

ADVANCE AND CONDITIONAL SUBSCRIPTION AGREEMENTS

1. INTRODUCTION

The board of directors ("**Directors**" or "**Board**") of Serrano Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 11 November 2019, entered into separate advance and conditional subscription agreements (collectively, the "**Agreements**" and each an "**Agreement**") with each of the parties set out in Clause 2.1 below (the "**Lenders**" and each a "**Lender**"), pursuant to which:

- (a) the Lenders shall within five business days from the date of the Agreements (the "**Payment Date**") provide certain advances (as detailed in paragraph 2.1 below) (the "**Advances**") to the Company; and
- (b) only in the event that trading of the Company's shares on the Catalist is resumed, each Lender shall have a right to subscribe for new ordinary shares in the capital of the Company (the "**Subscription Shares**"), subject to certain conditions precedent being fulfilled. The Advances together with any interest accrued thereon shall be credited in full as the aggregate consideration for the subscription of the Subscription Shares.

For the avoidance of doubt, the Company wishes to highlight that at this juncture, the Advances are to be provided by the Lenders to the Company as loans and not as subscription monies for the Subscription Shares. Each Lender's right to subscribe for the Subscription Shares, whether conditional or otherwise, does not take effect unless and until trading of the Company's shares on the Catalist is resumed.

2. ADVANCES AND SUBSCRIPTION SHARES

- 2.1 The amount of Advances and the maximum number of Subscription Shares proposed to be allotted and issued to the Lenders are as detailed below:

Lender	Amount of Advance	Maximum number of Subscription Shares⁽¹⁾	% of share capital as at the date of this Announcement	% of enlarged share capital after the issuance of the Subscription Shares
Tay Kah Poh (" Mr. Tay ")	S\$50,000	Up to 23,478,261	0.44%	0.43%
Winmark Investments Pte Ltd (" Winmark Investments ")	S\$50,000	Up to 23,478,261	0.44%	0.43%
	S\$100,000	Up to 46,956,522		

Note:

- (1) The maximum number of Subscription Shares is computed based on the assumption that the Subscription Shares are issued on the Long-Stop Date (as defined below) and accordingly the

interest rate of 8.0% per annum will apply for the full twelve months' period commencing from the Payment Date. The actual number of Subscription Shares to be allotted and issued will depend on when Completion (as defined below) takes place.

- 2.2 The maximum number of Subscription Shares represents approximately 0.88% of the share capital of the Company as at the date of this announcement, and 0.86% of the enlarged share capital of the Company subsequent to the completion of the issue of Subscription Shares ("**Completion**"). The number of ordinary shares in issue in the Company will then increase from 5,356,277,963 to a maximum of 5,403,234,485.
- 2.3 The Subscription Shares shall be issued free from any and all claims, charges, liens mortgages, securities, pledges, equities, encumbrances or other interests whatsoever and shall rank *pari passu* in all respects with and shall carry all rights similar to the existing shares in the capital of the Company as at the date of allotment and issue of the Subscription Shares except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of such Subscription Shares.

3. SHAREHOLDERS' APPROVAL

- 3.1 As Mr. Tay is an independent director of the Company and Winmark Investments is a controlling shareholder of the Company, pursuant to Rule 812(2) of the Catalist Rules, the issue of Subscription Shares to Mr. Tay and Winmark Investments is subject to the approval of the shareholders of the Company (the "**Shareholders**") being obtained at an extraordinary general meeting of the Company.
- 3.2 Rule 811(1) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of the Catalist (the "**Catalist Rules**") provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. Each Subscription Share is priced at S\$0.0023 (the "**Subscription Price**"). As trading of shares of the Company is currently suspended and the Lender's right to subscribe for the Subscription Shares does not take effect until resumption of trading of the Company's shares, for purposes of Rule 811(1) of the Catalist Rules, the Company is unable to determine if Rule 811(1) of the Catalist Rules is applicable. The Company nevertheless intends to seek specific Shareholders' approval for the issue of all of the Subscription Shares.
- 3.3 As soon as practicable after resumption of trading of the Company's shares on the SGX-ST and upon the Lenders' right to subscribe for the Subscription Shares taking effect, the Company will be making an application to the SGX-ST for the listing and quotation of the Subscription Shares on the Catalist, and will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST. In addition, a circular containing information in connection with the Advances and issue of Subscription Shares will be despatched to the Shareholders in due course.

