



Memories Group Limited
(Company Registration No. 201201631D)

Unaudited Financial Statements and Dividend Announcement

For the First Quarter ended 30 June 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 | | |
| | 30.06.2019 (Unaudited) | 30.06.2018 (Unaudited) | Change |
| | US\$'000 | US\$'000 | % |
| Revenue | 646 | 557 | 16.0% |
| Cost of sales | (524) | (502) | -4.4% |
| Gross profit | 122 | 55 | 121.9% |
| Other income/(loss), net | 60 | (108) | NM |
| Expenses | | | |
| - Administrative | (2,470) | (1,606) | -53.8% |
| - Selling & distribution | (137) | (85) | -61.2% |
| - Finance | (579) | - | NM |
| Loss before income tax | (3,004) | (1,744) | -72.2% |
| Income tax credit | 7 | 33 | -78.8% |
| Net loss attributable to equity holders of the Company | (2,997) | (1,711) | -75.2% |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| - Currency translation loss arising from consolidation | - | (906) | NM |
| Total comprehensive loss attributable to equity holder of the Company | (2,997) | (2,617) | -14.5% |

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 | | |
| | 30.06.2019 (Unaudited) | 30.06.2018 (Unaudited) | Change |
| | US\$'000 | US\$'000 | % |
| Depreciation of property, plant and equipment | 665 | 246 | -170.3% |
| Amortisation of intangible assets | 27 | 95 | 71.6% |
| Foreign exchange (gain) / loss, net | (24) | 150 | NM |
| Employee share award expense | - | 25 | NM |
| Interest expenses on borrowings | 542 | - | NM |
| Interest expenses on convertible bonds | 27 | - | NM |
| Interest expenses on lease liabilities | 8 | - | 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 | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | 30.06.2019 (Unaudited) | 31.03.2019 (Audited) | 30.06.2019 (Unaudited) | 31.03.2019 (Audited) |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Assets | | | | |
| Current assets | | | | |
| Cash and bank balances | 6,823 | 2,265 | 29 | 91 |
| Trade and other receivables | 3,047 | 2,812 | 10,002 | 9,884 |
| Inventories | 178 | 184 | - | - |
| | 10,048 | 5,261 | 10,031 | 9,975 |
| Non-current assets | | | | |
| Investment in subsidiaries | - | - | 81,854 | 81,854 |
| Property, plant and equipment | 60,836 | 61,090 | 1 | 1 |
| Investment properties | 16,683 | 16,683 | - | - |
| Intangible assets | 9,210 | 9,237 | - | - |
| Other receivables ^(a) | 662 | 662 | - | - |
| Financial assets at fair value through profit & loss | 3,190 | - | 3,190 | - |
| | 90,581 | 87,672 | 85,045 | 81,855 |
| Total assets | 100,629 | 92,933 | 95,076 | 91,830 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 12,710 | 12,715 | 14,133 | 13,795 |
| Borrowings | 2,062 | 1,042 | - | - |
| Lease liabilities | 27 | - | - | - |
| Current income tax liabilities | 564 | 564 | - | - |
| | 15,363 | 14,321 | 14,133 | 13,795 |
| Non-current liabilities | | | | |
| Borrowings | 21,697 | 15,511 | - | - |
| Other payables | 27 | - | 27 | - |
| Deferred income tax liabilities | 2,282 | 2,289 | - | - |
| Convertible bonds ^(b) | 3,190 | - | 3,190 | - |
| Lease liabilities | 255 | - | - | - |
| | 27,451 | 17,800 | 3,217 | - |
| Total liabilities | 42,814 | 32,121 | 17,350 | 13,795 |
| Net assets | 57,815 | 60,812 | 77,726 | 78,035 |
| Equity | | | | |
| Share capital | 84,544 | 84,472 | 84,839 | 84,767 |
| Accumulated losses | (7,105) | (1,610) | (7,632) | (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 | 57,815 | 60,812 | 77,726 | 78,035 |

^(a) Please refer to Paragraph 13 for further details.

