



Memories Group Limited
(Company Registration No. 201201631D)

Unaudited Financial Statements and Dividend Announcement
For the Second Quarter ended 30 September 2019

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
 HALF YEAR AND FULL YEAR RESULTS**

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group					
	Quarter ended			Half year ended		
	30.09.2019 ("Q2 2020") (Unaudited)	30.09.2018 ("Q2 2019") (Unaudited)	Change	30.09.2019 ("HY 2020") (Unaudited)	30.09.2018 ("HY 2019") (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	369	255	44.7%	1,015	812	25.0%
Cost of sales	(396)	(328)	20.7%	(920)	(814)	13.0%
Gross (loss)/profit	(27)	(73)	63.0%	95	(2)	NM
Other income, net	4	276	-98.6%	64	168	-61.9%
Expenses						
- Administrative	(2,358)	(1,843)	27.9%	(4,828)	(3,465)	39.3%
- Selling & distribution	(84)	(59)	42.4%	(221)	(144)	53.5%
- Finance	(639)	-	NM	(1,218)	-	NM
Loss before income tax	(3,104)	(1,699)	82.7%	(6,108)	(3,443)	77.4%
Income tax credit	3	30	-90%	10	63	-84.1%
Net loss attributable to equity holders of the Company	(3,101)	(1,669)	85.8%	(6,098)	(3,380)	80.4%
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
- Currency translation loss arising from consolidation	-	(1,841)	NM	-	(2,747)	NM
Total comprehensive loss attributable to equity holders of the Company	(3,101)	(3,510)	-11.7%	(6,098)	(6,127)	-0.5%

NM-Not Meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Loss for the financial period is stated after charging/(crediting) the following:

	The Group					
	Quarter ended			Half-year ended		
	30.09.2019 (Unaudited)	30.09.2018 (Unaudited)	Change	30.09.2019 (Unaudited)	30.09.2018 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation of property, plant and equipment	666	402	65.3%	1,331	647	105.7%
Amortisation of intangible assets	27	96	-71.9%	54	191	-71.7%
Foreign exchange loss/(gain), net	21	(265)	107.9%	(3)	115	-102.6%
Employee share award expense	-	25	NM	-	50	NM
Interest expense on borrowing	806	-	NM	1,348	-	NM
Interest expense on convertible bonds	40	-	NM	67	-	NM
Interest expense on Lease Liabilities	9	-	NM	17	-	NM

NM-Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30.09.2019 (Unaudited)	31.03.2019 (Audited)	30.09.2019 (Unaudited)	31.03.2019 (Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
Assets				
Current assets				
Cash and bank balances	1,499	2,265	78	91
Trade and other receivables	3,107	2,812	9,409	9,884
Inventories	263	184	-	-
	4,869	5,261	9,487	9,975
Non-current assets				
Investment in subsidiary corporations	-	-	81,854	81,854
Property, plant and equipment	60,319	61,090	1	1
Investment properties	16,683	16,683	-	-
Intangible assets	9,183	9,237	-	-
Other receivables	662	662	-	-
Financial assets at fair value through profit or loss	3,190	-	3,190	-
	90,037	87,672	85,045	81,855
Total assets	94,906	92,933	94,532	91,830
Liabilities				
Current liabilities				
Trade and other payables	10,258	12,715	13,932	13,795
Borrowings	2,044	1,042	-	-
Lease liabilities	27	-	-	-
Current income tax liabilities	564	564	-	-
	12,893	14,321	13,932	13,795
Non-current liabilities				
Borrowings	21,500	15,511	-	-
Other payables	67	-	67	-
Deferred income tax liabilities	2,271	2,289	-	-
Convertible bonds	3,190	-	3,190	-
Lease liabilities	271	-	-	-
	27,299	17,800	3,257	-
Total liabilities	40,192	32,121	17,189	13,795
Net assets	54,714	60,812	77,343	78,035
Equity				
Share capital	84,544	84,472	84,839	84,767
Accumulated losses	(10,206)	(1,610)	(8,015)	(7,323)
Currency translation reserve	-	(2,498)	(47)	(47)
Restructuring reserve	(20,190)	(20,190)	-	-
Performance share reserve	-	72	-	72
Other reserve	566	566	566	566
Total equity	54,714	60,812	77,343	78,035

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 Sep 2019		As at 31 Mar 2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
2,044	27	1,042	-