4. INFORMATION ON THE LENDERS

4.1 Tay Kah Poh

Mr. Tay is an independent director of the Company who was appointed to the Board on 17 October 2019. He is currently the Chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit and Risk Committee. Please refer to the Company's announcements dated 17 October 2019 on SGXNET for more information on Mr. Tay.

4.2 Winmark Investments

Winmark Investments is a controlling shareholder of the Company and has a direct interest of approximately 67.74% in the Company as at the date of this announcement.

Tan Tien Hin Winston, the Executive Chairman of the Company, and his spouse, Lim Sioh Tin Amy, each holds 50.00% of the issued and paid-up capital of Winmark Investments.

- 4.3 Each of the Lenders is a private investor and has represented that it is subscribing for the Subscription Shares as principal and for its own benefit.
- 4.4 The Lenders are not co-operating or acting in concert with any other Shareholders to obtain or consolidate effective control of the Company through the subscription of the Subscription Shares. In addition, the Subscription Shares will not be issued to transfer a controlling interest of the Company.
- 4.5 Each of the Lenders has acknowledged in the respective Agreements that:
- (a) trading of the Company's shares on the SGX-ST is currently suspended and there is no guarantee that trading of the Company's shares will be resumed;
 - (b) the Lender has full knowledge of the contents of the announcements, reports and circulars issued by the Company to the public via the website of the SGX-ST (including but not limited to information relating to the financial situation of the Company); and
 - (c) in entering into the Agreement, the Lender has carefully considered its investment objectives and independently evaluated the risks in respect of its investment pursuant to the Agreement.

5. PRINCIPAL TERMS OF THE AGREEMENTS

5.1 Conditional subscription of shares in the Company

Notwithstanding anything else in the Agreements, the parties thereto acknowledge and agree that the Lender's right to subscribe for the Subscription Shares, whether conditional or otherwise, does not take effect unless and until trading of the Company's shares on the Catalist is resumed. In the event that trading of the Company's shares on the Catalist is not resumed on or before the first anniversary of the Payment Date (the "**Long-Stop Date**"), each Agreement shall terminate with effect from the Long-Stop Date and shall be of no further effect and no party thereto shall be under any liability to the other in respect of the Agreements save that the Company shall remain liable for the repayment of the Advances and all accrued interest thereon.

5.2 Advances

The Company shall pay interest on the Advances at the rate of eight per cent. (8%) per annum, which shall accrue day to day from the payment date of such Advances up to and including the day immediately preceding the date of Completion of subscription of the Subscription Shares or the Long-Stop Date, whichever is earlier, and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed.

Subject only to completion of the subscription of Subscription Shares taking place, the Advances together with any interest accrued thereon shall be credited in full as the aggregate consideration for the subscription of the Subscription Shares.

In the event that the Conditions Precedent (as defined below) are not satisfied and/or completion of subscription of the Subscription Shares does not take place on or before the Long-Stop Date, the interest rate accruing on the Advance shall increase to twelve per cent. (12%) per annum with effect from the Long-Stop Date, which shall accrue day to day up to and including the last day of the Repayment Period (as defined below), and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed. The Advances plus the accrued interest thereon shall be repaid in twelve (12) equal monthly instalments by the Company to the Lenders, the first instalment being due on the Long-Stop Date and each of the remaining instalments being due on the last

business day of the next following calendar month for eleven (11) consecutive months. The period commencing from the Long-Stop Date and ending on the date during which the last of the twelve (12) instalments is repaid shall be referred to as the "**Repayment Period**".

