

**SERRANO LIMITED**(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)**Unaudited Financial Statements and Dividend Announcement For Half Year Ended 30 June 2019****PART I - INFORMATION REQUIRED FOR THE ANNOUNCEMENT OF HALF 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.

	Group		Increase/ (Decrease) %
	Unaudited HY2019 S\$	Unaudited HY2018 S\$	
			HY2019 vs HY2018
<b>The Group</b>			
<b>Revenue</b>	<b>2,427,855</b>	-	nm
Cost of sales	(1,967,298)	-	nm
<b>Gross profit</b>	460,557	-	nm
Other income	86,492	664,562	-87%
<b>Expenses</b>			
Selling and distribution costs	(43,088)	-	nm
Administrative expenses	(1,829,621)	(423,430)	332%
Other expenses	(109,220)	(1,967)	5453%
Finance costs	(60,666)	-	nm
<b>(Loss)/Profit before income tax</b>	<b>(1,495,546)</b>	239,165	-725%
Income tax	1,921	-	nm
<b>(Loss)/Profit for the financial period, representing total comprehensive (loss)/ income</b>	<b>(1,493,625)</b>	239,165	-725%
<i>NM denotes not meaningful</i>			
Attributable to:			
Shareholders of the Company	(875,690)	239,165	-466%
Non-controlling interests	(617,935)	-	nm
	<b>(1,493,625)</b>	239,165	-725%
<i>NM denotes not meaningful</i>			

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1(a)(ii) The net profit/(loss) attributable to shareholders of the Company includes the following charges/(credits):

	Unaudited	Unaudited	Increase/ (Decrease)
	HY2019	HY2018	%
	S\$	S\$	HY2019 vs HY2018
Gain on member's voluntary liquidation of subsidiaries	-	(660,388)	-100%
Depreciation of property, plant and equipment	329,202	-	nm
Depreciation of right-of-use asset	37,006	-	nm
Government grants	(34,731)	(4,174)	732%
Finance costs	60,666	-	nm



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**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	
	Unaudited	Audited	Unaudited	Audited
	As at 30 Jun 2019	As at 31 Dec 2018	As at 30 Jun 2019	As at 31 Dec 2018
	S\$	S\$	S\$	S\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,543,344	2,758,455	-	-
Right-of-use asset	419,397	-	-	-
Investments in subsidiaries	-	-	4,952,671	4,893,889
	2,962,741	2,758,455	4,952,671	4,893,889
<b>Current assets</b>				
Inventories	2,801,187	2,836,406	-	-
Trade and other receivables	2,092,887	1,713,575	342,861	342,861
Contract assets	147,346	147,346	-	-
Cash and cash equivalents	465,684	2,005,690	77,853	1,540,463
	5,507,104	6,703,017	420,714	1,883,324
<b>Total assets</b>	<b>8,469,845</b>	<b>9,461,472</b>	<b>5,373,385</b>	<b>6,777,213</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	43,842,474	43,783,692	43,842,474	43,783,692
Reserves	(8,740,051)	(8,740,051)	-	-
Accumulated losses	(33,739,246)	(32,863,556)	(39,647,216)	(38,402,986)
Equity attributable to owners of the Company	1,363,177	2,180,085	4,195,258	5,380,706
Non-controlling interests	989,355	1,607,290	-	-
Total equity	2,352,532	3,787,375	4,195,258	5,380,706
<b>Current Liabilities</b>				
Trade and other payables	4,336,064	4,151,059	1,112,127	1,396,507
Contract liabilities	122,001	122,001	-	-
Amount due to related party	-	-	66,000	-
Borrowings	612,575	612,575	-	-
Finance lease liabilities	125,146	44,699	-	-
	5,195,786	4,930,334	1,178,127	1,396,507
<b>Non-Current Liabilities</b>				
Borrowings	325,264	561,527	-	-
Finance lease liabilities	553,673	139,646	-	-
Deferred tax liabilities	42,590	42,590	-	-
	921,527	743,763	-	-
<b>Total equity and liabilities</b>	<b>8,469,845</b>	<b>9,461,472</b>	<b>5,373,385</b>	<b>6,777,213</b>

