

**SERRANO LIMITED**

(Company Registration No.:201223004Z)
(Incorporated in the Republic of Singapore)

Financial Statements and Dividend Announcement For Half Year ended 30 June 2017 ("HY2017") and Full Year Ended 31 December 2017("FY2017")

This announcement has been prepared by Serrano Limited (the "Company") and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGXST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles and E-mail: sponsorship@ppcf.com.sg).

IMPORTANT NOTE

- (a) As announced on 21 September 2016, the Company and its wholly-owned subsidiary, Serrano Holdings Pte Ltd ("SHPL"), is undergoing their respective scheme of arrangement ("Schemes"), for the purposes of restructuring the Group's liabilities and rehabilitating its business operations. Notwithstanding that the Scheme were approved and sanctioned by the Court on 23 February 2018, the Group has suffered contract terminations and its ability to secure new contracts has been severely impaired during the financial year ended 31 December 2017. Accordingly, the financial results presented hereinafter reflect this decline in business activity.
- (b) the financial results for the six months ended 30 June 2017 ("HY2017"), twelve months ended 31 December 2017 ("FY2017") and the comparative six months ended 30 June 2016 ("HY2016") and twelve months ended 31 December 2016 ("FY2016") are unaudited. Upon completion of the FY2016 audit, there may be changes to the FY2016 financial results presented herein due to amongst others, accounting adjustments made by the independent auditors, which would correspondingly carry over and impact the HY2017 and FY2017 financial results presented herein as well;
- (c) the adjudication process for the Schemes by the Scheme Manager in relation to the Group's existing debt obligations and liabilities is ongoing, which may also materially change the HY2017 and FY2017 financial results presented herein upon the conclusion of the said process; and
- (d) the consolidated unaudited results for HY2017 and FY2017 include the Group's three subsidiaries: Sanzio Space Planner Pte Ltd, Serrano Design Pte Ltd and Artiwood Supervina Pte Ltd, notwithstanding that it was previously announced that these three subsidiaries were placed under Provisional Liquidation on 30 January 2018.

Shareholders are advised to read this announcement in its entirety. In particular, the attention of Shareholders and potential investors is drawn to Paragraphs 8 and 10 of this announcement on, *inter alia*, the discussion of the Group's results of operations and financial position for HY2017 and FY2017, and a commentary on the trends, conditions, factors or events that may affect the Group in the next 12 months.

Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interest, 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 advisors.


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PART I - INFORMATION REQUIRED FOR THE ANNOUNCEMENT OF 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.

	Unaudited FY2017 S\$	Unaudited HY2017 S\$	Unaudited FY2016 S\$	Unaudited HY2016 S\$	Increase/ (Decrease) % FY2017 vs FY2016	Increase/ (Decrease) % HY2017 vs HY2016
The Group						
Revenue	650,597	235,611	17,234,196	8,166,421	-96%	-99%
Cost of sales	(675,960)	(597,289)	(97,775,343)	(49,469,829)	-99%	-99%
Gross loss	(25,363)	(361,678)	(80,541,147)	(41,303,408)	-100%	-100%
Other income	624,009	527,984	627,199	653,376	-1%	-16%
Expenses						
Selling and distribution costs	(42,645)	(30,925)	(960,379)	(558,708)	-96%	-97%
Administrative expenses	(1,802,818)	(1,006,492)	(5,220,953)	(2,536,297)	-65%	-81%
Other expenses	(5,131,526)	(1,915,531)	(22,181,869)	(10,391,972)	-77%	-91%
Finance costs	(2,554,928)	(1,439,458)	(4,012,031)	(2,216,567)	-36%	-64%
Share of results of associate, net of tax	-	-	(8,129)	37,505	-100%	-100%
Loss before income tax	(8,933,271)	(4,226,100)	(112,297,309)	(56,316,071)	-92%	-96%
Income tax	-	-	662,578	-	-100%	nm
Loss for the financial period	(8,933,271)	(4,226,100)	(111,634,731)	(56,316,071)	-92%	-96%
Other comprehensive income:						
Items that will not be reclassified subsequently to profit or loss:-						
Deficit on revaluation of property, plant and equipment	-	-	(2,224,965)	-	-100%	-100%
Total comprehensive loss for the financial period	(8,933,271)	(4,226,100)	(113,859,696)	(56,316,071)	-92%	-96%
Loss attributable to owners of the Company	(8,933,271)	(4,226,100)	(111,634,731)	(56,316,071)	-92%	-96%