Amount repayable after one year

As at 30 Sep 2019		As at 31 Mar 2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
21,500	3,461	15,511	-

Total secured borrowings of the Group as at 30 September 2019 of Kyats 36.0 billion (approximately US\$23.54 million) were:-

- (a) a bank loan of Kyats 18.0 billion (approximately US\$11.77 million) owing by Pun Hlaing Lodge Hotel Management Limited ("PHLHM"). The loan is secured by a plot of land of 2.2 acres in Pun Hlaing Estate where Awei Metta is situated; and
- (b) a bank loan of Kyats 18.0 billion (approximately US\$11.77 million) owing by Shwe Lay Ta Gun Travels & Tour Limited ("SLTG"). The loan is secured by several plots of land in Bagan of a total of 4.31 acres.

Total unsecured borrowings of the Group as at 30 September 2019 of US\$3.49 million were:-

- (a) convertible bonds in the principal amount of US\$3.19 million at the coupon rate of 5% per annum by the Company as consideration for the acquisition of 1,696,636 shares representing 15.28% of the total issued and paid-up shares in the capital of Strand Hotels International Limited; and
- (b) lease liabilities of approximately US\$0.30 million arising from the adoption of SFRS(I) 16 Leases.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Quarter ended		Half year ended	
	30.09.2019 (Unaudited)	30.09.2018 (Unaudited)	30.09.2019 (Unaudited)	30.09.2018 (Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Net loss	(3,101)	(1,669)	(6,098)	(3,380)
Adjustment for:				
-Amortisation of intangible assets	27	96	54	191
-Depreciation of property, plant and equipment	666	402	1,331	647
-Employee share award expense	-	25	-	50
-Interest expense	855	-	1,432	-
-Income tax credit	(3)	(30)	(10)	(63)
-Interest Income	(22)	-	(43)	-
-Unrealised currency translation (gain)/loss	(216)	1,802	(250)	347
	(1,794)	626	(3,584)	(2,208)
Working capital changes				
-Trade and other receivables	(42)	165	(283)	301
-Trade and other payables	(171)	(1,891)	(224)	(541)
-Inventories	(85)	(37)	(79)	(36)
Cash used in operations	(2,092)	(1,137)	(4,170)	(2,484)
Income tax paid	(8)	(4)	(8)	(4)
Net cash used in operating activities	(2,100)	(1,141)	(4,178)	(2,488)
Investing activities				
Additions to property, plant and equipment	(113)	(2,089)	(184)	(2,879)
Payment of consideration for acquisition of businesses	(2,324)	-	(2,324)	-
Acquisition of businesses, net of cash acquired	-	-	-	(725)
Net cash used in investing activities	(2,437)	(2,089)	(2,508)	(3,604)
Financing Activities				
-Proceeds from borrowings	-	-	7,240	-
-Interest paid	(795)	-	(1,329)	-
Net cash (used in)/provided by financing activities	(795)	-	5,911	-
Net change in cash and cash equivalent	(5,332)	(3,230)	(775)	(6,092)
Cash and cash equivalent at the beginning of financial period	6,823	6,071	2,265	9,075
Effect of currency translation on cash and cash equivalent	8	55	9	(87)
Cash and cash equivalent at the end of the financial period	1,499	2,896	1,499	2,896

1(d)(i) A statement (for the issue and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

The Group	Share capital	(Accumulated losses)	Currency translation reserve	Restructuring reserve	Performance share reserve	Other reserve	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 July 2019	84,544	(7,105)	-	(20,190)	-	566	57,815
Issue of shares	-	-	-	-	-	-	-
Total comprehensive loss	-	(3,101)	-	-	-	-	(3,101)
As at 30 Sep 2019	84,544	(10,206)	-	(20,190)	-	566	54,714
As at 1 April 2019	84,472	(1,610)	(2,498)	(20,190)	72	566	60,812
Issue of shares	72	-	-	-	(72)	-	-
Total comprehensive loss	-	(2,997)	-	-	-	-	(2,997)
Effect of change in functional currency of a subsidiary corporation	-	(2,498)	2,498	-	-	-	-
As at 30 June 2019	84,544	(7,105)	-	(20,190)	-	566	57,815
As at 1 July 2018	68,468	(5,329)	(1,191)	(20,190)	25	-	41,783
Issue of shares	-	-	-	-	-	-	-
Total comprehensive loss	-	(1,669)	(1,841)	-	-	-	(3,510)
Employee share award expense	-	-	-	-	25	-	25
As at 30 Sep 2018	68,468	(6,998)	(3,032)	(20,190)	50	-	38,298
As at 1 April 2018	67,902	(3,618)	(285)	(20,190)	-	-	43,809
Issue of shares	566	-	-	-	-	-	566
Total comprehensive loss	-	(1,711)	(906)	-	-	-	(2,617)
Employee share award expense	-	-	-	-	25	-	25
As at 30 June 2018	68,468	(5,329)	(1,191)	(20,190)	25	-	41,783

