

SERRANO LIMITED

(Company Registration Number 201223004Z)

(Incorporated in the Republic of Singapore on 18 September 2012)

CONFIRMATION OF INTEREST FROM A POTENTIAL INVESTOR / UPDATE ON PROPOSED CORPORATE DEBT RESTRUCTURING

The board of directors (the “**Board**” or “**Directors**”) of Serrano Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) refers to the Company’s announcements on 22 August 2016, 17 August 2016, 29 July 2016, 28 June 2016 and 15 March 2016 (the “**Announcements**”).

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the Announcements and references therein.

The Board wishes to inform that it has on 23 August 2016, received a written confirmation of interest from a potential investor (“**Investor**”) dated 22 August 2016 (the “**Proposed Investment**”). Under the Proposed Investment, subject to, *inter alia*, the entering of a definitive agreement between the Company and the Investor in relation to the Proposed Investment on such terms acceptable to the Company and the Investor, the approval of the terms of the Proposed Investment by the major creditors of the Company and Serrano Holdings, the success of the Scheme, and all such regulatory approvals as may be required, the Investor shall subscribe for new ordinary shares in the capital of the Company (“**New Shares**”) for an indicative amount of S\$8.0 million, and the proceeds from such subscription shall be used for partial cash repayment to the unsecured creditors participating in the Scheme (“**Scheme Creditors**”) on a *pro-rata* basis in accordance with the terms of the Scheme and for the Group’s working capital purposes.

The indicative terms of the Proposed Investment, comprising, *inter alia*, the subscription for New Shares by the Investor for S\$8.0 million and the proposed settlement of amounts owing to the Scheme Creditors by way of cash and New Shares, have been put forth to the major creditors of the Company and Serrano Holdings for their consideration as part of the Company and Serrano Holdings’ debt restructuring negotiations. As at todate, the Company and Serrano Holdings have not received any objections from its major creditors to proceed with the application to Court to convene a scheme creditors’ meeting (“**Scheme Creditors’ Meeting**”) on the basis of the Proposed Investment. Further to the application for a Scheme Creditors’ Meeting, the Company and Serrano Holdings will request to the Court for a stay of proceedings against the Company and Serrano Holdings. In the interim, the Group continues to be in discussions with its major creditors on its debt restructuring plans.

The Board wishes to also provide an update to Shareholders on the ability of the Company and the Group to continue operating as a going concern. Factoring inputs from the Company’s independent financial adviser (“**IFA**”), its lawyers and management, the Board is of the opinion that the Company and Group are still able to operate as a going concern pending the Scheme Creditors’ Meeting, on the following bases:

- (a) The Proposed Investment, which if it materialises, would provide the Group with cash for partial cash repayments to the Scheme Creditors on a *pro-rata* basis in accordance with the terms of the Scheme and for working capital purposes. The Board is of the view that the Proposed Investment would place the Company and Serrano Holdings in a better position for the Scheme to be approved at the Scheme Creditors’ Meeting;
- (b) The terms of the Proposed Investment having been put forth to the major creditors of the Company and Serrano Holdings for their consideration, and the Company and Serrano Holdings not having received any objections from its major creditors to proceed with the submission of the Scheme Filing as at todate;
- (c) The Board understands that the major creditors of the Company and Serrano Holdings remain generally open to continue discussions to formulate a proposed settlement plan under a

Scheme. The Board notes that the success of the Scheme can only be determined after the voting results of the Scheme Creditors' Meeting is known;

- (d) Although the Stay of Proceedings had lapsed after 22 August 2016, save as announced by the Company to date, the Group's secured creditors and lenders have not taken any further action against the Group in respect of amounts owing to them;
- (e) Pursuant to the Proposed Investment, and subject to the success of the Scheme, it is the intention of the Investor for the Group to continue undertaking business operations;
- (f) The Company neither intends to liquidate or cease operations of the Group and in view of the Proposed Investment, and subject to the success of the Scheme, the Group has realistic options to continue operations.

The Board notes that the success of the Scheme depends on the following plans being successfully implemented:

- (a) Further to application to Court to convene a Scheme Creditors' Meeting, a satisfactory Scheme proposal being produced with the help of the IFA and lawyers for the Court hearing to be convened, and that the Scheme is duly approved by the creditors at the Scheme Creditors' Meeting and subsequently sanctioned by the Court; and
- (b) At the next Court hearing, the Court grant a stay of proceedings for the Company and Serrano Holdings and, if any, any creditor who has commenced winding-up proceedings against the Company or its subsidiaries being successfully restrained by the Court under the stay of proceedings. As at to date, no winding-up proceedings have been instituted against the Company or its subsidiaries.

Alternatively, if any of the above fails to materialise and there is still no resolution to the debts owing by the Group, the Board is of the opinion that the Group's ability to continue to operate as a going concern would be in doubt.

The Board wishes to highlight that even if there is a proposed resolution to the debts owing by the Group, this proposal is still subject to the approval of the Court, creditors and/or Shareholders and if any such approval is not granted subsequently, the Board is of the opinion that the Group's ability to continue to operate as a going concern would still be in doubt. As soon as any of the aforementioned events were to develop such that the Group's ability to continue to operate as a going concern is in doubt, the Company will, after the relevant Board approval has been obtained expeditiously, voluntarily request the SGX, through its sponsor, for a suspension of trading in the Company's shares pursuant to Rule 1303(3) of the Catalist Rules.

The Board is of the opinion that all material disclosures have been provided by the Company for trading of the Company's shares to continue in an orderly manner.

The Company will continue to keep Shareholders apprised on material developments in relation to the Group's proposed corporate debt restructuring on a timely basis.

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

24 August 2016

*This announcement has been prepared by Serrano Limited (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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