In the event that the Company's repayment obligations under the Agreements arise, the Company may elect to prepay the whole or any balance of the Advance outstanding at any time prior to the expiry of the Repayment Period if it gives the Lenders not less than three (3) business days' prior written notice of the date of prepayment. Any prepayment under the Agreements are to be made together with all accrued interest thereon and without premium or penalty.

5.3 **Conditions Precedent**

Completion of subscription of the Subscription Shares is conditional upon, *inter alia*, the following conditions precedent:

- (a) resumption of trading of the Company's shares on the Catalist;
- (b) the listing and quotation notice in respect of the Subscription Shares being obtained from the SGX-ST and not having been revoked or amended and, where such listing and quotation notice is subject to conditions, to the extent that any such conditions are required to be fulfilled on or before the completion date, they are so fulfilled;
- (c) to the extent required by the Catalist Rules, approval being obtained from the Shareholders at a general meeting for the allotment and issue of the Subscription Shares to the Lenders on the terms and conditions of the Agreements;
- (d) the exemption under Section 272B of the Securities and Futures Act, Chapter 289 of Singapore, being applicable to the subscription of Subscription Shares under the Agreements;
- (e) the allotment and issue of the Subscription Shares to the Lenders not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreements by any legislative, executive or regulatory body or authority of Singapore or any other jurisdiction which is applicable to the Company or the Lenders; and
- (f) the representations, warranties and undertakings contained in the Agreements remaining true and correct in all material respects as at the completion date and each party having performed all of its obligations thereunder to be performed on or before the completion date.

If any of the above conditions precedent has not been satisfied on or before the Long-Stop Date, each Agreement shall terminate and shall be of no further effect and no party thereto shall be under any liability to the other in respect of the Agreements save that the Company shall remain liable for the repayment of the Advances and all accrued interest thereon.

6. **USE OF PROCEEDS**

6.1 The gross proceeds of S\$100,000 will be used by the Group as follows:

Use of proceeds	Percentage (%)	Amount (S\$)
Working capital for projects	80%	80,000
Salaries and administrative costs	20%	20,000

- 6.2 The Company will make periodic announcements on the use of the net proceeds from the Advances as and when the net proceeds are materially disbursed, and provide a status report on the use of the net proceeds in the Company's annual report. The Company will disclose a breakdown with specific details on the use of net proceeds for working capital in such announcements and annual reports. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.
- 6.3 Pending deployment of the net proceeds for the use identified above, the net proceeds may be deposited with banks or financial institutions and/or used for investment in short-term money market and/or debt instruments or for any other purposes on a short-term basis, as the Directors may deem fit.
- 6.4 The Directors are of the opinion that after taking into consideration the Group's present bank facilities and the net proceeds of the Advances, the working capital available to the Group will be sufficient to meet its present requirements.

7. NO PROSPECTUS OR OFFER INFORMATION STATEMENT

The Subscription Shares are offered to the Lenders for subscription by way of a private placement pursuant to an exempted offer under Section 272B of the Securities and Futures Act, Chapter 289 of Singapore. Hence, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the issue of the Subscription Shares.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as set out in paragraph 4 of this announcement, none of the Directors or controlling Shareholders or their associates have any interest, direct or indirect in the issue of the Subscription Shares, other than through their respective shareholdings in the Company.

9. DOCUMENTS FOR INSPECTION

A copy of each Agreement is available for inspection at the Company's registered office at 120 Lower Delta Road #06-16 Cendex Centre, Singapore 169208, for a period of three (3) months from the date of this announcement.

10. FURTHER INFORMATION AND ACTION BY SHAREHOLDERS

- 10.1 A circular containing information in connection with the Advances and issue of Subscription Shares will be despatched to the Shareholders in due course. The Company will make further announcements relating to the Advances and issue of Subscription Shares as and when necessary.
- 10.2 In the meantime, Shareholders are advised to refrain from taking any action which may be prejudicial to their interests before seeking advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers (as appropriate).

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Agreements and proposed issuance of the Subscription Shares, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement

misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Tan Tien Hin Winston
Executive Chairman
11 November 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).