The Company	Share capital	(Accumulated losses)	Currency Translation Reserve	Restructuring Reserve	Performance share reserve	Other reserve	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 July 2019	84,839	(7,632)	(47)	-	-	566	77,726
Issue of shares	-	-	-	-	-	-	-
Total comprehensive loss	-	(383)	-	-	-	-	(383)
As at 30 Sep 2019	84,839	(8,015)	(47)	-	-	566	77,343
As at 1 April 2019	84,767	(7,323)	(47)	-	72	566	78,035
Issue of shares	72	-	-	-	(72)	-	-
Total comprehensive loss	-	(309)	-	-	-	-	(309)
Effect of Currency change	-	-	-	-	-	-	-
As at 30 June 2019	84,839	(7,632)	(47)	-	-	566	77,726
As at 1 July 2018	68,763	(6,402)	(47)	-	25	-	62,339
Issue of shares	-	-	-	-	-	-	-
Total comprehensive loss	-	(341)	-	-	-	-	(341)
Employee share award expense	-	-	-	-	25	-	25
As at 30 Sep 2018	68,763	(6,743)	(47)	-	50	-	62,023
As at 1 April 2018	68,197	(5,564)	(47)	-	-	-	62,586
Issue of shares	566	-	-	-	-	-	566
Total comprehensive loss	-	(838)	-	-	-	-	(838)
Employee share award expense	-	-	-	-	25	-	25
As at 30 June 2018	68,763	(6,402)	(47)	-	25	-	62,339

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital – Ordinary Shares

	No of ordinary shares of the Company	Issued and paid-up share capital of the Company (US\$)
As at 1 July 2019 and 30 September 2019	502,170,955	84,840,235

Convertible Bonds

As at 30 September 2019, there were unlisted convertible bonds in the principal amount of US\$3.19 million (“**Convertible Bonds**”) outstanding. Assuming full conversion of the Convertible Bonds, up to 19,829,729 shares of the Company may be allotted and issued. There were no outstanding convertibles as at 30 September 2018.

The Company did not have any subsidiary holdings or treasury shares as at 30 September 2019 and 30 September 2018.

Memories Performance Share Plan (“**Memories PSP**”)

As at 30 September 2018, the total number of ordinary shares expected to be issued pursuant to vesting of the share award granted under the Memories PSP was 1,000,000 shares. As at 30 September 2019, there were no outstanding shares to be issued under the Memories PSP.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	30 September 2019	31 March 2019
Total number of issued shares	502,170,955	501,670,955

There were no treasury shares as at 30 September 2019 and 31 March 2019.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's independent auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those applied to its audited financial statement for the financial year ended 31 March 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s, and SFRS(I) Interpretations, that are relevant to the Group:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-12 *Income tax consequences of payments on financial instruments classified as equity*
- Amendments to SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*

The adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the financial year prior to first adoption.

SFRS(I) 16 has resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

Right-of-use assets included in property, plant and equipment, are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in adjustments to the statement of financial position of the Group as at 1 April 2019. On adoption of SFRS(I) 16, the Group chose to measure the right-of-use assets at amounts equal to the lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before 1 April 2019. Accordingly, the adoption of SFRS(I) 16 does not result in any adjustment to the opening balance of accumulated losses as at 1 April 2019.