^(b) Please refer to the Company's announcements dated 26 April 2019, 6 May 2019 and 15 May 2019 relating to the issuance of unlisted convertible bonds in the principal amount of US\$3,190,000 at the coupon rate of 5% per annum by the Company as consideration for an acquisition of 1,696,636 shares in the capital of Strand Hotels International Limited.

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 June 2019 | | As at 30 June 2018 | |
|--------------------|-----------|--------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 2,062 | 27 | - | - |

Amount repayable after one year

| As at 30 June 2019 | | As at 30 June 2018 | |
|--------------------|-----------|--------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 21,697 | 3,445 | - | - |

Total secured borrowings of the Group as at 30 June 2019 of Kyats 36.0 billion (approximately US\$23.8 million) were:-

- (a) a bank loan of Kyats 18.0 billion (approximately US\$11.9 million) owing by Pun Hlaing Lodge Hotel Management Limited ("PHLHML"). The loan is secured by a plot of land of 2.20 acres in Pun Hlaing Estate where Awei Metta is situated.
- (b) a bank loan of Kyats 18.0 billion (approximately US\$11.9 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 June 2019 of US\$ 3.47 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 an acquisition of 1,696,636 shares in the capital of Strand Hotels International Limited.
- (b) lease liabilities of US\$ 0.28 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 | |
|---|---------------------------|---------------------------|
| | 30.06.2019 (Unaudited) | 30.06.2018 (Unaudited) |
| | US\$'000 | US\$'000 |
| Operating activities | | |
| Net loss | (2,997) | (1,711) |
| Adjustment for: | | |
| - Amortisation of intangible assets | 27 | 95 |
| - Depreciation of property, plant and equipment | 665 | 246 |
| - Employee share award expenses | - | 25 |
| - Interest expense | 577 | - |
| - Income tax expense | (7) | (33) |
| - Interest income from bank deposit | (21) | - |
| - Unrealised currency translation loss | (34) | (1,456) |
| | (1,790) | (2,834) |
| Working capital changes | | |
| - Trade and other receivables | (241) | 135 |
| - Trade and other payables | (53) | 1,350 |
| - Inventories | 6 | 1 |
| Net cash used in operating activities | (2,078) | (1,348) |
| Investing activities | | |
| Additions to property, plant and equipment | (71) | (790) |
| Acquisition of subsidiary corporations and businesses, net of cash acquired | - | (725) |
| Net cash used in investing activities | (71) | (1,515) |
| Financing Activities | | |
| - Proceeds from borrowings | 7,240 | - |
| - Interest paid | (534) | - |
| Net cash generated from financing activities | 6,706 | - |
| Net change in cash and cash equivalent | 4,557 | (2,863) |
| Cash and cash equivalent at the beginning of financial period | 2,265 | 9,075 |
| Effect of currency translation on cash and cash equivalents | 1 | (141) |
| Cash and cash equivalent at the end of financial period | 6,823 | 6,071 |

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

Statement of Changes in Equity

| <u>The Group</u> | Share capital | (Accumulated losses) | Currency Translation Reserve | Merger 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 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 functional currency change | - | (2,498) | 2,498 | - | - | - | - |
| As at 30 June 2019 | 84,544 | (7,105) | - | (20,190) | - | 566 | 57,815 |
| 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 |

| <u>The Company</u> | Share Capital | (Accumulated losses) | Currency Translation Reserve | Merger 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 April 2019 | 84,767 | (7,323) | (47) | - | 72 | 566 | 78,035 |
| Issue of shares | 72 | - | - | - | (72) | - | - |
| Total comprehensive loss | - | (309) | - | - | - | - | (309) |
| As at 30 June 2019 | 84,839 | (7,632) | (47) | - | - | 566 | 77,726 |
| As at 1 April 2018 | 68,197 | (5,564) | (47) | - | - | - | 62,586 |
| Issue of shares | 566 | - | - | - | - | - | 566 |
| Employee share award expense | - | - | - | - | 25 | - | 25 |
| Total comprehensive loss | - | (838) | - | - | - | - | (838) |
| 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 31 March 2019 | 501,670,955 | 84,767,787 |
| Issue and allotment of shares ⁽¹⁾ | 500,000 | 72,448 |
| Balance as at 30 June 2019 | 502,170,955 | 84,840,235 |

Note:

(1) The Company issued and allotted 500,000 new ordinary shares in April 2019 upon vesting of the share award to the then Chief Executive Officer of the Company, Mr Georges Michel Novatin, pursuant to the Memories PSP (as defined below).