NM denotes not meaningful



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

	Unaudited FY2017 S\$	Unaudited HY2017 S\$	Unaudited FY 2016 S\$	Unaudited HY2016 S\$	Increase/ (Decrease) % FY2017 vs FY2016	Increase/ (Decrease) % HY2017 vs HY2016
Depreciation of property, plant and equipment	-	-	1,791,743	880,923	100%	100%
Government grants	(351,706)	(351,706)	(194,586)	(164,898)	81%	112%
Interest income	-	-	(23,235)	(15,070)	-100%	-100%
Miscellaneous income	(154,053)	(57,977)	(32,401)	(200,030)	-71%	-712%
Finance costs	2,554,928	1,439,458	4,012,031	2,216,567	-36%	-64%
Allowance for impairment loss on doubtful third parties trade receivables	220,137	220,137	5,287,070	4,274,782	-100%	-100%
Allowance for impairment loss on doubtful third parties non trade receivables	218,963	218,963	1,816,511	2,781,377	-100%	-100%
Allowance for impairment loss on available-for-sale financial assets	-	-	1,540,000	1,540,000	-100%	-100%
Allowance for impairment loss on plant and equipment	2,220,000	-	4,680,089	-	-100%	-
Allowance for impairment loss on slow moving inventory	382,292	382,292	1,061,746	-	-100%	-
Allowance for impairment loss on retention sums	-	-	4,123,749	4,157,811	-100%	-100%
Allowance for impairment loss on doubtful third parties trade receivables written back	-	-	(5,934)	-	-100%	-
Bad third parties trade receivables written off	-	-	894,089	1,393	-100%	-100%
Impairment on goodwill	-	-	518,237	-	-100%	-
Plant and equipment written off	-	-	689,289	689,289	-100%	-100%
Charge arising from corporate guarantees attributable to Sorrento Vietnam Shareholding Company ("Sorrento Vietnam")	-	-	4,613,187	-	-	-
Loss on disposal of plant and equipment	13,857	13,857	45,805	53,646	-70%	-70%
Foreign exchange loss / (gain), net	(584)	(584)	113,548	(37,591)	-101%	-101%

NM denotes not meaningful


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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 As at 31 Dec 2017 S\$	Unaudited As at 30 Jun 2017 S\$	Unaudited As at 31 Dec 2016 S\$	Unaudited As at 31 Dec 2017 S\$	Unaudited As at 30 Jun 2017 S\$	Unaudited As at 31 Dec 2016 S\$
ASSETS						
Non-current assets						
Property, plant and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-
Investment in an associate	-	-	-	3,066	3,066	3,066
Available-for-sale financial assets	-	-	-	-	-	-
	-	-	-	3,066	3,066	3,066
Current assets						
Inventories	-	-	174,347	-	-	-
Trade and other receivables	389,186	-	225,377	292,564	187,308	13,293
Prepayments	63,779	65,403	127,626	51,400	51,400	92,567
Amounts due from contract customers	-	-	1,025,660	-	-	-
Properties held for sale	4,500,000	6,720,000	6,720,000	-	-	-
Cash and cash equivalents	26,147	180,610	308,499	6,206	128,694	30,645
	4,979,112	6,966,013	8,581,509	350,170	367,401	136,505
Total assets	4,979,112	6,966,013	8,581,509	353,236	370,468	139,571
EQUITY AND LIABILITIES						
Share capital	33,029,183	33,029,183	33,029,183	33,029,183	33,029,183	33,029,183
Other reserves	(8,874,539)	(8,874,539)	(8,874,540)	-	-	-
Accumulated losses	(141,679,141)	(136,971,970)	(132,745,870)	(34,394,642)	(33,962,681)	(34,045,460)
Equity attributable to owners of the Company	(117,524,497)	(112,817,326)	(108,591,227)	(1,365,459)	(933,498)	(1,016,277)
Current Liabilities						
Trade and other payables	51,143,438	50,241,973	50,151,241	1,718,695	1,303,965	1,155,848
Borrowings	68,553,461	66,746,392	64,124,894	-	-	-
Finance lease payables	2,806,711	2,794,974	2,896,601	-	-	-
	122,503,610	119,783,339	117,172,736	1,718,695	1,303,965	1,155,848
Total equity and liabilities	4,979,112	6,966,013	8,581,509	353,236	370,467	139,571

