

**SERRANO LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration Number 201223004Z)

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1. **PROPOSED RENOUNCEABLE PARTIALLY-UNDERWRITTEN RIGHTS ISSUE**

- 1.1 **Introduction**

- 1.1.1 The board of directors (the “**Board**” or “**Directors**”) of Serrano Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing a renounceable partially-underwritten rights issue of up to 150,000,000 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.07 for each Rights Share (the “**Issue Price**”) on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company (the “**Shares**”) held by the shareholders of the Company (“**Shareholders**”) at a time and date to be determined by the Directors for the purposes of determining Entitled Shareholders’ (as defined below) entitlements (the “**Books Closure Date**”), fractional entitlements to be disregarded (the “**Rights Issue**”).

- 1.1.2 The Rights Shares will be issued pursuant to the share issue mandate obtained from the Shareholders at the annual general meeting of the Company held on 27 April 2015 (the “**2015 General Mandate**”) to allot and issue Shares and/or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise), at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion deem fit, provided that (i) the aggregate number of Shares and/or convertible securities to be issued pursuant to the 2015 General Mandate does not exceed one hundred per cent (100.0%) of the total number of issued Shares (excluding treasury shares of the Company); and (ii) of which the aggregate number of Shares and/or convertible securities to be issued other than on a *pro-rata* basis to existing Shareholders does not exceed fifty per cent (50.0%) of the total number of issued Shares (excluding treasury shares of the Company). The percentage of issued Shares (excluding treasury shares of the Company) shall be based on the number of issued Shares (excluding treasury shares of the Company) at the time of the passing of the resolution approving the 2015 General Mandate, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of the passing of the resolution approving the 2015 General Mandate; and (b) any subsequent bonus issue or consolidation or sub-division of Shares. Accordingly, the Company will not be seeking specific approval from Shareholders for the Rights Issue.

- 1.1.3 In connection with the above, SAC Capital Private Limited (the “**Manager**”, “**Underwriter**” or “**SAC Capital**”, as the case may be) has been appointed by the Company as manager and underwriter to manage and partially-underwrite the Rights Issue. The Rights Issue will be underwritten by SAC Capital pursuant to a management and underwriting agreement to be entered into between the Company and SAC Capital (the “**Management and Underwriting Agreement**”) in due course.

## 1.2 Principal Terms of the Rights Issue

- 1.2.1 Pursuant to the Rights Issue, up to 150,000,000 Rights Shares will be offered at the Issue Price, on the basis of one (1) Rights Share for every one (1) Share held by Shareholders as at the Books Closure Date, fractional entitlements to be disregarded. As at the date of this announcement (“**Announcement**”), the Company has an issued and paid-up share capital of S\$24,802,397 comprising 150,000,000 Shares (“**Existing Share Capital**”). There are no unissued reserve shares or treasury shares held by the Company.
- 1.2.2 Entitled Shareholders (as defined below) will be at liberty to accept, decline, or otherwise renounce or trade their provisional allotments of Rights Shares, in whole or in part, on the Catalist (“**Catalist**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares in excess of their provisional allotments. Fractional entitlements of the Rights Shares, if any, will be disregarded in arriving at the Entitled Shareholders’ (as defined below) entitlements and will, together with the provisional allotments of Rights Shares which are not taken up for any reason, be aggregated and used to satisfy excess applications for Rights Shares (“**Excess Rights Shares**”) (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.
- 1.2.3 In the allotment of Excess Rights Shares applied for from provisional allotments not taken up for any reason, preference will be given to Shareholders for the rounding of odd lots, whereas Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Group or the terms of the Rights Issue, or have a representation (directly or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares. The Company will also not make any allotment and issue of Rights Shares that will result in a transfer of a controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.
- 1.2.4 The Rights Shares are payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respect with the then existing Shares, except that they will not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the Record Date for which falls before the date of issue of the Rights Shares. For this purpose, a “**Record Date**” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of the business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or The Central Depository (Pte) Limited (“**CDP**”), as the case may be, in order to participate in such dividends, rights, allotments or other distributions.
- 1.2.5 The Issue Price represents a discount of approximately 44.0% to the theoretical ex-rights price of S\$0.125 per Share based on the closing price of S\$0.180 per Share on 29 June 2015, being the last trading day prior to this Announcement (“**Closing Price**”), and approximately 61.1% discount to the Closing Price.
- 1.2.6 The terms and conditions of the Rights Issue are subject to such changes as the Directors may, after consultation with the Manager and Underwriter, deem fit. The final terms and conditions of the Rights Issue including procedures, acceptances and renunciations of applications for the Rights Shares will be contained in the offer information statement, the application forms and all other accompanying documents (“**OIS**”) to be despatched by the Company to Entitled Shareholders (as defined below) at their respective Singapore addresses in due course.
- 1.2.7 Pursuant to the Rights Issue, Sinbor Company (Private) Limited (“**Sinbor**”), Winmark Investments Pte Ltd (“**Winmark**”), Winston Chia Wing Keong (“**Winston Chia**”) and Johnston