Convertible Bonds

As at 30 June 2019, there were unlisted convertible bonds in the principal amount of US\$ 3,190,000 ("**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 June 2018.

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

Memories Performance Share Plan ("Memories PSP")

As at 30 June 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 June 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 June 2019 | 31 March 2019 |
|-------------------------------|---------------------|----------------------|
| Total number of issued shares | 502,170,955 | 501,670,955 |

There were no treasury shares as at 30 June 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 |
|---|-------------------|
| | US\$'000 |
| Increase in property, plant and equipment as a result of recognition of right-of-use assets | 282 |
| Increase in lease liabilities | 282 |
| Net decrease in net assets | - |

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 | |
| | 30.06.2019 | 30.06.2018 |
| Loss attributable to shareholders of the Company (US\$'000) | (2,997) | (1,711) |
| Add: Interest expenses on convertible bonds ** | 27 | - |
| Adjusted loss attributable to shareholders of the Company for the purpose of computing diluted loss per share | (2,970) | (1,711) |
| Weighted average number of ordinary shares in issue for computing basic loss per share ('000) | 501,996 | 352,163 |
| Shares to be issued * (000) | 3,891 | 1,000 |
| Convertible bonds ** (000) | 19,830 | - |
| Weighted average number of ordinary shares for computing diluted loss per share ('000) | 525,716 | 353,163 |
| Basic loss per share (US\$ cents) | (0.60) | (0.49) |
| Diluted loss per share (US\$ cents) *** | (0.60) | (0.49) |

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 June 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 June 2019 and 30 June 2018, as they were anti-dilutive pursuant to para 41 of SFRS(I) 33 *Earnings per Share*.

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 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 30.06.2019 | 31.03.2019 | 30.06.2019 | 31.03.2019 |
| Net asset value (US\$'000) | 57,815 | 61,091 | 77,726 | 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) | 11.51 | 12.18 | 15.48 | 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 the First Quarter ended 30 June 2019 ("Q1 2020") as compared to the First Quarter ended 30 June 2018 ("Q1 2019")

Consolidated Statement of Comprehensive Income

The Group's total revenue for Q1 2020 increased by 16.0% to US\$0.65 million as compared to US\$0.56 million in Q1 2019. Below is the breakdown of revenue.

| | The Group | | |
|--------------|----------------------|-------------------|---------------|
| | Quarter ended | | |
| | 30.06.2019 | 30.06.2018 | Change |
| | US\$'000 | US\$'000 | % |
| Hotels | 372 | 90 | 313.3% |
| Experiences | 175 | 223 | -21.5% |
| Services | 99 | 244 | -59.4% |
| Total | 646 | 557 | 16.0% |

Figures stated in this Paragraph 8 are subject to rounding up to 2 decimal places (millions).

Revenue from the Group's Hotel segment increased by 313.3% to US\$0.37 million in Q1 2020 as compared to US\$0.09 million in Q1 2019. The increased revenue in this segment for the quarter was mainly contributed by the revenue generated from the new hotel businesses acquired during the last financial year, i.e. the acquisitions of Keinnara Loikaw in May 2018 (Q1 2019), Awei Pila in October 2018 (Q3 2019), and Hotel Suggati Mawlamyaing in October 2018 (Q3 2019). In addition, the opening of Awei Metta in January 2019 (Q4 2019) also contributed to the increase in revenue of the Group's Hotel segment for the quarter.

The Experience Segment in Q1 2020 decreased by US\$0.05 million to US\$0.18 million as compared to US\$0.22 million in Q1 2019. The drop was attributable to the lower revenue contributed by Burma Boating in Q1 2020 as there were lower numbers of trip during the quarter as compare to Q1 2019.