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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 year/ period reported on with comparative figures as at the end of the immediately preceding financial year:

	←-----The Group-----→		
	As at 31 Dec 2017	As at 30 Jun 2017	As at 31 Dec 2016
Secured Borrowings	Unaudited	Unaudited	Unaudited
	\$	\$	\$
Amount repayable in one year or less, or on demand	71,360,172	69,541,366	67,021,495
Amount repayable after one year	-	-	-
	<u>71,360,172</u>	<u>69,541,366</u>	<u>67,021,495</u>

There were no unsecured borrowings for the Group as at 31 December 2017, 30 June 2017 and 31 December 2016.

Details of collaterals

The Group's credit facilities were secured by one or several of the following, the proceeds of which are in the process of being applied towards the discharge of the Group's credit facilities through the Schemes:

- Personal guarantees by Chia Wing Keong ("**Winston Chia**") (former Executive Director and former Chief Executive Officer) and/or Chia Wing Hock ("**Johnston Chia**") (former Executive Director);
- Corporate guarantees by Serrano Limited and/or the Company's former controlling shareholder, Wah Heng Design Corporation Pte Ltd ("Wah Heng"), and/or Serrano Holdings;
- Mortgages over the Group's properties at 49 Sungei Kadut Loop, Singapore 729492 and 16 Sungei Kadut Way, Singapore 728793 (the "Properties"). The Properties have since been repossessed by the respective financial institutions, with the 49 Sungei Kadut Loop property in the midst of disposal;
- Charges on fixed deposits; and
- Assignment of proceeds in connection with the Group's interior fit-out contracts.
- Corporate guarantees by Serrano Holdings to secure credit facilities granted to Sorrento Vietnam and an undertaking agreement with Sorrento Vietnam to apply the net proceeds from the disposal of its factory in Vietnam towards the discharge of its credit facilities. The property disposal was completed in February 2017.

The Group's hire purchase facilities were secured on the respective motor vehicles and machinery.

Shareholders are advised to refer to the respective Scheme Documents dated 28 November 2017, together with the explanatory statements to the Scheme Documents for further information on the Group's debt obligations.


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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.

The Group	Unaudited FY 2017 S\$	Unaudited HY 2017 S\$	Unaudited FY 2016 S\$	Unaudited HY 2016 S\$
<u>Operating activities</u>				
Loss before income tax	(8,933,271)	(4,226,100)	(112,297,309)	(56,316,071)
<u>Adjustments for:</u>				
Allowance for impairment loss on available-for-sale financial assets	-	-	1,540,000	1,540,000
Allowance for impairment loss on doubtful third parties trade receivables	220,137	220,137	5,287,070	4,274,782
Allowance for impairment loss on doubtful third parties trade receivables written back	218,963	218,963	(5,934)	-
Allowance for impairment loss on doubtful third parties non-trade receivables	-	-	1,816,511	2,781,377
Allowance for impairment loss on retention sums	-	-	4,123,749	4,157,811
Allowance for impairment loss on slow-moving inventory	-	-	1,061,746	-
Allowance for impairment loss on plant and equipment	2,220,000	-	4,680,089	-
Impairment on goodwill	-	-	518,237	518,237
Bad third parties trade receivables written off	-	-	894,089	1,393
Depreciation of property, plant and equipment	-	-	1,791,743	880,923
Loss on disposal of plant and equipment	-	-	45,805	53,646
Interest income	-	-	(23,235)	(15,070)
Finance costs	3,463,891	2,081,947	4,012,031	2,216,567
Plant and equipment written off	-	-	689,289	689,289
Charge arising from corporate guarantees attributable to Sorrento Vietnam	-	-	4,613,187	-
Share of results of associate, net of tax	-	-	8,129	(37,505)
Operating cash flows before working capital changes	(2,810,280)	(1,705,053)	(81,244,803)	(39,254,621)
<u>Working capital changes:</u>				
Decrease / (increase) in inventories	174,347	174,347	134,829	443,503
Decrease / (increase) in trade and other receivables	(383,946)	5,240	10,183,738	6,261,646
Decrease / (increase) in prepayments	63,847	62,223	(32,528)	(56,060)
Increase in amounts due from contract customers	806,697	806,697	64,281,164	40,579,733
Increase / (decrease) in trade and other payables	992,196	90,731	9,833,917	(3,344,563)
Net cash (used in) / generated from operating activities	(1,157,139)	(565,815)	3,156,317	4,629,638
<u>Investing activities</u>				
Interest received	-	-	23,235	15,070
Proceeds from disposal of plant and equipment	-	-	386,616	209,609
Purchase of property, plant and equipment	-	-	(2,012,565)	(1,509,897)
Net cash used in investing activities	-	-	(1,602,714)	(1,285,218)
<u>Financing activities</u>				
Decrease in fixed deposits pledged	-	-	5,705,426	5,705,426
Interest paid	-	-	(4,012,031)	(2,216,567)
Proceeds from borrowings	-	-	4,297,544	2,566,646
Repayment of borrowings	-	-	(10,614,081)	(11,826,002)
Repayment of finance leases	-	-	(437,461)	(891,101)
Net cash used in financing activities	-	-	(5,060,603)	(6,661,598)
Net change in cash and cash equivalents	(1,157,139)	(565,815)	(3,507,000)	(3,317,178)
Cash and cash equivalents at beginning of financial year/period	(11,770,112)	(11,770,112)	(8,263,112)	(8,263,112)
Cash and cash equivalents at end of financial year/period	(12,927,251)	(12,335,927)	(11,770,112)	(11,580,290)