Chia Wing Hock (“**Johnston Chia**”) have irrevocably and unconditionally undertaken to the Company to subscribe for and pay in full and/or procure the subscription and payment in full for 28,000,000 Rights Shares, 13,772,430 Rights Shares, 14,300,000 Rights Shares and 89,650 Rights Shares respectively, aggregating 56,162,080 Rights Shares (the “**Undertaken Rights Shares**”) to be allotted to them subject to the terms and conditions of the Loan Agreements (as defined below) and the Shareholders’ Loan Agreements (as defined below) respectively. Please refer to paragraphs 1.3, 2 and 3 of this Announcement for further details of the Loan Agreements (as defined below) and the Shareholders’ Loan Agreements (as defined below).

1.2.8 Having regard to the Loan Agreements (as defined below) and the Shareholders’ Loan Agreements (as defined below) and underwriting costs and commission payable, the Directors have decided for the Rights Issue to be partially-underwritten by SAC Capital. Please refer to paragraph 1.4 of this Announcement for further details of the underwriting arrangement.

### 1.3 Loan Agreements and the Shareholders’ Loan Agreements

1.3.1 As at the date of this Announcement, Winston Chia and Johnston Chia have direct interests in 19,479,714 Shares, and 89,650 Shares (or 19,569,364 Shares in aggregate), representing approximately 12.99%, and 0.06% of the existing issued and paid-up share capital (excluding treasury shares of the Company) of the Company, respectively (or 13.05% in aggregate). Accordingly, Winston Chia and Johnston Chia will be entitled to subscribe for an aggregate of 19,569,364 Rights Shares.

1.3.2 Pursuant to the Shareholders’ Loan Agreements (as defined below) entered into by each of Winston Chia and Johnston Chia, they have undertaken irrevocably and unconditionally to the Company to subscribe for 14,300,000 Rights Shares and 89,650 Rights Shares respectively.

1.3.3 Winston Chia had entered into a share pledge arrangement on 23 June 2015 in respect of his Shares in the Company with the information as follows to secure the financing for his Rights Shares:

Name of Shareholder	:	Winston Chia Wing Keong
Class and number of shares pledged	:	9,739,857 ordinary shares of the Company
Percentage of the Company’s issued share capital	:	6.49%
The party in whose favour the share pledge is created	:	Malayan Banking Berhad

1.3.4 As at the date of this Announcement, Wah Heng Design Corporation Pte Ltd (“**Wah Heng**”), an Entitled Shareholder (as defined below) is entitled to subscribe for 55,631,636 Rights Shares pursuant to the Rights Issue and Sinbor and Winmark do not own Shares in the Company. Pursuant to the Loan Agreements (as defined below), Sinbor and Winmark have undertaken irrevocably and unconditionally to the Company to subscribe for 28,000,000 Rights Shares and 13,772,430 Rights Shares respectively, such aggregate number of 41,772,430 Rights Shares to be renounced by Wah Heng to Sinbor and Winmark in accordance with the terms and conditions of the OIS to be despatched.

1.3.5 Sinbor, Winmark, Winston Chia and Johnston Chia shall be referred to as the “**Undertaking Shareholders**”.

## 1.4 Underwriting Arrangement

- 1.4.1 The Company has appointed SAC Capital as the Manager and Underwriter of the Rights Issue pursuant to which SAC Capital has agreed to manage the Rights Issue and to partially-underwrite up to 72,000,000 Rights Shares (the “**Underwritten Rights Shares**”) comprising 48.0% of the Rights Shares subject to the terms and conditions of the Management and Underwriting Agreement. For the avoidance of doubt, SAC Capital’s underwriting obligations will cease in the event that by the closing date of the Rights Issue, valid acceptances and/or applications for 128,162,080 Rights Shares have been received.
- 1.4.2 The Company and SAC Capital will in due course enter into a definitive Management and Underwriting Agreement, and the Company will make the relevant announcement of the same (including the commission payable to SAC Capital for underwriting the Underwritten Rights Shares).

