



MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN AND DISCLOSURE IN RELATION TO THE EFFECTS OF THE CORONAVIRUS-19 (“COVID-19”) PANDEMIC AND POLITICAL EVENTS IN MYANMAR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

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 (“**Covid-19**”) Pandemic and Political Events in Myanmar section in their report (the “**Independent Auditor’s Report**”) on the audited financial statement of the Group for the financial year ended 30 September 2021 (“**FY2021**”) (the “**Audited Financial Statements**”).

The Independent Auditor’s Report sets out, *inter alia*, the bases for the Board’s opinion that the Group will be able to continue as a going concern, are reproduced below for information purposes. The Independent Auditor’s Report and the Audited Financial Statements (which includes Note 3 to the financial statements) will form part of the Company’s Annual Report for FY2021 (the “**FY2021 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 FY2021 Annual Report in their entirety.

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

Material Uncertainties Related to Going Concern and Disclosure in Relation to the Effects of the Coronavirus-19 (“Covid-19”) Pandemic and Political Events in Myanmar

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 pandemic and political events in Myanmar that have caused a severe impact on the 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 year ended 30 September 2021 has taken into consideration the impact of Covid-19 pandemic and political events in Myanmar.

Since the last financial period ended 30 September 2020, the Covid-19 pandemic continued to have significant impact on local and world economies. On 1 February 2021, Myanmar’s military announced the State of Emergency and took over the government (“Political Event”). The on-going Covid-19 pandemic and the political unrest have negatively impacted the Group’s performance during the current financial year.

At the date of this report, there are material uncertainties related to the timing of the expected recovery and the extent of the impact of the Covid-19 pandemic and political events on the Group’s operations and performance. As a result, the Group has incurred net loss and net cash used in operating activities for the financial year ended 30 September 2021 of US\$2.75 million and US\$1.73 million respectively.



In addition, the Group's current liabilities amounting to US\$22.99 million as at 30 September 2021, including borrowings of US\$4.85 million and convertible bonds of US\$3.53 million are due for repayment within twelve months from the end of the financial year. The Group's current assets amounting to US\$2.32 million as at 30 September 2021, including the unrestricted cash and cash equivalent amount of US\$0.13 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 2021 amounting to US\$67.99 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 year ended 30 September 2021 is appropriate after taking into consideration the following measures and assumptions:

- (i) As at 30 September 2021, the Group was in a net current liabilities position of US\$20.67 million mainly arising from trade payables for the development cost of Awei Metta Hotel, Awei Pila Hotel and Hotel Suggati Mawlamyaing (Hotels Segment). Of this amount, US\$6.66 million relates to non-trade payables due to related parties and US\$14.01 million comprises payables to third-party creditors, convertible bonds holder and the current portion of borrowings. The Group had obtained written confirmation from these related parties not to demand for repayments of the non-trade payables due to related parties of US\$6.66 million within the next 12 months;*
- (ii) The Group has unutilised credit facilities that is available to the Group for drawdown, if required, which included US\$0.26 million from a secured loan, US\$1.08 million from an unsecured loan and US\$1.00 million from Myanmar Outlook Investment Company Limited;*
- (iii) A non-binding term sheet for US\$10 million convertible loan which had been executed with its substantial shareholder, First Myanmar Investment Public Company Limited ("FMI"), in December 2020. This term sheet does not have an expiry date and is subject to, inter alia, entry into a definitive agreement and applicable approvals being sought. FMI has indicated its intention to provide continuing financial support to enable the Group to meet its obligation as and when they fall due;*
- (iv) Given the events of the last 12 months in Myanmar, the Group had not met its loan obligations for certain secured loans amounting to US\$0.25 million as at 30 September 2021. There were no acceleration of repayments and no notifications from the lenders for the affected loans to be settled on demand basis. The Group has been and continues to be in active discussion with the lenders to extend/revise the loan repayment schedules for loans amounting to US\$5.21 million. In addition, the Group has also obtained approval from a bank to capitalise interest expense of MMK2.45 billion (equivalent to approximately US\$1.32 million) as additional principal drawdown from existing loan facilities with the same terms. In view of the ongoing negotiations with the lenders, the Directors are of the opinion that the foregoing default is not expected to have a significant impact on the operations of the Group and will not result in the Group facing cash flow difficulties;*
- (v) The Group is currently in discussions with its convertible bondholder, Oakfame Investment Limited, to extend the maturity date of the convertible bond amounting to US\$3.19 million by 18 months to 26 November 2023;*



- (vi) *The Group will continue to engage in negotiations with creditors individually regarding deferred repayment plans, implement further cost reduction initiatives, defer non-essential capital and operating expenditure in order to preserve working capital and liquidity and to monitor the situation so as to adapt its response to developments as they arise during this time of severe macroeconomic uncertainties. Furthermore, in addition to the voluntary salary reductions undertaken by senior management since April 2020, the Group has reduced its manpower in FY2021 and implemented additional salary reductions which led to 54% reduction in salary and wages in FY2021. Going forward, the Group expects the foregoing efforts to continue to reduce its operating expenses for FY2022; and*
- (vii) *The Group continues to explore the sale of non-core assets and other fund-raising options.*

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

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