



RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 12 JANUARY 2021 IN RELATION TO MATERIAL UNCERTAINTY RELATED TO GOING CONCERN AND DISCLOSURE IN RELATION TO THE EFFECTS OF THE CORONAVIRUS-19 PANDEMIC ("COVID-19") ON THE AUDITED FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (THE "ANNOUNCEMENT")

Capitalised terms in this announcement shall have the same meanings as ascribed to them in the Announcement, unless otherwise defined.

The Board of Directors (the "**Board**") of Memories Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to respond to the queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") dated 14 January 2021 regarding the Company's Announcement. Please refer to the Announcement for further information on the same.

Question 1

We note that the Board is of the opinion that the use of the going concern assumption for FP2020 is appropriate after taking into consideration, amongst others, the following measures and assumptions:

- (i) **Shift of focus to domestic travel;**
- (ii) **Additional borrowings obtained of US\$6.39m, and approval from bank to capitalize interest paid of MMK2.53bn (approx. US\$2.0m) ("Additional Borrowings");**
- (iii) **In negotiation in relation to issuance of convertible securities of up to US\$10m;**
- (iv) **Group continues to be prudent with its cash flow planning and cost-cutting measures, including discussions with major creditors on deferred repayment plans for liabilities amounting to US\$8.38m ("Deferred Repayment Plans").**

Please provide clarifications on the following:

- (a) **The Group recorded a net current liabilities position of US\$13.7m and a net asset position of US\$24.9m. Please elaborate on whether the Additional Borrowings which has been secured and the Deferred Repayment Plans which are still under negotiations, would suffice to address the current liabilities of the Group of US\$13.7m, and any other future liabilities as and when they fall due.**
- (b) **Please elaborate on the progress of securing the Deferred Repayment Plans. Should the Deferred Repayment Plans not materialize, would the Company be able to remain a going concern, and why.**
- (c) **Please elaborate on the timeline and whether there are any conditions precedents for the issuance of the convertible securities, and if so, how likely would such conditions precedent materialize.**

Response

- (a) **Out of the net current liabilities of US\$13.7m as at 30 September 2020:**
 - (i) **US\$5.3m is non-trade payables to related parties of the Group and the Group had obtained written confirmation from these related parties not to demand for repayment within the next 12 months, and US\$8.4m is payable to third-party creditors and current portion of bank borrowings.**





- (ii) The Additional Borrowings of US\$8.39m had been secured in October 2020.
- (iii) The Group had received creditors' willingness to agree to defer payments of US\$1.4m of the Deferred Payment Plans.
- (iv) There is also a US\$1m unutilised credit facility from Myanmar Outlook Investment Company Limited that is available to the Group for drawdown if required.

The Group believes that the above are sufficient to meet the net current liabilities to third parties.

- (b) The Group had engaged in a series of negotiations with major creditors on a case-by-case basis. Deferral of payment will span between 4 to 12 months depending on outcome of the negotiation. Several creditors with payables amounting to US\$1.4m have subsequent to 30 September 2020 already indicated their willingness to agree to deferred repayment plans. This will reduce the debt burden of the Group and alleviate the pressure on its working capital and cash flow requirements for the next 12 months. The Group expects to complete negotiations with major creditors in the first-half of 2021 and believes that these creditors will agree to deferred payment plans due to their prior and established relationship with the Group and wider Yoma Group.
- (c) A non-binding term sheet on the terms of the convertible loan had been executed in December 2020. Based on the current status of the negotiations, parties are targeting to finalise the definitive agreement by June 2021. It is envisaged that the definitive agreement would consist of the customary conditions precedent such as receipt of requisite regulatory and shareholder approvals, consents and waivers as may be required by law or any competent authorities and a long stop date for the satisfaction of these conditions precedent. The Company believes that shareholders of the Company would be supportive of the convertible loan agreement and is targeting to convene the general meeting to seek shareholders' approval by September 2021.

Question 2

What is the Sponsor's opinion on whether the Group is able to continue as a going concern. Please provide justifications.

Response

The Sponsor is of the view that the Group is able to continue as a going concern after taking into account the following:-

- (i) the Board's and Independent Auditor's bases for their opinion set out in the responses to questions 3 and 4 respectively; and
- (ii) the 12-months cash flow forecast of the Group provided by Management.





Question 3

Did the auditors review the cash flow forecast and assumptions adopted? What are the auditors' views and justifications on the reasonableness of the assumptions, given its inclusion of a material uncertainty related to going concern for its FP2020 audited financial statements opinion.

Response

As part of the audit procedures to evaluate the appropriateness of the going concern assumptions used by the Directors in preparing the financial statements of the Group for the financial period ended 30 September 2020, the Independent Auditor had obtained and evaluated the cash flows forecasts prepared by Management as approved by the Directors, for the next 12 months from the date of the financial statements and assessed the reasonableness of the key assumptions used by checking against the Group's business plan, historical performance, bookings received and other supporting information. The Independent Auditor had also obtained the new loan agreements from the Additional Borrowings to understand and evaluate the key terms and conditions (including the debt covenants applicable to the loans), confirmations from certain related parties in relation to non-trade payables who have agreed not to demand for repayment within the next 12 months and reviewed the term sheet signed in respect to the convertible loan.

Based on the audit procedures performed, the Independent Auditor was of the view that the going concern basis of accounting used by the Directors was appropriate. However, material uncertainties existed as the Group's and the Company's abilities to continue as going concerns depend on the achievability of the projected revenue and results which could be affected by the extent and severity of the Covid-19 impact in the next 12-months and the receipt of the funding from convertible loan. Accordingly, the Independent Auditor had included a "Material uncertainties relating to going concern" paragraph in the Independent Auditor's report.

Question 4

Please provide the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.

Response

In addition to the Directors' view as set out in the Announcement, the Group has assets in the form of hotels and investment properties. Should it become inevitable to continue as a going concern, the Group will dispose of such assets for cash.

On the basis of the Board being of the view that the Group is able to continue as going concern, the Board is of the opinion that there is no requirement for the Company to call for a suspension of trading of the Company's shares pursuant to Listing Rule 1303(3).



BY ORDER OF THE BOARD

Cyrus Pun
Chief Executive Officer
15 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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