## 1.5 Rationale

- 1.5.1 The Company believes that the Rights Issue will strengthen the Group’s financial position by enlarging the Group’s capital base and enhancing its financial flexibility to capitalise on potential growth opportunities.
- 1.5.2 In addition, the Rights Issue will provide existing Shareholders who are confident of the future prospects of the Group with an opportunity to subscribe for additional Shares.

## 1.6 Use of Proceeds

- 1.6.1 On the assumption that:
- (a) none of the Shareholders except the Undertaking Shareholders were to subscribe for their Undertaken Rights Shares in accordance to the Loan Agreements (as defined below) and the Shareholders’ Loan Agreements (as defined below) and taking into account the Underwriter’s underwriting obligation under the Management and Underwriting Agreement (the “**Minimum Subscription Scenario**”), the Company expects to receive net proceeds from the Rights Issue (“**Net Proceeds**”) of approximately S\$8.53 million (after deducting estimated expenses of approximately S\$0.44 million); and
  - (b) save for Wah Heng, which will renounce 41,772,430 Rights Shares in favour of Sinbor and Winmark, and assuming it subscribes for its balance of 13,859,206 Rights Shares, and all other Shareholders subscribe for their respective pro rata entitlements to the Rights Shares under the Rights Issue (the “**Maximum Subscription Scenario**”), the Company expects to receive Net Proceeds of approximately S\$10.06 million (after deducting estimated expenses of approximately S\$0.44 million).
- 1.6.2 The Company intends to utilise the Net Proceeds (assuming the Minimum Subscription Scenario) in the following manner:
- (a) approximately S\$2.00 million, representing 23.4% of the Net Proceeds, to fund the purchase of the New Property (as defined below), new production machinery and warehouse management system for the JTC Corporation property at 16 Sungei Kadut Way, Singapore 728793 (“**New Property**”), so as to improve the Group’s manufacturing capability and supply chain productivity;
  - (b) approximately S\$2.00 million, representing 23.4% of the Net Proceeds, to fund business expansion into the Interior Fit-Out business targeting the home retail, commercial and hospitality sectors in Singapore and Southeast Asia;

- (c) approximately S\$4.53 million, representing 53.2% of the Net Proceeds, for general working capital purposes.

1.6.3 The Company intends to utilise the Net Proceeds (assuming the Maximum Subscription Scenario) in the following manner:

- (a) approximately S\$2.00 million, representing 19.9% of the Net Proceeds, to fund the purchase of the New Property, new production machinery and warehouse management system for the New Property, so as to improve the Group's manufacturing capability and supply chain productivity;
- (b) approximately S\$2.00 million, representing 19.9% of the Net Proceeds, to fund business expansion into the Interior Fit-Out business targeting the home retail, commercial and hospitality sectors in Singapore and Southeast Asia;
- (c) approximately S\$2.00 million, representing 19.9% of the Net Proceeds, to fund investments, acquisitions, strategic alliances and/or joint ventures; and
- (d) approximately S\$4.06 million, representing 40.3% of the Net Proceeds, for general working capital purposes.

1.6.4 Pending the deployment of the Net Proceeds for the uses mentioned above, the Net Proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may, in their absolute discretion, deem fit in the interests of the Group.

1.6.5 As and when any significant amount of the Net Proceeds is disbursed or deployed, the Company will make the necessary announcements on SGXNET and subsequently provide a status report on the use of such Net Proceeds in its annual report.

