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## **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN AND DISCLOSURE IN RELATION TO THE EFFECTS OF THE CORONAVIRUS-19 PANDEMIC ON THE AUDITED FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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The Board of Directors (the “**Board**”) of Memories Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Nexia TS Public Accounting Corporation has, included a Material Uncertainty Related to Going Concern and Disclosure in relation to the Effects of the Coronavirus-19 Pandemic section in their report (the “**Independent Auditor’s Report**”) on the audited financial statement of the Group for the eighteen months financial period ended 30 September 2020 (“**FP2020**”) (the “**Audited Financial Statements**”).

The Independent Auditor’s Report and an extract of Note 3 from the notes to the Audited Financial Statements which sets out, *inter alia*, the bases for the Board’s opinion that the Group will be able to continue as a going concern, are annexed to this announcement for information purposes. The Independent Auditor’s Report and the Audited Financial Statements will form part of the Company’s Annual Report for FP2020 (the “**FP2020 Annual Report**”) which will be released to the shareholders of the Company in due course. Shareholders are advised to read the Audited Financial Statements and the FP2020 Annual Report in their entirety.

### **Relevant Extracts from the Independent Auditor’s Report on the Audit of the Financial Statements**

#### ***Material Uncertainty Related to Going Concern and Disclosure in Relation to the Effects of the Coronavirus-19 Pandemic (“Covid-19”)***

*We draw attention to Note 3 to the financial statements, which describes the economic consequences the Group is facing as a result of the Covid-19 which has caused a severe impact on tourism sector, the main business operations of the Group. The basis of the going concern assumption used by the Directors in the preparation of the consolidated financial statements of the Group for the financial period ended 30 September 2020 has taken into the considerations of the impact of Covid-19 pandemic.*

*With the evolving nature of the Covid-19 outbreak situation, extended travel restrictions and curfews were being imposed by the government of Myanmar since March 2020. Such restrictions include the suspension of issuance of all types of visa to all foreign nationals until further notice. Consequently, all business segments of the Group (i.e. Experiences, Hotels and Services) have been negatively impacted by the decline of international tourist arrivals in Myanmar. The Covid-19 outbreak situation has been gradually easing since the beginning of June 2020. However, a second wave of Covid-19 outbreak began to spread since the end of August 2020. On 21 September 2020, the government of Myanmar imposed a Yangon Regional Lockdown with stay-at-home orders, effective until further notice.*

*As at the date of this report, there is significant uncertainty as to the timing of the expected recovery and the extent of the impact of the Covid-19 pandemic on the Group’s operations and performance. As a result, the Group has incurred net loss of US\$35.97 million and net cash used in operating activities of US\$4.39 million for the financial period ended 30 September 2020.*



*In addition, the Group's current liabilities amounting to US\$16.85 million as at 30 September 2020, including bank borrowings of US\$3.05 million are due for repayment within twelve months from the end of the financial period. The Group's current assets amounting to US\$3.10 million as at 30 September 2020, including the unrestricted cash and cash equivalent amount of US\$0.41 million may be insufficient to fulfil these obligations at the relevant repayment dates, notwithstanding the fact that the Group has non-current assets as at 30 September 2020 amounting to US\$74.28 million.*

*These events or conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors of the Company believe that the use of the going concern assumption in the preparation of the consolidated financial statements of the Group for the financial period ended 30 September 2020 is appropriate after taking into consideration the following measures and assumptions:*

- (i) Since international commercial flights have been restricted until further notice, the Group's focus has been shifted to marketing of domestic travel for this coming season. The Directors are confident that the shift of focus to domestic market would help the Group in generating some cash flows from operating activities in the next financial year;*
- (ii) Subsequent to the end of the financial period, the Group has obtained additional borrowings amounting to US\$6.39 million, comprising a secured loan of MMK6.50 billion (equivalent to approximately US\$4.96 million) with interest rate of 10% and an unsecured loan of MMK2.0 billion (equivalent to approximately US\$1.43 million). In addition, the Group has also obtained approval from a bank to capitalise interest paid of MMK2.53 billion (equivalent to approximately US\$2.0 million) as additional drawdown from existing loan facilities with the same terms;*
- (iii) The Group is in negotiation in relation to issuance of convertible securities of up to US\$10.0 million in the form of convertible loan subject to the finalisation of the terms and conditions of the convertible loan agreement; and*
- (iv) The Group continues to be prudent with its cash flow planning including the implementation of certain costs-cutting measures to reduce the operating costs, continuously working with certain major creditors with total liabilities amounting to US\$8.38 million as at 30 September 2020 on deferred repayment plans so as to closely monitor its cash flows to ensure minimal cash outflows to maintain its liquidity.*

*In the event that the Group and the Company are unable to continue as going concerns, adjustments may have to be made to reflect the situation that assets may need to realise other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current. Our opinion is not modified in respect of this matter.*

Additionally, the Board (i) is of the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner; and (ii) confirmed that all material disclosures have been provided for trading of the Company's shares to continue.



The Board wishes to advise shareholders and investors of the Company to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Cyrus Pun  
Chief Executive Officer  
12 January 2021

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 document, including the correctness of any of the statements or opinions made or reports contained in this document.

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