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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 FY 2017 S\$	Unaudited HY 2017 S\$	Unaudited FY 2016 S\$	Unaudited HY 2016 S\$
The Group				
Cash and cash equivalents consist of the following:				
Cash and bank balances	26,147	180,610	308,499	126,345
Cash and cash equivalents on consolidated statement of financial position	26,147	180,610	308,499	126,345
Bank overdrafts	(12,953,398)	(12,516,537)	(12,078,611)	(11,706,635)
Cash and cash equivalents on consolidated statement of cash flows	(12,927,251)	(12,335,927)	(11,770,112)	(11,580,290)

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 S\$	Asset revaluation reserve S\$	Merger reserve S\$	Accumulated profits/(losses) S\$	Total equity attributable to owners of the Company S\$
As at 1 January 2016	33,029,183	2,788,563	(9,438,138)	(21,111,139)	5,268,469
Loss for the financial period	-	-	-	(56,316,071)	(56,316,071)
As at 30 June 2016	33,029,183	2,788,563	(9,438,138)	(77,427,210)	(51,047,602)
Loss for the financial period	-	-	-	(55,318,660)	(55,318,660)
Other comprehensive income:					
Deficit on revaluation of property, plant and equipment	-	(2,224,965)	-	-	(2,224,965)
As at 31 December 2016	33,029,183	563,598	(9,438,138)	(132,745,870)	(108,591,227)
Loss for the financial period	-	-	-	(4,226,100)	(4,226,100)
As at 30 June 2017	33,029,183	563,598	(9,438,138)	(136,971,970)	(112,817,327)
Loss for the financial period	-	-	-	(4,797,171)	(4,797,171)
As at 31 December 2017	33,029,183	563,598	(9,438,138)	(141,769,141)	(117,614,498)

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Statement of changes in equity

The Company	Share capital S\$	Accumulated losses S\$	Total equity attributable to owners of the Company S\$
As at 1 January 2016	33,029,183	(5,708,913)	27,320,270
Loss for the financial period	-	(27,726,917)	(27,726,917)
As at 30 June 2016	33,029,183	(33,435,830)	(406,647)
Loss for the financial period	-	(609,630)	(609,630)
As at 31 December 2016	33,029,183	(34,045,460)	(1,016,277)
Loss for the financial period		82,779	82,779
As at 30 June 2017	33,029,183	(33,962,681)	(933,498)
Loss for the financial period		(431,961)	(431,961)
As at 31 December 2017	33,029,183	(34,394,642)	(1,365,459)

- 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 shares	Issued and paid-up share capital S\$
As at 31 December 2017, 30 June 2017 and 31 December 2016	272,360,574	33,029,183

There were no outstanding options, convertibles, treasury shares or subsidiary holdings in the Company as at 31 December 2017, 30 June 2017 and 31 December 2016 and 30 June 2016.