## 1.7 Resultant Shareholdings based on Maximum Subscription Scenario and Minimum Subscription Scenario

1.7.1 Assuming the Maximum Subscription Scenario, the aggregate voting rights and respective shareholdings of the Undertaking Shareholders and Substantial Shareholders in the Company immediately before and after the close of the Rights Issue are set out below:

	Before the Rights Issue as at the date of this Announcement				After the close of the Rights Issue			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	% <sup>(5)</sup>	Number of Shares	% <sup>(5)</sup>
<b>Undertaking Shareholder</b>								
Sinbor <sup>(1)</sup>	-	-	-	-	28,000,000	9.33	-	-
Winmark <sup>(1)(2)</sup>	-	-	-	-	13,772,430	4.59	28,000,000	9.33
Winston Chia <sup>(3)</sup>	19,479,714	12.99	173,913	0.12	38,959,428	12.99	347,826	0.12
Johnston Chia	89,650	0.06	-	-	179,300	0.06	-	-
<b>Substantial Shareholder</b>								
Wah Heng <sup>(4)</sup>	55,631,636	37.09	-	-	69,490,842	23.16	-	-
Lauv Uy Long	17,477,775	11.65	-	-	34,955,550	11.65	-	-
Chen Qingliao	10,730,996	7.15	-	-	21,461,992	7.15	-	-

Notes:

- (1) Winmark Investments Pte Ltd, Quek Meng Liat and Quek Wey Lon, holds 25.00%, 52.76% and 22.24% of the issued and paid-up share capital of Sinbor, respectively. Each of them is therefore deemed to have an interest in the shares held by Sinbor pursuant to Section 7 of the Companies Act, Cap 50. of Singapore.
- (2) Tan Tien Hin Winston and Lim Sioh Tin Amy each hold 50.00% of the issued and paid-up capital of Winmark Investments Pte Ltd. Each of them is therefore deemed to have an interest in the shares held by Winmark pursuant to Section 7 of the Companies Act, Cap 50. of Singapore.
- (3) Winston Chia is deemed to be interested in the 173,913 Shares held by his spouse, How Choon Hong, by virtue of Section 4 of the Securities and Futures Act, Cap. 289.
- (4) Chia Ah Kau and his spouse, Ng Wan, hold 36.7% and 43.4% of the issued and paid-up share capital of Wah Heng respectively, and each of them if therefore deemed to have an interest in the Shares held by Wah Heng pursuant to Section 7 of the Companies Act, Cap 50.
- (5) The percentages are calculated based on an enlarged share capital of 300,000,000 Shares.

- 1.7.2 Assuming the Minimum Subscription Scenario, the aggregate voting rights and respective shareholdings of the Undertaking Shareholders and Substantial Shareholders in the Company immediately before and after the close of the Rights Issue are set out below:

	Before the Rights Issue as at the date of this Announcement				After the close of the Rights Issue			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	% <sup>(5)</sup>	Number of Shares	% <sup>(5)</sup>
<b>Undertaking Shareholder</b>								
Sinbor <sup>(1)</sup>	-	-	-	-	28,000,000	10.07	-	-
Winmark <sup>(1)(2)</sup>	-	-	-	-	13,772,430	4.95	28,000,000	10.07
Winston Chia <sup>(3)</sup>	19,479,714	12.99	173,913	0.12	33,779,714	12.14	173,913	0.06
Johnston Chia	89,650	0.06	-	-	179,300	0.06	-	-
<b>Substantial Shareholder</b>								
Wah Heng <sup>(4)</sup>	55,631,636	37.09	-	-	55,631,636	20.00	-	-
Lauv Uy Long	17,477,775	11.65	-	-	17,477,775	6.28	-	-
Chen Qingliao	10,730,996	7.15	-	-	10,730,996	3.86	-	-
<b>Underwriter</b>								
SAC Capital	-	-	-	-	72,000,000	25.88	-	-

Notes:

- (1) Winmark Investments Pte Ltd, Quek Meng Liat and Quek Wey Lon, holds 25.00%, 52.76% and 22.24% of the issued and paid-up share capital of Sinbor, respectively. Each of them is therefore deemed to have an interest in the shares held by Sinbor pursuant to Section 7 of the Companies Act, Cap 50. of Singapore.
- (2) Tan Tien Hin Winston and Lim Sioh Tin Amy each hold 50.00% of the issued and paid-up capital of Winmark Investments Pte Ltd. Each of them is therefore deemed to have an interest in the shares held by Winmark pursuant to Section 7 of the Companies Act, Cap 50. of Singapore.
- (3) Winston Chia is deemed to be interested in the 173,913 Shares held by his spouse, How Choon Hong, by virtue of Section 4 of the Securities and Futures Act, Cap. 289.
- (4) Chia Ah Kau and his spouse, Ng Wan, hold 36.7% and 43.4% of the issued and paid-up share capital of Wah Heng respectively, and each of them if therefore deemed to have an interest in the Shares held by Wah Heng pursuant to Section 7 of the Companies Act, Cap 50.
- (5) The percentages are calculated based on an enlarged share capital of 278,162,080 Shares.

