

DIFFERENCES BETWEEN PRELIMINARY AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "Board") of Serrano Limited (the "Company") refers to the announcement on the unaudited consolidated full year financial statements for the financial year ended 31 December ("FY") 2014 made by the Company on 26 February 2015 (the "FY2014 Results Announcement").

Since the release of the FY2014 Results Announcement, the audit of the consolidated financial statements of the Company and the Group for FY2014 has been completed. The Board wishes to announce and clarify material differences between the unaudited consolidated financial statements and audited consolidated financial statements for FY2014.

Pursuant to Rule 704(5) of the SGX-ST Listing Manual Section B: Rules of Catalyst ("Catalist Rules"), the following represents the adjustments made during the finalisation of the audit:

Consolidated Statement of Comprehensive Income

	← FY2014 →		Difference (S\$'000)	Note
	Audited (S\$'000)	Unaudited (S\$'000)		
Revenue	85,222	85,222	-	
Cost of sales	(74,067)	(73,767)	(300)	1
Gross profit	11,155	11,455	(300)	
Other item of income				
Other income	2,490	2,495	(5)	Immaterial
Other items of expense				
Selling and distribution costs	(1,363)	(1,504)	141	2
Administrative expenses	(4,177)	(4,011)	(166)	3
Other expenses	(2,637)	(2,613)	(24)	2, 3, 4
Finance costs	(3,558)	(3,612)	54	4
Share of results of associate, net of tax	4	4	-	
Profit before income tax	1,914	2,214	(300)	5
Income tax expense	(826)	(877)	51	6
Profit for financial year, representing total comprehensive income for the financial year	1,088	1,337	(249)	7
Profit and total comprehensive income attributable to owners of the Company	1,088	1,337	(249)	7

Consolidated Statement of Financial Position

← As at 31 December 2014 →

	Audited (S\$'000)	Unaudited (S\$'000)	Difference (S\$'000)	Note
ASSETS				
Non-current assets				
Property, plant and equipment	7,721	7,721	-	
Intangible assets	565	565	-	
Investments in subsidiaries	-	-	-	
Investment in associate	63	63	-	
Available-for-sale financial assets	1,800	1,800	-	
	<u>10,149</u>	<u>10,149</u>	-	
Current assets				
Inventories	1,336	1,336	-	
Trade and other receivables	20,828	20,833	(5)	8
Prepayments	193	188	5	8
Amounts due from contract customers	71,257	71,557	(300)	1
Cash and cash equivalents	7,516	7,516	-	
	<u>101,130</u>	<u>101,430</u>	(300)	
Total assets	<u>111,279</u>	<u>111,579</u>	(300)	
EQUITY AND LIABILITIES				
Equity				
Share capital	24,802	24,802	-	
Other reserves	(6,801)	(6,801)	-	
Retained earnings	8,541	8,790	(249)	7
Equity attributable to owners of the Company	<u>26,542</u>	<u>26,791</u>	(249)	
Non-current liabilities				
Bank borrowings	672	672	-	
Finance lease payables	955	955	-	
Deferred tax liabilities	673	673	-	
	<u>2,300</u>	<u>2,300</u>	-	
Current liabilities				
Trade and other payables	21,285	21,091	194	9
Bank borrowings	59,687	59,881	(194)	9
Finance lease payables	557	557	-	
Current income tax payable	908	959	(51)	6
	<u>82,437</u>	<u>82,488</u>	(51)	
Total liabilities	<u>84,737</u>	<u>84,788</u>	(51)	
Total equity and liabilities	<u>111,279</u>	<u>111,579</u>	(300)	

Consolidated Statement of Cash Flows

	← FY2014 →			
	Audited (S\$'000)	Unaudited (S\$'000)	Difference (S\$'000)	Note
<u>Operating activities</u>				
Profit before income tax	1,914	2,214	(300)	5
Adjustments for:				
Allowance for impairment loss on doubtful third parties trade receivables	26	24	2	Immaterial
Amortisation of intangible asset	47	47	-	
Allowance for impairment loss on doubtful third parties trade receivables written back	(13)	-	(13)	10
Bad third parties trade receivables written off	-	2	(2)	Immaterial
Depreciation of property, plant and equipment	1,024	1,024	-	
Interest income	(162)	(162)	-	
Interest expenses	3,558	3,612	(54)	4
IPO expenses charged, net	1,358	1,358	-	
Share of profit of associate	(4)	(4)	-	
Loss on disposal of available-for-sale financial assets	661	661	-	
Gain on disposal of plant and equipment	(14)	(14)	-	
Operating cash flows before working capital changes	8,395	8,762	(367)	
Working capital changes:				
Decrease / (Increase) in inventories	300	300	-	
(Increase) in trade and other receivables	(9,296)	(9,451)	155	8, 10
(Increase) in prepayments	(32)	(27)	(5)	Immaterial
(Increase) in amounts due from contract customers	(18,038)	(18,338)	300	1
Increase in trade and other payables	2,854	2,661	194	9
Cash (used in) / generated from operations	(15,816)	(16,093)	277	
Income tax paid	(279)	(279)	-	
Net cash (used in) / from operating activities	(16,095)	(16,372)	277	
<u>Investing activities</u>				
Interest received	25	162	(137)	10
Proceeds from disposal of plant and equipment	52	52	-	
Proceeds from disposal of available-for-sale financial assets	1,004	1,004	-	
Purchase of plant and equipment	(63)	(63)	-	
Net cash from / (used in) investing activities	1,018	1,155	(137)	
<u>Financing activities</u>				
Increase in fixed deposits pledged	(1,056)	(1,056)	-	
Interest paid	(3,557)	(3,611)	54	4
Proceeds from bank borrowings	67,728	64,787	2,941	11
Proceeds from issuance of ordinary shares	5,175	5,175	-	
Issue of redeemable convertible preference shares	3,000	3,000	-	
IPO share issue expenses paid	(1,768)	(1,768)	-	
Repayment of bank borrowings	(30,393)	(27,258)	(3,135)	11
Repayment of finance leases	(581)	(581)	-	
Net cash from financing activities	38,548	38,688	(140)	