The differences from the statement of financial position as previously reported at 31 March 2019 are as follows:

	01.04.2019
	<u>US\$'000</u>
Increase in property, plant and equipment as a result of recognition of right-of-use assets	282
Increase in lease liabilities	<u>282</u>
Net impact in net assets	<u>-</u>

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	The Group			
	Quarter ended		Half year ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Loss attributable to shareholders of the Company (US\$'000)	(3,101)	(1,669)	(6,098)	(3,380)
Add: Interest expenses on convertible bonds**	40	-	67	-
Adjusted loss attributable to shareholders of the Company for the purpose of computing diluted loss per share	(3,061)	(1,669)	(6,031)	(3,380)
Weighted average number of ordinary shares in issue for computing basic loss per share ('000)	502,171	355,198	502,086	353,680
Shares to be issued* (000)	3,891	1,000	3,891	1,000
Convertible bonds** (000)	19,830	-	19,830	-
Weighted average number of ordinary shares for computing diluted loss per share ('000)	525,892	356,198	525,807	354,680
Basic and Diluted loss per share (US\$ cents)***	(0.59)	(0.47)	(1.16)	(0.95)

The weighted average number of shares in issue for the purpose of calculating diluted loss per share had been adjusted as if all performance share awards and the additional issuances of shares to U Kun Naung Myint Wai ("UKNMW") were issued as at 30 September 2019.

* Shares to be issued are in relation to the 3,890,640 consideration shares which will be allotted and issued to UKNMW as part of the purchase consideration for the acquisition of the business of Kayah Resort ("Keinnara Loikaw") upon satisfaction of certain conditions.

** Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net loss is adjusted to eliminate the interest expense less any tax effect.

*** The diluted loss per share computations have not taken into consideration the effects of the shares to be issued and convertible bonds as at 30 September 2019 and 30 September 2018, as they were anti-dilutive pursuant to paragraph 41 of SFRS(I) 33 *Earnings per Share*.

The basic and diluted EPS are the same for the Company as at the end of 30 September 2019 and 30 September 2018.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
- (a) Current period reported on; and**
(b) Immediately preceding financial year.

	Group		Company	
	30.09.2019	31.03.2019	30.09.2019	31.03.2019
Net asset value (US\$'000)	54,714	60,812	77,343	78,035
Number of ordinary shares in issue ('000)	502,171	501,671	502,171	501,671
Net asset value per ordinary share (US cents)	10.90	12.12	15.40	15.56

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss: -

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of the Group's performance for Quarter ended 30 September 2019 ("Q2 2020") as compared to the Quarter ended 30 September 2018 ("Q2 2019")

Consolidated Statement of Comprehensive Income

	The Group					
	Q2 2020	Q2 2019	Change	HY 2020	HY 2019	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Hotels	300	68	341.2%	672	160	320.0%
Experiences	-	-	NM	176	221	-20.4%
Services	69	187	-63.1%	167	431	-61.3%
Total	369	255	44.7%	1,015	812	25.0%

NM – Not meaningful

The increase in the Group's revenue on a quarter-on-quarter ("Q-o-Q") basis was primarily due to the increase in revenue contributed from the Hotels segment, as all of the Group's hotels were operational in this quarter except for Awei Pila, which was closed for business during monsoon season (June-September).

The Services segment recorded a decrease in revenue on a Q-o-Q basis due to the lower interest from the Group's traditional source market such as Western Europe.

The cost of sales increased on a Q-o-Q basis due to higher staff costs and additional headcounts employed, as well as food and beverages expenses incurred as a result of the full operations of the Group's hotels.

The Group's gross loss margin was at 7.3% in Q2 2020 as compared to 28.6% in Q2 2019.

The Group's administrative expenses had increased mainly due to the increased overhead and depreciation expenses relating to full operations of newly-opened hotels: Suggati Mawlamyaing and Awei Metta. In addition, the recent substantial rise in electricity rates across the country and the upkeep costs of Awei Pila hotel, which was the only resort on Pila island in the Mergui Archipelago region, also contributed to the increase.

There was a corresponding increase in the Group's selling and distribution expenses which amounted to US\$0.08 million in Q2 2020 and this is in line with the Group's focus to expand its marketing strategy to increase customers' reach.