- 1.7.3 Depending on the level of subscription for the Rights Shares, the Company will, if necessary and upon approval of the Sponsor (as defined below) and/or SGX-ST, scale down a Shareholder's application to subscribe for the Rights Issue to:

- (a) avoid the transfer of a controlling interest in the Company, which is prohibited under Rule 803 of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"), unless prior approval of Shareholders is obtained in a general meeting; or
- (b) avoid placing the relevant Shareholder and parties acting in concert with it (as defined in the Singapore Code on Take-overs and Mergers) in the position of incurring a mandatory take-over bid obligation under the Singapore Code on Take-overs and Mergers as a result of other Shareholders not taking up their Rights Shares entitlements fully.

For the avoidance of doubt, the possibility of scaling down a Shareholder's application to subscribe for the Rights Issue shall not apply to the Undertaking Shareholders' applications to subscribe for the Undertaken Rights Shares.

## 1.8 Directors' Opinion

The Directors are of the opinion that:

- (a) there is no minimum amount which must be raised from the Rights Issue, taking into consideration the Loan Agreements and the Shareholders' Loan Agreements, the underwriting arrangement with the Underwriter and the intended use of Net Proceeds as disclosed above;
- (b) after taking into consideration the Group's internal resources, operating cash flows and present credit facilities, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the present sufficiency of working capital, the

Directors are of the opinion that the Rights Issue will allow existing Shareholders to further participate in the future growth of the Group. The Rights Issue would also strengthen the Group's financial position by enlarging its capital base and enhance its financial flexibility to capitalise on potential growth opportunities; and

- (c) after taking into consideration the Group's internal resources, operating cash flows, present credit facilities and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

## 1.9 Eligibility to Participate in the Rights Issue

- 1.9.1 The Company proposes to provisionally allot the Rights Shares to all Shareholders who are eligible to participate in the Rights Issue on the basis of their shareholdings in the Company as at the Books Closure Date ("**Entitled Shareholders**"). The Entitled Shareholders comprise Entitled Depositors and Entitled Scripholders (both as defined below).

Entitled Shareholders will be entitled to participate in the Rights Issue and receive the OIS to be issued by the Company in connection with the Rights Issue at their respective Singapore addresses in due course.

- 1.9.2 "**Entitled Depositors**" are Shareholders whose securities accounts with the CDP are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date, provided that such Entitled Depositors have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, with a registered address in Singapore no later than 5.00 p.m. (Singapore time) on the date being three (3) market days (being a day on which the SGX-ST is open for trading in securities) prior to the Books Closure Date.
- 1.9.3 "**Entitled Scripholders**" are Shareholders whose share certificates are not deposited with CDP and whose Shares are registered in their own name as at 5.00 p.m. (Singapore time) on the Books Closure Date or persons who have tendered to the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. ("**Share Registrar**") valid transfers of their Shares and the share certificates relating thereto for registration up to the Books Closure Date, provided that such Entitled Scripholders have registered addresses in Singapore with the Share Registrar as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided the Share Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, with a registered address in Singapore no later than 5.00 pm. (Singapore time) on the date being three (3) market days (being a day on which the SGX-ST is open for trading in securities) prior to the Books Closure Date.
- 1.9.4 As the Shares are not registered under the Central Provident Fund ("**CPF**") Investment Scheme, CPF funds in CPF investment accounts cannot be used for the payment to accept or purchase provisional allotments of Rights Shares or to apply for Excess Rights Shares.
- 1.9.5 Notwithstanding the foregoing, investors should note that the offer and sale of, or exercise or acceptance of, or subscription for, provisional allotments of the Rights Shares to or by persons located or resident in jurisdictions other than Singapore may be restricted or prohibited by the laws of the relevant jurisdiction. Crediting of provisional allotments of the Rights Shares to any securities account with CDP, the receipt of any provisional allotments of the Rights Shares, or receipt of the OIS will not constitute an offer or sale in those jurisdictions in which it will be illegal to make such offer or sale, or where such offer or sale will otherwise violate the securities laws of such jurisdictions or be prohibited.