The Group also recorded revenue of US\$0.10 million from its Service Segment in Q1 2020 as compared to US\$0.24 million in Q1 2019 due to the drop in the number of tourist arrivals from the European market.

The Group's cost of sales increased by US\$0.02 million or 4.4% to US\$0.52 million in Q1 2020 as compared to US\$0.50 million in Q1 2019. The increase was in line with the increase in revenue. In addition, the increase was also contributed by the increase in staff costs due to additional staff hired for the new hotels.

The Group's gross profit margin was higher at 18.9% in Q1 2020 as compared to 10% in Q1 2019. It was mainly contributed by the Hotel Segment.

The Group's administrative expenses in Q1 2020 increased by US\$0.86 million or 53.8% to US\$2.47 million from US\$1.61 million in Q1 2019. This was mainly due to an increase in the staff cost for administrative personnel, depreciation charges and repair and maintenance costs in connection with the new hotels open and acquired.

The Group's selling and distribution expenses increased by 61.2% to US\$0.14 million in Q1 2020 mainly because of the additional advertising, tradeshow, events and marketings that it incurred to harness its efficiencies and manage clients relationships across the various segment of the businesses.

The following items were included in the finance expenses:-

| | The Group | |
|---|-----------------------------------|-----------------------------------|
| | Quarter ended | |
| | 30.06.2019 (Unaudited) | 30.06.2018 (Unaudited) |
| | US\$'000 | US\$'000 |
| Interest expenses on borrowings ^(a) | 542 | - |
| Interest expenses on convertible bonds ^(b) | 27 | - |
| Interest expenses on lease liabilities ^(c) | 8 | - |
| Finance fee | 36 | - |
| Currency translation gain on borrowings, net ^(d) | (34) | - |
| Total Finance Expenses | 579 | - |

(a) Interest expenses on borrowings were US\$ 0.54 million in Q1 2020 arising from borrowings by the Group amounting to US\$ 23.76 million.

(b) Interest expenses on convertible bonds were US\$ 0.03 million in Q1 2020 arising 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 were US\$ 0.01 million in Q1 2020 arising from the right of use of assets.

(d) The currency translation gain on borrowings of US\$0.03 million which was recognised in Q1 2020 was a result of the weakening of the Kyat against US\$, in which the borrowings are denominated, against the functional currencies of the borrowing entities during the quarter.

As a result of the above, the Group recorded a net loss after tax of US\$3.00 million in Q1 2020 as compared to a net loss after tax of US\$1.71 million in Q1 2019.

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

Cash and bank balances increased by US\$4.56 million to US\$6.82 million as at 30 June 2019. This was mainly due to additional secured bank borrowings amounting to Kyats 11 billion (approximately US\$7.24 million) and partially offset by operational expenses for the Group and interest payment for the quarter.

Trade and other receivables were higher by US\$0.24 million to US\$3.05 million as at 30 June 2019. The higher balance was primarily due to DMC Business's deposits and prepayment received for confirmed bookings as at 30 June 2019. In addition, the Group also received advances and prepayments for bookings for Burma Boating and Awei Metta.

Property, plant and equipment decreased by US\$0.25 million to US\$60.84 million as at 30 June 2019. This was mainly due to the depreciation expenses for the period. However, the decrease was offset by the recognition of right-of-use-assets of Kyun Pila Island amounting to US\$ 0.28 million on the adoption of SFRS(I)16.

The value of investment properties amounted to US\$16.68 million as at 30 June 2019. This was related to land development rights at Kyun Pila island.

Intangible assets decline slightly by US\$27,000 as at 30 June 2019 mainly due to the amortisation of customer relationship for the DMC Business (Services Segment).

Trade and other payables remained constant at US\$12.71 million as at 30 June 2019.

Current and non-current borrowings as at 30 June 2019 totalling US\$23.8 million were secured bank borrowings.

Current and non-current lease Liabilities as at 30 June 2019 totalling US\$0.28 million arose from the adoption of SFRS(I) 16 Leases.

Convertible bonds were issued in the principal amount of US\$3.19 million at the coupon rate of 5% per annum as consideration for an 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 had been determined based on the sale and purchase agreement as the fair value has not yet been assessed.