- 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:		
	31 Dec 2017	30 Jun 2017	31 Dec 2016
	Unaudited	Unaudited	Unaudited
Total number of issued shares excluding treasury shares	272,360,574	272,360,574	272,360,574

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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 periods 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 periods 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.

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.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for HY2017 and FY2017 as its most recently audited financial statements for the financial year ended 31 December 2015.

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 2017. The adoption of these new and revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for FY2016 or prior years.

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.

	Number of ordinary shares as at:			
	31 Dec 2017 (Unaudited)	30 Jun 2017 (Unaudited)	31 Dec 2016 (Unaudited)	30 Jun 2016 (Unaudited)
Loss attributable to owners of the Company (S\$)	(8,933,271)	(4,226,100)	(111,634,731)	(56,316,071)
Weighted average number of ordinary shares used in the computation of basic and diluted LPS	272,360,574	272,360,574	272,360,574	272,360,574
Basic and diluted loss per share (Singapore cents)	(3.28)	(1.55)	(40.99)	(20.68)

The basic and diluted loss per share were the same for FY2017, HY2017, FY2016 and HY2016 as there were no potentially dilutive

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instruments existing during the respective financial periods.

- 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.

	←-----The Group-----→		
	(Unaudited)	(Unaudited)	(Unaudited)
	31 Dec 2017	30 Jun 2017	31 Dec 2016
Net asset value per share (Singapore cents) ⁽¹⁾	(43.15)	(41.42)	(39.87)

	←-----The Company-----→		
	(Unaudited)	(Unaudited)	(Unaudited)
	31 Dec 2017	30 Jun 2017	31 Dec 2016
Net asset value per share (Singapore cents) ⁽¹⁾	(0.50)	(0.34)	(0.37)

⁽¹⁾ Net asset value per share as at 31 December 2017, 30 June 2017 and 31 December 2016 has been computed based on 272,360,574 ordinary shares.

- 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

By the end of 2015, there were many projects which could not be completed due to the Group's tight cash flow situation. Additionally, the high overhead expenses and liabilities incurred were being compounded by various claims including back charges. The funds from the previous rights issue proved to be insufficient and various bank covenants were breached. This prompted the appointment of Deloitte, being the previous financial advisor and Scheme Manager, to work out the respective schemes of arrangement with all creditors.

Subsequently, a white knight emerged, and the original Schemes were approved by the court in Feb 2017. Wong Partnership acted on the Group's behalf and successfully obtained the court sanction of the Schemes. However, the white knight had to be replaced and Winmark Investment together with Quek Wey Lon (the "New Investors") were requested to take over. An investment agreement was signed between the New Investors and the Group, subject to due diligence. However, due to additional liabilities identified during the due diligence, the New Investors proposed an amended scheme which would preserve the position of the earlier creditors but took upon the expense of the additional liabilities on a pari-passu basis. FTI (the new scheme manager) and LawCraft successfully obtained the court sanction for the amended Schemes on 23 Feb 2018.

Due to limited cash availability, subsequent business activity in HY2016 and FY2016 declined significantly, mainly to fulfil continued obligations of past projects.

HY2017 vs HY2016

The Group's revenue for HY2017 decreased by S\$7.9m (97%) to S\$235.6k as compared to HY2016 due mainly to the termination of certain contracts and the Group's inability to secure new contracts as a result of its ongoing debt restructuring under the Schemes (the "Decline in Business Activity"). The HY2017 revenue relates mainly to the retail furnishing business.

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Cost of sales for HY2017 decreased by S\$48.9m (99%) to S\$597.3k as compared to HY2016 as project activity continued to decline.

As a result of the above, the Group recorded a smaller gross loss for HY2017 of S\$361.7k compared to a gross loss of S\$41.3m for HY2016. Gross loss in HY2017 was mainly due to staff costs in the Group relating to remaining projects amounting to S\$470k.

Other income for HY2017 decreased by S\$125.4k (19%) to S\$528k compared to HY2016. In HY2017, the Group received the grant from Spring Singapore for automation of production amounting to S\$351.7k that was previously applied and pending approval.