- 1.9.6 For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) market days (being a day on which the SGX-ST is open for trading in securities) prior to the Books Closure Date, provided to the Company, the CDP or the Share Registrar (as the case may be) addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**"). As such, no provisional allotments of Rights Shares will be made to, and no purported acceptance thereof and application therefore by Foreign Shareholders will be valid.
- 1.9.7 If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold "nil-paid" on Catalist of the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence. The net proceeds from all such sales after deducting all expenses therefrom, will be dealt with in accordance with the terms set out in the OIS. If such provisional allotments of Rights Shares cannot be or are not sold on Catalist of the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be aggregated and allotted to satisfy Excess Rights Shares applied for or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP, the Share Registrar, the Sponsor (as defined below) or the Manager and Underwriter in connection therewith.
- 1.9.8 To this end, Shareholders with registered addresses outside Singapore are encouraged to provide a registered address in Singapore to the Share Registrar or CDP, as the case may be, at least three (3) market days (being a day on which the SGX-ST is open for trading in securities) prior to the Books Closure Date, in order to receive the provisional allotment of Rights Shares under the Rights Issue.

## **1.10 Approvals**

- 1.10.1 Shareholders should note that the Rights Issue is subject to, *inter alia*, the following conditions:
- (a) the listing and quotation notice for the dealing in, listing of and quotation for the Rights Shares on Catalist of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended and where such approval is subject to conditions, to the extent that any conditions for the listing of and quotation for the Rights Shares on Catalist of the SGX-ST are required to be fulfilled on or before the date of issue of such Rights Shares, that such conditions being acceptable to the Company acting in the best interests of the Shareholders, and so fulfilled;
  - (b) the lodgment of the OIS in connection with the Rights Issue with the SGX-ST acting as agent on behalf of the Authority; and
  - (c) all other necessary consents, approvals and waivers required from any person, government whether Singapore or foreign, any department, ministry or agency of any government, financial institution and any other governmental, regulatory, administrative, fiscal, monetary or judicial body and all agreements applicable to the Company, its subsidiaries or associated company and/or applicable laws, rules and regulations for the Rights Issue and are necessary to implement the transactions contemplated pursuant to the Rights Issue having been obtained either unconditionally or on conditions satisfactory to the Company acting in the best interests of the Shareholders and not



having been withdrawn or revoked.

- 1.10.2 United Overseas Bank Limited, acting as sponsor to, and on behalf of, the Company (the “**Sponsor**”), will submit an additional listing confirmation to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on Catalist of the SGX-ST. The Company will make an appropriate announcement upon the receipt of the listing and quotation notice from the SGX-ST and further announcements in relation to the Rights Issue in due course.

## **2. THE LOANS TO THE COMPANY BY INVESTORS**

### **2.1 Introduction**

- 2.1.1 The Company has on 29 June 2015 entered into two loan agreements (collectively the “**Loan Agreements**”) with each of Sinbor<sup>1</sup> and Winmark<sup>2</sup>, (collectively the “**Lenders**”) pursuant to which Sinbor and Winmark have agreed to extend loans of a sum of S\$1,960,000.00 and S\$964,070.10 respectively, aggregating to a sum of S\$2,924,070.10 (“**Loan**”) to the Company upon the terms and subject to the conditions of the Loan Agreements.

- 2.1.2 The Loan will be drawn down within three (3) business days after the receipt of the listing and quotation notice from the SGX-ST on the Rights Issue (“**Drawdown Date**”).

#### **2.1.3 Salient terms of the Loan Agreements include, *inter alia*:**

- 2.1.3.1 The tenure of the Loan shall be from the Drawdown Date up to the date when the Lenders subscribe for the Rights Shares, or for a period not exceeding six (6) months from the Drawdown Date, or such other extended term as the Company and the Lenders may otherwise agree in writing, subject to the terms and conditions of the Loan Agreements.

- 2.1.3.2 Interest shall be charged by the Lenders and payable by the Company on the principal amount of the Loan, and the interest rate payable by the Company on the Loan shall be fixed at 5.25% per annum (“**Interest**”). The Interest shall be calculated on the Loan on the basis of 365 days per year, and from the Drawdown Date until the date on which the Lender subscribes for the Renounced Shares (as defined below) (both dates inclusive).