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1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Group			
	As at 30 June 2019		As at 31 December 2018	
	Secured	Unsecured	Secured	Unsecured
	S\$	S\$	S\$	S\$
Amount repayable in one year or less, or on demand				
Borrowings	612,575	-	612,575	-
Finance lease liabilities	60,902	64,244	44,699	-
	<b>673,477</b>	<b>64,244</b>	<b>657,274</b>	<b>-</b>
Amount repayable after one year				
Borrowings	325,264	-	561,527	-
Finance lease liabilities	361,565	192,108	139,646	-
	<b>686,829</b>	<b>192,108</b>	<b>701,173</b>	<b>-</b>

**Details of collaterals**

The Group's credit facilities were secured by one or several of the following:

- (a) Mortgages over the Group's property at 7 Sungei Kadut Crescent, Singapore 728696;
- (b) Charges on fixed deposits; and
- (c) Obligations under finance leases are secured by the leased assets.

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

	Unaudited	Unaudited
	HY 2019	HY 2018
The Group	S\$	S\$
<b>Operating activities</b>		
(Loss) /Profit before income tax	(1,495,546)	239,165
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	329,202	-
Depreciation of right-of-use assets	37,006	-
Gain on liquidation of subsidiaries	-	(660,388)
Finance costs	60,666	-
<b>Operating cash flows before working capital changes</b>	<b>(1,068,672)</b>	<b>(421,223)</b>
<b>Working capital changes:</b>		
Decrease in inventories	35,219	-
Increase in trade and other receivables	(379,312)	(58,405)
Increase in trade and other payables	243,786	281,885
<b>Operating cash flows after working capital changes</b>	<b>(1,168,979)</b>	<b>(197,743)</b>
Income tax refund	1,922	-
<b>Net cash used in operating activities</b>	<b>(1,167,057)</b>	<b>(197,743)</b>
<b>Investing activity</b>		
Purchase of property, plant and equipment	(114,091)	-
<b>Net cash used in investing activity</b>	<b>(114,091)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from new leases	92,216	-
Interest paid	(60,666)	-
Advance from a shareholder	-	200,000
Repayment of borrowings	(236,263)	-
Repayment of finance leases	(54,145)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(258,858)</b>	<b>200,000</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,540,006)</b>	<b>2,257</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>2,005,690</b>	<b>(12,585,078)</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>465,684</b>	<b>(12,582,821)</b>



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**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)**

	Unaudited	Unaudited
	HY2019	HY2018
	S\$	S\$
<b>The Group</b>		
<b>Cash and cash equivalents consist of the following:</b>		
Cash and cash equivalents	465,684	19,352
Bank overdrafts	-	(12,602,173)
Cash and cash equivalents on consolidated statement of cash flows	<b>465,684</b>	<b>(12,582,821)</b>

**1(d)(i) A statement (for the issuer and the 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.**

Consolidated statement of changes in equity								
The Group	Share capital	Asset revaluation reserve	Capital reserves	Merger reserve	Accumulated losses	Total equity attributable to owners of the Company	Non-Controlling Interest	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
As at 1 January 2018	33,029,183	941,842	-	(9,438,138)	(146,565,949)	(122,033,062)	-	(122,033,062)
Total comprehensive income for the financial period	-	-	-	-	239,165	239,165	-	239,165
<b>As at 30 June 2018</b>	<b>33,029,183</b>	<b>941,842</b>	<b>-</b>	<b>(9,438,138)</b>	<b>(146,326,784)</b>	<b>(121,793,897)</b>	<b>-</b>	<b>(121,793,897)</b>
As at 1 January 2019	43,783,692	-	698,087	(9,438,138)	(32,863,556)	2,180,085	1,607,290	3,787,375
Issue of ordinary shares pursuant to debt restructuring exercise	58,782	-	-	-	-	58,782	-	58,782
Total comprehensive loss for the financial period	-	-	-	-	(875,690)	(875,690)	(617,935)	(1,493,625)
<b>As at 30 June 2019</b>	<b>43,842,474</b>	<b>-</b>	<b>698,087</b>	<b>(9,438,138)</b>	<b>(33,739,246)</b>	<b>1,363,177</b>	<b>989,355</b>	<b>2,352,532</b>

Statement of changes in equity			
The Company	Share capital	Accumulated losses	Total equity attributable to owners of the Company
	S\$	S\$	S\$
As at 1 January 2018	33,029,183	(97,431,768)	(64,402,585)
Loss for the financial period	-	(206,682)	(206,682)
<b>As at 30 June 2018</b>	<b>33,029,183</b>	<b>(97,638,450)</b>	<b>(64,609,267)</b>
As at 1 January 2019	43,783,692	(38,402,986)	5,380,706
Issuance of new shares pursuant to the Creditor Scheme of Arrangement	58,782	-	58,782
Loss for the financial period	-	(1,244,230)	(1,244,230)
<b>As at 30 June 2019</b>	<b>43,842,474</b>	<b>(39,647,216)</b>	<b>4,195,258</b>