Selling and distribution costs for HY2017 decreased by S\$527.8K (94%) to S\$30.9k compared to HY2016 in line with the Decline in Business Activity.

Administrative expenses for HY2017 decreased by S\$1.5m (60%) to S\$1.0m compared to HY2016 due to the Decline in Business Activity. Administrative expenses for HY2017 comprised mainly of professional fees relating to the Schemes (S\$226k) and staff costs (S\$461.7k).

Other expenses for HY2017 decreased by S\$8.5m (89%) to S\$1.9m compared to HY2016 due mainly to lower impairment losses on doubtful third-party trade receivables, third party other receivables, available-for-sale financial assets, write-offs in production machinery and intangible assets consisting of goodwill. Other expenses for HY2017 comprised mainly of allowance for impairment loss on trade receivables (S\$220.1k), allowance for impairment loss on non-trade receivables (S\$219.0k), allowance for impairment on slow-moving inventory (S\$382.3k) and late payment interest charges and fines (S\$907.6k).

Finance costs for HY2017 decreased by S\$777.1k (35%) to S\$1.4m compared to HY2016 due mainly to lower interest and trade finance charges as a result of the Decline in Business Activity.

As a result of the above, the Group incurred a smaller loss before tax of S\$4.2m for HY2017 as a result of all the above compared to a loss before tax of S\$56.3m for HY2016.

FY2017 vs FY2016

The Group's revenue for the twelve months ended 31 December 2017 ("FY2017") decreased by S\$16.6m (96%) to S\$650.6k compared to the corresponding twelve months to 31 December 2016 ("FY2016"). The decrease in revenue was mainly due to the Group's contracts being terminated and its inability to secure new contracts as a result of its ongoing debt restructuring under the Schemes. FY2017 revenue relates mainly to revenue from retail furnishings business, on the remaining contracts that were funded by the main contractors and were completed during the financial year.

Cost of sales for FY2017 decreased by S\$97.1m (99%) to S\$676.0k compared to FY2016 as project activity continued to decline. Cost of sales for FY2017 comprised mainly of staff costs relating to remaining projects (S\$473k).

As a result of the above, the Group recorded a smaller gross loss of S\$25.4k for FY2017 compared to S\$80.5m for FY2016.

Other income for FY2017 did not change materially compared to FY2016. In FY2017, the Group received the grant from Spring Singapore for automation of production amounting to S\$351.7k that was previously applied and pending approval.

Selling and distribution costs for FY2017 decreased by S\$917.7K (96%) to S\$42.6k compared to FY2016 due mainly to the Decline in Business Activity.

Administrative expenses for FY2017 decreased by S\$3.4m (65%) to S\$1.8m compared to FY2016 due to the Decline in Business Activity. Administrative expenses for FY2017 comprised mainly professional fees relating to the Schemes (S\$690.6k) and staff costs (S\$742.9k).

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Other expenses for FY2017 decreased by S\$17.1m (77%) to S\$5.1m compared to FY2016 due mainly to lower impairment losses on doubtful third-party trade receivables, third party other receivables, available-for-sale financial assets, write-offs in production machinery and intangible assets consisting of goodwill. Other expenses for FY2017 comprised mainly of allowance for impairment loss on trade receivables (S\$220.1k), allowance for impairment loss on non-trade receivables (S\$219.0k), allowance for impairment on slow-moving inventory (S\$382.3k), allowance for impairment loss on property (S\$2.2m) and late payment interest charges and fines (S\$1.9m).

Finance costs for FY2017 decreased by S\$1.5m (36%) to S\$2.6m compared to FY2016 due mainly to lower interest and trade finance charges as a result of the Decline in Business Activity.

As a result of the above, the Group incurred a smaller loss before tax of S\$8.9m in FY2017 compared to a loss before tax of S\$111.6m in FY2016.

Review of the Group's financial position**HY2017 vs FY2016**

The Group's Current Assets decreased by S\$1.6m (19%) to S\$7.0m as at 30 June 2017 compared to 31 December 2016 mainly due to further write-offs of inventories, trade and other receivables and amounts due from contract customers as a result of contract terminations as the Group undergoes restructuring of its debts under the Schemes. Current Assets includes the Group's leasehold properties held for sale of S\$6.7m, which have since been repossessed by the respective banks and any sales proceeds will be applied towards the discharge of the related credit facilities.