The Company agrees and undertakes to the Lenders to pay the accrued Interest within seven (7) business days from the date which the Lenders subscribe for the Renounced Shares (as defined below).

- 2.1.3.3 As the Lenders are interested to subscribe for the Rights Shares in connection with the Rights Issue, Wah Heng, an Entitled Shareholder of the Company shall renounce 28,000,000 Rights Shares and 13,772,430 Rights Shares respectively in favour of Sinbor and Winmark, (collectively the “**Renounced Shares**”) free of encumbrances and in accordance with the terms and conditions of the Rights Issue. The Lenders have undertaken irrevocably and unconditionally to subscribe for the Renounced Shares. The payment for the Renounced Shares shall be satisfied by the Lenders through the offering of the Loan, and the Loan owing by the Company to the Lenders shall be deemed fully repaid by the Company upon the allotment and issuance of the fully paid Renounced Shares to the Lenders by the Company (the “**Repayment**”).

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<sup>1</sup> Winmark Investments Pte Ltd, Quek Meng Liat and Quek Wey Lon, holds 25.00%, 52.76% and 22.24% of the issued and paid-up share capital of Sinbor, respectively. Each of them is therefore deemed to have an interest in the shares held by Sinbor pursuant to Section 7 of the Companies Act, Cap 50. of Singapore.

<sup>2</sup> Tan Tien Hin Winston and Lim Sioh Tin Amy each hold 50.00% of the issued and paid-up capital of Winmark Investments Pte Ltd. Each of them is therefore deemed to have an interest in the shares held by Winmark pursuant to Section 7 of the Companies Act, Cap 50. of Singapore.

Any Renounced Share issued to the Lenders shall rank *pari passu* in all respects with the Shares then in issue and shall be entitled to such dividends as may be declared by the directors of the Company from time to time subject to Shareholders' approval as necessary (the record date of which falls after the allotment and issuance of the Renounced Shares).

## **2.2 Sinbor and Winmark**

Sinbor and Winmark are companies incorporated in Singapore. Sinbor is in the business of mixed construction activities and manufacture, cutting and shaping and finishing of tiles and stones. Winmark is an investment holding company. The shareholders of Sinbor comprise Winmark, Quek Meng Liat and Quek Wey Lon. The shareholders of Winmark comprise Lim Sioh Tin Amy and Tan Tien Hin Winston. The directors of Sinbor are Tan Tien Hin Winston and Quek Wey Lon. The directors of Winmark are Tan Tien Hin Winston and Tan Tsun Ho, Mark (Chen Junhe, Mark).

The Directors and substantial Shareholders of the Company are independent of and not related to any of the directors and shareholders of Sinbor and Winmark.

## **2.3 Rationale for the Loan extended by the Lenders to the Company**

The Loan is extended in conjunction with the Rights Issue, and will be used in accordance with the use of proceeds as set out in paragraph 1.6 of this Announcement.

## **2.4 Financial Effects**

The Loan is not expected to have any material impact on the earnings per Share and net tangible assets per Share of the Company for the current financial year.

# **3. THE LOANS TO THE COMPANY BY WINSTON CHIA AND JOHNSTON CHIA**

## **3.1 Introduction**

3.1.1 The Company has on 29 June 2015 entered into two loan agreements (collectively the "**Shareholders' Loan Agreements**") with each of Winston Chia and Johnston Chia (collectively, the "**Loan Shareholders**") pursuant to which Winston Chia and Johnston Chia have agreed to extend loans of a sum of S\$1,001,000.00 and S\$6,275.50 respectively, aggregating to a sum of S\$1,007,275.50 ("**Shareholders' Loan**") to the Company upon the terms and subject to the conditions of the Shareholders' Loan Agreements.

3.1.2 The Shareholders' Loan was drawn down by way of a cheque on 29 June 2015 ("**Shareholders' Drawdown Date**").

3.1.3 **Salient terms of the Shareholders' Loan Agreements include, *inter alia*:**

3.1.3.1 The tenure of the Shareholders' Loan shall be from the Shareholders' Drawdown Date up to the date when the Loan Shareholders subscribe for the Rights Shares, or for a period not exceeding six (6) months from the Shareholders' Drawdown Date, or such other extended term as the Company and the Loan Shareholders may otherwise agree in writing, subject to the terms and conditions of the Shareholders' Loan Agreements.