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**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 as at the end of the corresponding period of the immediate preceding financial year.**

	Number of ordinary shares	Issued and paid-up share capital
		S\$
<b>As at 1 January 2019</b>	5,320,746,121	43,783,692
Issuance of new shares pursuant to the Creditor Scheme of Arrangement	27,991,291	58,782
<b>As at 30 June 2019</b>	<b>5,348,737,412</b>	<b>43,842,474</b>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings in the Company as at 30 June 2019 and 30 June 2018.

**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.**

	Number of ordinary shares as at:	
	30 Jun 2019	31 Dec 2018
	Unaudited	Audited
Total number of issued shares excluding treasury shares	5,348,737,412	5,320,746,121

The Company did not have any treasury shares as at 30 June 2019 and 31 December 2018.

**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. The Company did not have any treasury shares during and as at the end of the financial period reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the 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 Company's auditors.

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**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 item 5 below, the Group has applied the same accounting policies and methods of computation as in the Group's most recently audited annual financial statements for the financial year ended 31 December 2018.

**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 has adopted all the new and revised Financial Reporting Standards ("FRS") and interpretations of FRS ("INT FRS") that are relevant to the Group and effective for the financial year beginning on 1 January 2019.

SFRS(I) 16 Leases requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

On the adoption of SFRS(I) 16, the Group measured lease liability based on remaining lease payments discounted using the incremental borrowing rate at the date of initial application, 1 January 2019. Right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

Basic earnings per share ("EPS") and loss per share ("LPS") is computed by dividing the profit/(loss) attributable to owners of the Company in each financial report by the weighted average number of ordinary shares in issue during the respective financial periods.

	6 months financial period ended	
	30-Jun-19 (Unaudited)	30-Jun-18 (Unaudited)
(Loss)/Profit attributable to owners of the Company (S\$)	(875,690)	239,165
Weighted average number of ordinary shares used in the computation of basic and diluted EPS/(LPS)	5,348,737,412	272,360,574
Basic and diluted profit/(loss) per share (Singapore cents)	(0.02)	0.09

The basic and diluted (loss)/earnings per share are the same for HY2019 and HY2018 as there were no potentially dilutive instruments as at 30 June 2019 and 30 June 2018.



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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 financial period reported on; and**
- (b) **immediate preceding financial year.**

	Group	Group	Company	Company
	Unaudited	Audited	Unaudited	Audited
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset value attributable to the owners of the Company	1,363,177	2,180,085	4,195,258	5,380,706
Net asset value per share (Singapore cents) <sup>(1)</sup>	0.03	0.04	0.08	0.10

*Net asset value per share as at 30 June 2019 and 31 December 2018 has been computed based on issued shares, excluding treasury shares at the end of the financial period.*

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (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**

Revenue and gross profit margin increase in HY2019 mainly contributed by the Company's 51% owned subsidiary, Sinbor Company (Private Limited) ("Sinbor") and Sinbor's 80% owned subsidiary, Euro Asia Facade Private Limited ("Euroasia") businesses.

Other income for HY2019 consist mainly of government grant. Other income is much lower in HY2019 as compared to HY2018 due to a S\$0.66 million gain on member's voluntary liquidation of the Group's then three subsidiaries in the preceding financial period.

Selling and distribution costs, administrative expenses and other expenses which mainly include staff salaries and related costs, depreciation of property, plant and equipment as well as office related expenses have increased due to inclusion of the 2 operating subsidiaries during the current financial period. In contrast, the administrative expenses in the corresponding period is significantly lower as the results of the 2 subsidiaries were not included then.

Finance costs increased due mainly to loans and finance leases existing in the operating subsidiaries.

The Group incurred a loss before tax for HY2019 as the operating subsidiaries were running at below capacity with relatively small ongoing projects and the larger project, Eunoville will only commence in the third quarter of 2019. During the HY2018, there is a profit before tax due to a one-off income of S\$0.66 million arising from the liquidation of 3 subsidiaries in the preceding financial period.