Total Liabilities increased by S\$2.6m (2%) to S\$119.8m as at 30 June 2017 compared to 31 December 2016 due mainly to the net increase in amounts owing to the Scheme Creditors as recorded in the Group's management accounts in relation to the adjudication process of the claims.

Total Equity decreased by S\$4.2m (4%) to (S\$112.8m) as at 30 June 2017 compared to 31 December 2016 due mainly to the losses incurred during the financial period under review.

FY2017 vs FY2016

The Group's Current Assets decreased by S\$3.6m (42%) to S\$5.0m as at 31 December 2017 compared to 31 December 2016 due mainly to impairment losses on inventories, amounts due from contract customers and the Group's leasehold properties held for sale (S\$2.2m). The Group's properties have been repossessed by the respective banks and any sales proceeds will be applied towards the discharge of the related credit facilities. Trade and other receivables amounting to S\$389k relate to work done on a remaining project during the financial year.

Total Liabilities increased by S\$5.3m (5%) to S\$122.5m as at 31 December 2017 compared to 31 December 2016 due mainly to the net increase in amounts owing to the Scheme Creditors as recorded in the Group's management accounts in relation to the adjudication process of the claims.

Total Equity decreased by S\$8.9m (8%) to (S\$117.5m) as at 31 December 2017 compared to 31 December 2016 due mainly to the losses incurred during the financial year.

Review of the Group's cash flows**HY2017 vs HY2016**

The Group's net cash used in operating activities was S\$565.8k in HY2017, compared to net cash generated from operating activities of S\$4.6m in HY2016 due mainly to the loss before tax, offset by adjustments for finance costs and changes in working

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capital.

Net cash used in investing activity was nil in HY2017 compared to S\$1.3m in HY2016 as the Group continued to be restructured under the Schemes.

Net cash used in financing activity was nil in HY2017 compared to S\$6.7m in HY2016 as the Group continued to be restructured under the Schemes.

FY2017 vs FY2016

The Group's net cash used in operating activities was S\$1.2m in FY2017, compared to net cash generated from operating activities of S\$3.2m in FY2016 due mainly to the loss before tax, offset by adjustments for allowance for impairment loss on plant and equipment, adjustment for finance cost, and changes in working capital.

Net cash used in investing activity was nil in FY2017 compared to S\$1.6m in FY2016 as the Group continued to be restructured under the Schemes.

Net cash used in financing activity was nil in FY2017 compared to S\$5.1m in FY2016 as the Group continued to be restructured under the Schemes.

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 and 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.

With the amended Schemes being sanctioned by the Court on 23 February 2018, the Schemes shall take effect in accordance with its terms upon a copy of the Orders of Court being lodged with ACRA. Accordingly, the Company's solicitors are in the midst of extracting the Orders and lodging a copy with ACRA to effect both the Orders and Schemes.

Over the next 12 months, the Board will work towards reviving the Group's business. Additionally, as highlighted in the Schemes, the Company is finalizing discussions for the acquisition of Sinbor Company Pte Ltd ("Sinbor"), a company principally engaged in the supply of wall and floor finishes such as natural stone, tiles, wood, and bathroom products, business activities that are synergistic and complementary to the Group's current business. The Group also plans to expand its product range and develop other complementary businesses, i.e. other building related activities for both the projects and retail renovation markets, so as to leverage on the interior fit-out track record of the Group. Whilst market conditions remain challenging, the recent signs of revival in the property market are encouraging and the Group intends to position itself quickly to capture these opportunities.

Other than the above steps to revive the Group's business, the Company is also working towards the resumption of trading for the shares of the Company, following which various fund raising exercises as well as business diversification activities can be reviewed and undertaken by the Company so as to bring back the confidence of shareholders.

11. Dividend

(a) Whether any interim (final) ordinary dividend has been declared (recommended)?

No.

(b) Any dividend declared (recommended) for the corresponding period of the immediately preceding financial year?

No.

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(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for HY2017 and FY2017.

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 other IPT of S\$100,000 and above for HY2017 and FY2017.

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.

PART II- ADDITIONAL INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS**15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group has two major business segments, namely:

- a) Interior Fit-Out Business; and
- b) Wholesale and Retail Furnishings Business.