3.1.3.2 No interest is payable on the Shareholders' Loan.

3.1.3.3 The Company intends to undertake a Rights Issue. Pursuant to the Rights Issue, Winston

Chia and Johnston Chia are Entitled Shareholders of the Company, and are entitled to 19,479,714 Rights Shares and 89,650 Rights Shares, respectively. Winston Chia and Johnston Chia have undertaken irrevocably and unconditionally to the Company to subscribe for 14,300,000 Rights Shares and 89,650 Rights Shares, respectively, in connection with the Rights Issue (“**Loan Shareholders’ Rights Shares**”). The payment for the Loan Shareholders’ Rights Shares shall be satisfied by the Loan Shareholders through the offering of the Shareholders’ Loan, and the Shareholders’ Loan owing by the Company to the Loan Shareholders shall be deemed fully repaid by the Company upon the allotment and issuance of the fully paid Loan Shareholders Rights Shares to the Loan Shareholders by the Company.

The Loan Shareholders’ Rights Shares issued to the Loan Shareholders shall rank *pari passu* in all respects with the Shares then in issue and shall be entitled to such dividends as may be declared by the directors of the Company from time to time subject to Shareholders’ approval as necessary (the record date of which falls after the allotment and issuance of the Loan Shareholders’ Rights Shares).

3.1.3.4 The Loan Shareholders shall have the right to demand repayment of the amount of the Shareholders’ Loan owing by the Company to the Loan Shareholders in full, on the occurrence of any of the following events:

- (a) if the Rights Issue shall not have been completed by 31 December 2015 (“**Loan Longstop Date**”);
- (b) abortion of the process for application of the Rights Issue; or
- (c) expiry of the Loan Term.

The Company and the Loan Shareholders may, in writing agree, to extend the Loan Longstop Date by a further 12 months commencing from the original Loan Longstop Date and ending on the first anniversary of the Loan Longstop Date (inclusive).

### **3.2 Rationale for the Shareholders’ Loans Extended By The Loan Shareholders to the Company**

The Shareholders’ Loans are extended in conjunction with the Rights Issue, and will be used in accordance with the use of proceeds as set out in paragraph 1.6 of this Announcement.

### **3.3 Interested Person Transaction**

The Loan Shareholders are directors of the Company and are therefore “**Interested Persons**” pursuant to Chapter 9 of the Catalist Rules. Transactions between the Group and any Interested Persons are known as “**Interested Person Transactions**”. Accordingly, the Shareholders’ Loan Agreements entered into between the Company and the Loan Shareholders are Interested Person Transactions for the purposes of Chapter 9 of the Catalist Rules.

### **3.4 Value Of The Interested Person Transaction**

As stated in paragraph 3.1.3.2 above, the Shareholders’ Loan extended to the Company by the Loan Shareholders under the Shareholders’ Loan Agreements is interest-free. Accordingly, the Shareholders’ Loan Agreements entered into between the Company and the Loan Shareholders are non-discloseable Interested Person Transactions pursuant to Rules 905 and 909(3) of the Catalist Rules. In addition, the Company is not, pursuant to Rule 906 of the Catalist Rules, required to obtain the approval of its Shareholders for its entry into the Shareholders’ Loan Agreements with the Loan Shareholders.

### **3.5 Financial Effects**

The Shareholders' Loan is not expected to have any material impact on the earnings per Share and net tangible assets per Share of the Company for the current financial year.

### **3.6 Statement of the Audit Committee of the Company**

The audit committee of the Company, having considered the terms and conditions of the Shareholders' Loan, is of the view that the Shareholders' Loan is not prejudicial to the interests of the Company and its minority Shareholders.

## **4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this Announcement, none of the Directors or substantial Shareholders have any interest, whether directly or indirectly, in the Rights Issue, the Loan and the Shareholders' Loan, other than through their shareholdings in the Company (if any).

## **5. 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 Rights Issue, the Loan and the Shareholders' Loan and the Group, 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**

**Winston Chia Wing Keong**

Executive Chairman and Chief Executive Officer

29 June 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, the 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.

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*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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