**Review of the Group's financial position****Non-current assets**

The increase in non-current assets are due mainly to the adoption of SFRS(I) 16 Leases as explained in paragraph 5 and



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purchase of new office equipment and lorry for operations, slightly offset by the decrease in property, plant and equipment mainly arising from depreciation.

**Current assets**

Inventory level has slightly reduced, as the Group is controlling its purchase of inventory for project usage in order to reduce wastage and holding excessive inventory.

Trade and other receivables have increased, reflecting the increase in business activities mainly due to the inclusion of the 2 operating subsidiaries in this financial period.

Cash and cash equivalents have decreased as cash is being used to fund the rebuilding and working capital of the Group's business as well as the repayment of the borrowings.

**Current and non-current liabilities**

Trade and other payables have increased due mainly to the increase in business activities as the Group rebuild its business.

Borrowings have reduced due to repayment of bank loans.

Finance leases have increased due to the adoption of SFRS(I) 16 Leases as explained in paragraph 5.

**Review of the Group's cash flows**

The increase in the Group's net cash used in operating activities as compared to HY2018 was due mainly to the revival in business activity.

Net cash used in investing activities was due to acquisition of new office equipment and a lorry for the operations

Net cash used in financing activities is used mainly for the repayment of loan and leases.

The Group has actively worked on various fund-raising exercises and is reviewing various alternatives such as financing companies and private investors which will strengthen its cash position and to meet its current obligations. In addition, there is also a financial support undertaking given by the controlling shareholder of up to S\$3 million.

Taking into consideration the aforementioned, the Board and the Management is of the view that the Group would be able to continue as a going concern notwithstanding its negative cash flows from operations and the cash and cash equivalents as at 30 June 2019.

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

The Company has not previously disclosed any forecast or prospect statements.

**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.**



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The Group's restructuring via the schemes of arrangement (the "Scheme") is expected to be fully completed by the end of September 2019 as there is an outstanding balance of S\$24,000 to be further distributed to the scheme creditors.

The Company is also working closely towards the resumption of trading for the share of the Company.

The Group is also growing organically through its orderbook of Sinbor and Euro Asia Facade Private Limited. Their combined order book as of 30 June 2019 is S\$12.5 million.

Over the next 6 months, the Group will work towards improving profitability by securing more projects and also controlling its overheads. However, the market remains challenging given the sluggish economic situation in Singapore. The Group will also be focusing on the sale of home furniture through participation in atriums, furniture events and collaboration with the major furniture retailers in the coming months.

**11. Dividend**

**(a) Whether any interim (final) ordinary dividend has been declared (recommended); and**

No.

**(b) (i) Amount per share (cents)**

Not applicable.

**(b) (ii) Previous corresponding period (cents)**

Not applicable.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable.**

Not applicable.

**(e) Books closure date**

Not applicable.

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

In view that the Company was loss making, no dividend has been declared for HY2019.

**13. If the group has obtained a general mandate from shareholders for IPTs, 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.**

There were no IPT of S\$100,000 and above for HY2019.

The Group does not have a general mandate from shareholders for IPTs.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)**

The Company confirms that it has procured undertakings from all of its Directors and executive officers in the required format.

**15. Use of Proceeds**

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As at the date of announcement, the proceeds from the New Investor Shares are utilised as follows:

	<b>Amount Allocated S\$'000</b>	<b>Amount Utilised S\$'000</b>	<b>Balance S\$'000</b>
General working capital of the Group	3,830	3,830	-
Cash Distribution to Scheme creditor	4,170	4,146	24
<b>Total</b>	<b>8,000</b>	<b>7,976</b>	<b>24</b>

The above use of proceeds is in accordance with the uses stated in the Company's circular dated 9 May 2018.

Salaries and administrative costs include mainly salary costs, Jurong Town Corporation's rental costs and office/dormitory's rental costs of the Group accumulated from July 2018 till June 2019.

Utilised for general working capital	S\$'000
COGS	425
Inventories	117
Prepayment	500
Professional fees	461
Salaries and Administration costs	2,271
Selling and distribution costs	56
<b>Total</b>	<b>3,830</b>

**16. Negative Confirmation of Interim Financial Results Pursuant to Rule 705(5) of the Catalist Listing Manual**

In respect of the HY2019 financial results, the Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for the half year ended 30 June 2019 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD****Winston Tan Tien Hin**

Executive Chairman

14 August 2019

*This announcement has been prepared by 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).*