As at 30 June 2019, the Group was in a net current liabilities position of US\$5.32 million mainly arising from the payables for the development cost of the Awei Metta, Awei Pila and Hotel Suggati Mawlamyaing (Hotels Segment) and the increase in staff and operating cost of these hotels. The net current liabilities position was due to limited operating cash inflows as the Group was experiencing low tourism activity during the current reporting period. The Group has taken steps to review and improve its working capital position and will look into obtaining additional financing as and when required.

Review of Statement of Cash Flows

The Group's net cash used in operating activities amounted to US\$2.08 million in Q1 2020, which comprised operating cash outflow before the change in working capital of US\$1.79 million and net working capital outflows of US\$0.29 million.

The Group's net cash used in investing activities in Q1 2020 amounted to US\$71,000. This was mainly due to additional construction costs that had been capitalised for the development of facilities in Awei Pila (Hotels Segment).

The Group's net cash provided from financing activities in Q1 2020 amounted to US\$6.71 million. This was mainly due to proceeds of bank loans obtained of US\$7.24 million, offset by interest paid of US\$0.53 million.

As at 30 June 2019, the Group's cash and cash equivalents amounted to US\$6.82 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.

The Group expects low tourism activity during Myanmar's wet season, which typically occurs between April to September every year. During this period, the Group will continue its marketing efforts in various trade and travel fairs in Europe and Asia to secure pre-bookings and increase its customer base for its businesses in the next peak season. The Group will also use this period to look into improving operational processes, and conduct upgrades and refurbishments of assets where they would be beneficial.

As the country saw signs of recovery from the European market at the beginning of 2019 as compared to 2018¹, it is believed that the decline of these European tourists is bottoming out. Furthermore, in addition to the easing of visa requirements from certain Asia countries, the government is also looking to relax visa requirements of certain selected European markets in order to encourage European travellers to visit Myanmar². The Group will capitalise on this opportunity to promote its service offerings and secure bookings for the next peak season, during the travel and trade fairs that it participates in.

¹ <https://www.ttgasia.com/2019/03/08/myanmar-tourism-pins-hopes-on-european-comeback/>

² <https://elevenmyanmar.com/news/tourism-ministry-remains-positive-as-visa-restrictions-eased>

The Group's hotels have been fully operational since January 2019 and have been revenue generating for the last quarter of financial year ended 31 March 2019 ("FY2019"). It expects its hotels to continue this momentum and ramp up marketing efforts to further improve revenue per available room throughout the low peak season. The Group will also be looking out for other available opportunities to increase its offering in this business segment.

Balloons Over Bagan flights can only fly during Myanmar's dry season which is typically between October to April. As such, the Group does not expect to see any upswing in revenue contribution from this business during this wet season.

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 June 2019 are set out below.

| Name of Interested Person | Aggregate value of all interested person transactions during financial year ending 31 March 2020 (“FY2020”) (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 FY2020 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⁾ | - | ^(a) US\$76,545 |
| Rental of office units ⁽²⁾ | - | US\$51,178 |
| Support Services ⁽³⁾ | - | US\$142,037 |
| Finance | 21,337 ^{(b)(3)} | US\$465 ⁽⁴⁾ |

Note:

- (1) SPA Design and Project Services Limited
- (2) Yoma Development Group Limited
- (3) Yoma Strategic Holdings Ltd.
- (4) Yoma Bank Limited

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

^(a) The bulk of this amount relates to payment to third party sub-contractors by SPA Design and Project Services Limited for the provision of project management services for the Group’s hotels.

^(b) This is interest on the loan to Pun Hlaing Lodge Company Limited, a subsidiary of Yoma Strategic Holdings Ltd., in exchange for the release of its land grant to the Company as security.

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>Amount Utilised</u> | <u>Balance</u> |
|---|-------------------------|------------------------|----------------|
| | <u>S\$'000</u> | <u>S\$'000</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 | 517 | 245 |
| 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 | 7,370 | 245 |

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 first quarter financial period ended 30 June 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
22 July 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).