
CLARIFICATIONS WITH REGARD TO CERTAIN ALLEGATIONS MADE IN CHANNEL 8 ONLINE NEWS REPORTS ON 8 AND 11 APRIL 2016

The Board of Directors (the **"Board"** or **"Directors"**) of Serrano Limited (the **"Company"** and, together with its subsidiaries, the **"Group"**) would like to make reference to certain allegations made in the reports on Channel 8 Online News on 8 and 11 April 2016 (the **"Reports"**) relating to:-

- (i) the contract (the **"Contract"**) that Serrano Holdings Pte. Ltd. (**"Serrano Holdings"**), a wholly-owned subsidiary of the Company, had entered into with Dragages Singapore Pte Ltd (**"Dragages"**); and
- (ii) Sunbow Trading Pte. Ltd. (**"Sunbow"**), a subcontractor of Serrano Holdings, whose workers were not getting paid,

as regards the condominium, Jewel @ Buangkok (the **"Project"**).

The developer for the Project is the City Developments group of companies (the **"CDL Group"**). Pursuant to the Contract, Dragages had engaged Serrano Holdings to provide certain interior fit-out works while Serrano Holdings had engaged Sunbow to provide labour subcontracting works (the **"Subcontract"**), for the Project.

It was reported in the Reports that Dragages had terminated the Contract on 18 March 2016. The Board wishes to clarify that the termination notice was served on Serrano Holdings in reliance on a certain provision in the Contract which prohibited Serrano Holdings from, *inter alia*, assigning the Contract or any interest or payment therein without the prior consent of Dragages. Whilst Serrano Holdings has assigned the receivables from Dragages to a third party to secure financing, the lawyers acting for Serrano Holdings have written to Dragages to dispute the said termination of the Contract as wrongful and invalid and have expressed that this tantamount to a repudiatory breach of the Contract by the latter. As at 31 March 2016, based on the Group's management accounts, S\$3.1 million remains receivable as progress claims and S\$0.4 million receivable as retention sum by Dragages.

It was also reported in the Reports that although Serrano Holdings had already made payments to Sunbow under the Subcontract, the payments made were not enough to pay for the wages of the workers. The Board wishes to clarify that, as at 31 March 2016, Serrano Holdings has fulfilled all of the contractual obligations under the Subcontract to Sunbow save for an amount outstanding payable to Sunbow, based on the Group's management accounts, of only S\$1,700. The Board is not in a position to comment on whether or not Sunbow has paid its workers for work done on the Project or otherwise, and why or why not. The Board wishes to emphasise that the affected workers are employed by Sunbow and not by the Group and, therefore, any unpaid wages ought to be

claimed by these workers directly from Sunbow and not from the Group. As regards to this, the Group has filed a police report on this matter.

The Board wishes to assure the Group's customers and suppliers that the Company remains unwavering in its commitment to product quality and service excellence to its customers.

The Board notes too that the CDL Group had commented in the Reports that all of the interior fit-out works for the Project had been completed and that the Project was expected to be completed in the third quarter of 2016 ahead of schedule.

Shareholders of the Company ("Shareholders") and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Winston Chia Wing Keong

Executive Director and Chief Executive Officer

15 April 2016

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This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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.

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