The Company is of the view that it is not meaningful to present the segmented revenue and results for operating segments for FY2017 as the Group is undergoing a restructuring of its debt obligations with creditors under the Schemes.

	Interior Fit-Out Business	Wholesale and Retail Furnishings Business	Total
2016 The Group Revenue	S\$ 14,727,166	S\$ 2,507,030	S\$ 17,234,196
Results			
Segment results	(102,533,528)	(5,766,856)	(108,300,384)
Interest income	23,235	-	23,235
Finance costs	(3,730,978)	(281,053)	(4,012,031)
Loss before income tax	(106,241,271)	(6,047,909)	(112,289,180)
Income tax			662,578
Share of results of associate, net of tax			(8,129)
Loss for the financial year			(111,634,731)


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Non-cash items

Allowance for impairment loss on available-for-sale financial assets	(1,540,000)	-	(1,540,000)
Allowance for impairment loss on doubtful third parties trade receivables	(3,024,939)	(2,262,131)	(5,287,070)
Allowance for impairment loss on doubtful third parties trade receivables written back	-	5,934	5,934
Allowance for impairment loss on doubtful third parties non-trade receivables	(1,816,511)	-	(1,816,511)
Allowance for retention sums	(4,123,749)	-	(4,123,749)
Allowance for slow moving inventory	(1,061,746)	-	(1,061,746)
Allowance for impairment on plant and equipment	(4,249,104)	(430,986)	(4,680,090)
Impairment on goodwill	(518,237)	-	(518,237)
Bad third parties trade receivables written off	(592,670)	(301,419)	(894,089)
Bad third parties trade receivables recoverable	21,454	-	21,454
Depreciation of property, plant and equipment	(1,657,378)	(134,365)	(1,791,743)
Loss on disposal of plant and equipment	(45,543)	(262)	(45,805)
Plant and equipment written off	(642,495)	(46,794)	(689,289)
Charge arising from corporate guarantees provided on behalf of Sorrento Vietnam	(4,613,187)	-	(4,613,187)

Capital expenditure

Property, plant and equipment	4,187,081	549,497	4,736,578
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Assets and liabilities

Segment assets	8,132,495	449,014	8,581,509
Segment liabilities	112,189,062	4,983,674	117,172,736

Geographical information
2016

	Singapore S\$	Vietnam S\$	Myanmar S\$	Others S\$	Total S\$
Total revenue from external customers for FY2016	15,118,036	342,432	138,335	1,635,393	17,234,196

Non-current assets (excluding available-for-sale financial assets and investment in associate) as at 31 December 2016

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16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

The Company is of the view that it is not meaningful to present the segmented revenue and results for operating segments for FY2017 as the Group is undergoing a restructuring of its debt obligations with creditors under the Schemes.

17. A breakdown of sales

The Group	FY2017 S\$	FY2016 S\$	Increase/(Decrease) %
(a) Sales reported for first half year ended 30 June	235,611	8,166,421	(97.1)
(b) Operating loss after tax reported for first half year ended 30 June	(4,226,100)	(56,316,071)	92.5
(c) Sales reported for second half year ended 31 December	414,986	9,067,775	(95.4)
(d) Operating loss after tax reported for second half year ended 31 December	(4,707,171)	(55,318,660)	91.5

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NM denotes not meaningful

- 18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

- 19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age in 2018	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Karen Chia	45	Substantial shareholder	Karen Chia is currently a director of Serrano Holdings Pte Ltd. She is responsible for retail sales of furniture in the Group.	Karen Chia was Executive Director of the Company from November 2016 to 16 January 2018. She resigned from the Board of the Company on 16 January 2018.
Johnston Chia	46	Brother of Karen Chia and Winston Chia	Senior Manager (Operations) since 24 November 2016. Responsible for, inter alia, the supervision of the interior fit-out operations of the Group, including reviewing the procurement and contract specifications prepared by the Group's quantity survey department, project management and business development.	Johnston Chia ceased to be a director of the Company and its subsidiaries with effect from 17 November 2016 upon a bankruptcy order being made by the High Court of the Republic of Singapore against him on the same day.

N.A.denotes not applicable.

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

In respect of the HY2017 and FY2017 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 and full year ended 30 June 2017 and 31 December 2017 to be false or misleading in any material aspect.

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

Non-executive Director and Interim Chairman

28 February 2018