The following items were included in finance expenses:-

	The Group	
	Quarter ended	
	30.09.2019 (Unaudited)	30.09.2018 (Unaudited)
	US\$'000	US\$'000
Interest expenses on borrowings ^(a)	806	-
Convertible bonds ^(b)	40	-
Interest expenses on lease liabilities ^(c)	9	-
Currency translation gain on borrowings, net ^(d)	(216)	-
Total Finance Expenses	639	-

- (a) Interest expenses on borrowings arose from borrowings by the Group totalling US\$23.54 million as at 30 September 2019.
- (b) Interest on convertible bonds arose from the issuance of convertible bonds with principal amount of US\$3.19 million at the coupon rate of 5% per annum.
- (c) Interest expenses on lease liabilities arose from the right of use of assets included in property, plant and equipment.
- (d) The currency translation gain on borrowings arose from the weakening of the Kyat against US\$, in which the borrowings are denominated, against the functional currencies of the borrowing entities during the quarter.

Consolidated statement of financial position as at 30 September 2019 as compared to 31 March 2018

Trade and other receivables increased mainly due to receivables from confirmed bookings secured for Burma Boating and prepayments of docking expenses of the vessels during wet season. The increase was partially offset by collections of all the outstanding receivables from Balloons business (Shwe Lay Ta Gun Travels & Tour Limited (“SLTG”) as at 30 September 2019.

Property, plant and equipment reduced largely due to depreciation expenses incurred during the period, which was in part offset by purchase of assets by operations in preparation for the peak season and also from the recognition of right-of-use-assets of Kyun Pila Island amounting to US\$0.28 million upon the adoption of SFRS(I)16.

The value of investment property remained the same at US\$16.68 million as at 30 September 2019. Intangible assets had reduced by US\$0.05 million to US\$9.18 million as at 30 September 2019 due to the amortisation expenses incurred during the period.

Trade and other payables declined primarily due to the settlement of outstanding payables for the acquisition of Kyun Pila Island.

Current and non-current secured borrowings had increased due to additional bank borrowings obtained during the period. Proceeds from borrowings were used for payment of operating expenses as well as towards the settlement of the balance consideration relating to the acquisition of Mokaan (S) Pte Ltd.

Convertible bonds were issued in the principal amount of US\$3.19 million at the coupon rate of 5% per annum as consideration for the acquisition of 1,696,636 shares in the capital of Strand Hotels International Limited which was classified as financial assets held at fair value through profit or loss. The book value of US\$3.19 million had been determined based on the sale and purchase agreement as the fair value has not yet been assessed.

As at 30 September 2019, the Group was in a net current liability position of US\$8.02 million mainly arising from the payables for the development cost of Awei Metta, Awei Pila and Hotel Suggati Mawlamyaing (Hotels segment) and the increase in staff and operating costs of these hotels. The first two quarters of the current financial year had been characterised by the monsoon season which historically have been a low tourism season. With the commencement of tourism season presently, the Group anticipates improvement in its operating cash flow in the coming quarters that will help improve its net current position.

Review of Statement of Cash Flows

The Group's net cash used in operating activities of US\$2.10 million in Q2 2020 comprised operating cash outflow before the change in working capital of US\$1.79 million and net working capital outflow of approximately US\$0.31 million. These cash outflows were mainly due to higher staff costs and the recent rise in electricity tariff rates.

The Group's net cash flows used in investing activities for Q2 2020 amounted to US\$2.44 million, which was mainly due to the payment of remaining 20% acquisition cost of Mokaan (S) Pte Ltd.

The Group's net cash used in financing activities in Q2 2020 amounted to US\$0.80 million. This was mainly due to the quarterly interest payments made for the secured borrowings.

As at 30 September 2019, the Group's cash and cash equivalent amounted to US\$1.50 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

During this year's off-peak season which ended in September, the Group continued its marketing efforts which included participating in trade shows, hosting travel industry engagement trips, hosting travel media, and organising more campaigns on social media, to raise the awareness of its tourism offerings.

Statistics from Myanmar's Ministry of Hotels and Tourism show that tourist arrivals reached over 2.8 million during the first eight months in 2019, which was a 25% increase compared with the same period in 2018¹. Furthermore, visitors from Australia, Germany, Italy, Spain, Switzerland and Russia can now enter Myanmar with a visa-on-arrival from 1 October 2019 for a "one-year probation period", which follows similar visa relaxation for Asian countries in 2018². The Group believes this will help spur tourist arrivals.

The Group's five hotels, namely Awei Metta, Awei Pila, Hotel Suggati Mawlamyaing, Keinnara Loikaw, and Keinnara Hpa-An, continue to see an improvement in bookings. The Group's marketing initiatives towards domestic travelers have led to improved revenue through the non-peak season. Awei Metta has also hosted several large golf groups and corporate retreats, giving the momentum to grow its MICE business.