Consolidated Statement of Cash Flows (Continued)

	← FY2014 →		Difference (S\$'000)	Note
	Audited (S\$'000)	Unaudited (S\$'000)		
Net change in cash and cash equivalents	23,471	23,471	-	
Cash and cash equivalents at beginning of financial year	(26,213)	(26,213)	-	
Cash and cash equivalents at end of financial year	<u>(2,742)</u>	<u>(2,742)</u>	-	

Notes:

- The increase / decrease in Cost of sales / Amounts due from contract customers of S\$300,000 was due to a provision made for impairment losses on direct labour costs incurred for certain variation orders in relation to a completed interior fit-out project.
- The decrease in Selling and distribution costs was due to the net effect arising from the reclassification of (i) staff costs of S\$164,000 from Selling and distribution costs to Administrative expenses; and (ii) travelling expenses of S\$23,000 from Other expenses to Selling and distribution costs.
- The increase in Administrative expenses of S\$166,000 was due to the reclassification of (i) staff costs of S\$164,000 from Selling and distribution costs to Administrative expenses; (ii) printing and stationary costs of S\$1,000 from Other expenses to Administrative expenses; and (iii) training costs of S\$1,000 from Other expenses to Administrative expenses.
- The decrease in Finance costs was due to the reclassification of administrative charges from financial institutions of S\$54,000 from Finance costs to Other expenses.
- The decrease in Profit before income tax was due mainly to the adjustments in Notes 1 to 4 above.
- The decrease in Income tax expenses / Current income tax payable of S\$51,000 was due to the reduction in income tax payable mainly as a result of the adjustments in Notes 1 to 4 above.
- The decrease in Profit and total comprehensive income attributable to owners of the Company / Retained earnings of S\$249,000 was due mainly to the adjustments in Notes 1 to 6 above.
- The decrease in Trade and other receivables of S\$5,000 was due to the reclassification of IPO expenses of S\$5,000 from Trade and other receivables to Prepayments.
- The increase in Trade and other payables and the decrease in Bank Borrowings was due to an amount of S\$194,000 of trade payables misclassified under Bank borrowings in the Group's unaudited financial statements for FY2014 now properly classified as Trade and other payables in the Group's audited financial statements for FY2014.
- Out of the difference of S\$155,000 in the Increase in trade and other receivables, S\$150,000 was due to the following:

	(S\$'000)
Adjustment to Allowance for impairment loss on doubtful third parties trade receivables written back of S\$13,000, which had been correctly reflected under the Group's unaudited consolidated statement of comprehensive income for FY2014 and the unaudited consolidated statement of financial position for FY2014, but which had not been disclosed in the Group's unaudited consolidated statement of cash flows for FY2014, and which is now disclosed in the Group's audited consolidated statement of cash flows for FY2014.	13

Reclassification of Interest received to Increase in Trade and other receivables of S\$137,000 attributable to accrued interest from Sorrento Vietnam Shareholding Company for loan advances granted to them for the purchase of raw materials used in the manufacture of the Group's panelling products that remains unpaid as at 31 December 2014, which had been correctly reflected under the Group's unaudited consolidated statement of comprehensive income for FY2014 and the unaudited consolidated statement of financial position for FY2014, but which had been misclassified under Interest received in the Group's unaudited consolidated statements of cash flows for FY2014, and which is now reclassified as Trade and other receivables in the Group's audited consolidated statements of cash flows for FY2014.

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11. The differences are due to the understatement of (i) Repayments of bank borrowings of S\$3,135,000; and (ii) Proceeds from bank borrowings of S\$2,941,000, in respect of FY2014.

BY ORDER OF THE BOARD

Winston Chia Wing Keong

Executive Chairman and Chief Executive Officer
10 April 2015

About Serrano Limited

Serrano Limited ("Serrano" and, together with its subsidiaries, the "Group") is a leading provider of interior fit-out solutions for property development and refurbishment projects in Singapore and Southeast Asia. Its portfolio spans the residential, hospitality, retail and commercial sectors, with a focus on mid to high-end private residential developments.

Some of its significant projects include prestigious developments such as The Interlace, Reflections at Keppel Bay, Ritz-Carlton Residences, ICON @ Tanjong Pagar and the Youth Olympic Village (Nanyang Technological University) in Singapore; the Star City Thanlyin township development and Traders Hotel (now known as the Sule Shangri-La Hotel) in Myanmar; The Estella in Vietnam; and The Met and The River in Thailand.

As a testament of its leading position and commitment to quality, the Group has won numerous awards and certifications. These include The Business Times and KPMG – Enterprise 50 Award in 2014, Singapore Prestige Brand Award – Established Brand in 2013 and 2014, the Asia Pacific Brands Award Singapore's Finest in 2014, the Singapore Furniture Industry Awards - The Furniture Manufacturer Award (Gold) in 2013, the Built Environment Industry Asia Awards – Regional Award of the Year for Outstanding Business Achievement in 2013, the ASEAN Business Awards – Most Admired ASEAN Enterprise – Growth (Large Company) in 2013, and the ISO 9001:2008 Quality Management System Certificate for wholesale and distribution of furniture and project management for residential/building furnishings from December 2013 to December 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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