that the adjustments arose mainly from the reconciliation and full elimination of inter-company transactions and balances between the entities of the Disposal Group.

SGX's Query:

7 c (ii). To provide a breakdown of the amount of RMB 9 million;

Company's Response:

7 c (ii). The amount of RMB 9 million mainly relates to the difference arising from the elimination of inter-company balances between Zhihe Technology and Ziwo (Fujian) Import & Export Tradiing Co., Ltd, which are entities comprising the Disposal Group.

SGX's Query:

7c (iii). To specify the nature of each erroneous transaction and who discovered the errors;

Company's Response:

7c (iii). As said in 7 c. (ii), the amounts refer to inter-company balances eliminated on consolidation. The amounts are non-trade, unsecured, interest-free and repayable on demand in cash. This was discovered through the reconciliation of inter-company balances and transactions on consolidation during the course of the Group audit.

SGX's Query:

7 c (iv). To disclose who are the parties to each erroneous transaction;

Company's Response:

7 c (iv). Please refer to c. (ii).

SGX's Query:

7 c (v). To explain what the transactions are 'erroneous'.

Company's Response:

7 c (v). The inter-company balances had not been eliminated fully and therefore adjustment had been made to fully eliminate the inter-company balances on consolidation upon the completion of the Group audit.

SGX's Query:

8. It was stated in Note 13 of the Variance announcement, that the "decrease in reserves by RMB 2.3 million was mainly due to the adjustment for the exchange differences on translation recognised for the current reporting period."

a. Please explain how the adjustment arose;

Company's Response:

8 a. The decrease in reserves by RMB2.3 million mainly relates to the exchange translation reserve in equity. The adjustment was for the exchange differences on translation, arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency, recognised for the financial period ended 31 March 2019 after the audit of the Group entities has been completed.

SGX's Query:

8 b. Please explain why the exchange differences of RMB 2.3 million was so significant.

Company's Response:

8 b. The adjustment for the exchange differences of RMB 2.3 million mainly arose from formula error used during the translation, which gave rise to computational variances of the said amount.

SGX's Query:

9. The audited accounts resulted in a "decrease in investment in subsidiaries by RMB 5.9 million [which] was due to the impairment of investment in Estar Investments Pte. Ltd ('Estar') because of incurring losses from operations."

a. Please explain why the impairment of investment in Estar Investments of RMB 5.9 million was so significant;

Company's Response:

9 a. As at 31 March 2019, an impairment of RMB 5.9 million has been recognised for the Company's cost of investment in Estar, as the allocated group of cash generating units (CGUs), to which the investment relates to, had reported significant losses from operations during the financial period ended 31 March 2019. The recoverable amount was determined based on the fair value of the net tangible assets of the allocated CGUs, which in the management's judgement, approximated the recoverable amount of the investment.

SGX's Query:

9 b. Please explain why the Company did not deem it necessary to recognise the impairment in its FY 2019 results announcement.

Company's Response:

9 b. As said in 9 a, the recoverable amount was determined based on the fair value of the net tangible assets of the allocated CGUs. As such, management was not able to perform its impairment assessment with reasonable accuracy until after the audit of the Group entities are completed.

SGX's Query:

10. The audited accounts resulted in the decrease in 'other receivables' by RMB 10.9 million "[which] was due to the impairment of amounts due from subsidiaries as the relevant subsidiaries were incurring losses from operations and/ or are in negative equity as at the current reporting date."

a. Please disclose what is the nature of these 'other receivables' and identify which entities they are due from;

Company's Response:

10 a. These 'other receivables' relates to amounts due from subsidiaries which are non-trade in nature, unsecured, interest-free and repayable on demand in cash.

SGX's Query:

10 b. Provide the aging schedule of these other receivables in bands of 3 months (with upper limit of the longest due debt specified in bands of 3 months);

Company's Response:

10 b. As said in company' s response 10.a, these amounts are due from the subsidiaries and are repayable on demand.

SGX's Query:

10 c. Please explain why there relevant subsidiaries had incurred losses from operations.

Company's Response:

10 c. The relevant subsidiaries are under the Green Energy Business operating segment of the Group which posted a revenue of RMB 3.7 million during the financial period ended 31 March 2019. As the Group's Green Energy Business, namely e-bike sharing services, only commenced its operations from August 2018, the Group reported a gross loss of RMB 1.9 million, amongst others, due to higher amortisation and depreciation of the Group's intangible assets and property, plant and equipment for the 15 months from 1 January 2018 to 31 March 2019.

BY ORDER OF THE BOARD
BM MOBILITY LTD.

Tay Wee Kwang
Executive Director and Chief Executive Officer
1 August 2019