The planned US\$36 million upgrade of Kawthaung airport into an international airport³ over the next few years is envisaged to have a significant impact on connectivity for the region's development, from which Awei Pila and Burma Boating will benefit.

Burma Boating is also seeing a higher charter rate compared to the same period last year with a 25% increase in private and cabin charter sales which contributed to a 16.13% increase in revenue. Higher one-off spending on repair and maintenance this season will, however, offset some of the increase in revenue.

As Balloons Over Bagan and Balloons Over Inle flights have begun their season from October to April, the Group is confident of this business segment's performance based on latest advance bookings. On 6 July 2019, the ancient temple city of Bagan was officially inscribed as a World Heritage Site by UNESCO. Bagan's enhanced status is expected to make it a go-to tourism destination. This is expected to benefit the Group's Balloons over Bagan business.

The Group remains positive about its outlook for tourism in Myanmar and plans to continue to expand its offerings to lesser travelled areas of the country in order to create unique experiences for visitors to immerse themselves in the culture, history and natural beauty of Myanmar.

¹<https://tourism.gov.mm/statistics/august/?fbclid=IwAR2L2QxFpPCXi1vCAEHONjISuSUmjTvpG6sfORBTCz4jACjCFKkAogHTdkM>

²<https://www.businesstraveller.com/business-travel/2019/10/08/myanmar-extends-visa-on-arrival-access-to-six-more-countries/>

³<https://www.mmtimes.com/news/us96-million-first-phase-upgrades-three-airports.html>

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable:

Not applicable

(d) Books closure date:

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been recommended for the current financial period reported on as the Group intends to conserve cash for its working capital requirements.

13. If the group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The details of interested person transactions from 1 April 2019 to 30 September 2019 are set out in the table below.

Name of Interested Person	Aggregate value of all interested person transactions during financial year ending 31 March 2020 (“FY 2020”) (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during FY 2020 which are conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Associates of Mr. Serge Pun.:-		
Construction Services ⁽¹⁾	-	US\$101,998 ^(a)
Rental of office units ⁽²⁾	-	US\$128,347
Support Services ⁽³⁾	-	US\$392,561
TOTAL	-	622,906

Notes:

(1) SPA Design and Project Services Limited

(2) Yoma Development Group Limited

(3) Yoma Strategic Holdings Ltd.

(a) Mostly relates to payments to third party sub-contractors by SPA Design and Project Services Limited for the provision of project management services for the Group’s hotels.

The aggregate value of all interested person transactions conducted under the IPT mandate is presented for the period from 1 April 2019 to 30 September 2019.

14. Use of Compliance Placement Proceeds

The Company refers to the net proceeds raised from the compliance placement of 42.6 million new shares at S\$0.25 per new share which was completed on 4 January 2018 (“**Compliance Placement**”).

As at the date of this announcement, the status on the use of the net proceeds from the Compliance Placement is as follows:

<u>Use of Net Proceeds from the Compliance Placement</u>	<u>Amount allocated</u> <u>S\$'000</u>	<u>Amount Utilised</u> <u>S\$'000</u>	<u>Balance</u> <u>S\$'000</u>
Completion of construction of Pun Hlaing Lodge (now known as Awei Metta)	3,046	3,046	-
Expenditure for branding and marketing efforts and developing an integrated technology platform	762	605	157
Working capital ⁽¹⁾	761	761	-
Investment in or acquisition of further hospitality and tourism assets in Myanmar	3,046	3,046	-
Net proceeds	7,615	7,458	157

Note:

⁽¹⁾ Used for the payment of salaries, professional cost and upkeep of its assets.

The Company will continue to make periodic announcement via SGXNET on the utilisation of the balance of the net proceeds from the Compliance Placement as and when such proceeds are materially disbursed.

15. Negative Confirmation by the Board Pursuant to Rule 705(5)

To the best of the Board of Directors’ knowledge, nothing has come to their attention which may render the unaudited financial results for the second quarter financial period ended 30 September 2019 to be false or misleading in any material aspect

16. Confirmation that the issue has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

BY ORDER OF THE BOARD

Cyrus Pun
Executive Director and Chief Executive Officer
5 November 2019

This announcement has been prepared by the Memories Group Limited (the “Company”) and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST 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 Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).