

**SUPPLEMENTAL AGREEMENT
FOR THE PROPOSED INVESTMENT IN SERRANO LIMITED**

1. INTRODUCTION

- 1.1 The board of directors ("**Directors**" or "**Board**") of Serrano Limited (the "**Company**") refers to the following announcements (collectively, the "**Announcements**"):
- (a) the Company's announcement on 6 February 2017 (the "**Proposed Investment Announcement**") in relation to the proposed allotment and issuance of new ordinary shares in the capital of the Company pursuant to a conditional investment agreement dated 31 January 2017 ("**Investment Agreement**") entered into between the Company, Quek Wey Lon and Winmark Investments Pte. Ltd. pursuant to the Schemes ("**Proposed Investment**");
 - (b) the Company's announcement on 26 February 2018 in relation to the sanctions by the Court with respect to the amended Schemes dated 28 November 2017 (the "**Amended Schemes**"); and
 - (c) the Company's announcement on 6 March 2018 in relation to the lodgment of the Amended Schemes with the Accounting and Regulatory Authority of Singapore on 6 March 2018, upon which they have taken effect and are binding on the relevant parties.
- 1.2 Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the Announcements and references therein.
- 1.3 The Board wishes to announce that pursuant to the Amended Schemes, the Company has entered into a supplemental agreement dated 3 April 2018 ("**Supplemental Agreement**") to amend certain provisions in the Investment Agreement.

2. PRINCIPAL AMENDMENTS TO THE INVESTMENT AGREEMENT

- 2.1 The principal amendments to the Investment Agreement pursuant to the Supplemental Agreement are set out below:

(a) **Amendments to New Investor Shares**

In relation to the third paragraph of Section 3.2 of the Proposed Investment Announcement, the Amended Schemes will now comprise principally the following:

- (i) the subscription by the Investors for Shares amounting to $(70 - A)\%$ of the enlarged share capital of the Company for a cash consideration of S\$8,000,000, on terms to be agreed between the Company and the Investors. The cash consideration will be used to (i) contribute to the general working capital of the Group to finance existing ongoing projects , and (ii) effect the Cash Distribution (as defined below) to the Scheme Creditors (as defined in the Amended Schemes) in two phases;
- (ii) cash distribution of S\$4,000,000 to Phase One Creditors (as defined in the Amended Schemes) on a pro-rata basis (the "**Phase One Cash**

Distribution"); and

- (iii) a cash distribution of S\$A to the Phase Two Creditors (as defined in the Amended Schemes) on a pro-rata basis (the "**Phase Two Cash Distribution**"),

(items (ii) and (iii) collectively, the "**Cash Distributions**"); and

- (iv) a distribution of new Shares amounting to 25% of the enlarged share capital of the Company to the Phase One Creditors on a pro-rata basis in accordance with the balance remaining of their Approved Claims (as defined in the Amended Schemes) after giving credit for any Phase One Cash Distribution received (the "**Phase One Share Distribution**"); and

- (v) a distribution of new Shares amounting to A% of the enlarged share capital of the Company to Phase Two Creditors on a pro-rata basis in accordance with the balance remaining of their Approved Claims after giving credit for any Phase Two Cash Distribution received (the "**Phase Two Share Distribution**"),

(items (iv) and (v), collectively, the "**Share Distributions**"),

where S\$A means the amount of the Phase Two Cash Distribution which is calculated by multiplying the Cash Rate of Return (as defined in the Amended Schemes) with the combined value of Approved Claims from the Phase Two Creditors and A% means the total percentage of the Enlarged Share Base that is to be distributed in the Phase Two Share Distribution to the Phase Two Creditors in accordance with the Amended Schemes.

Accordingly, in relation to the fourth paragraph of Section 3.2 of the Proposed Investment Announcement, the Investment Agreement has been amended to provide that on completion of the Proposed Investment and the Amended Schemes:

- (i) the New Investor Shares shall constitute $(70 - A)\%$ of the Enlarged Share Base;
- (ii) the New Creditor Shares shall constitute $(25 + A)\%$ of the Enlarged Share Base; and
- (iii) the current Shares in issue in the Company shall constitute 5% of the Enlarged Share Base,

where A% means the total percentage of the Enlarged Share Base that is to be distributed in the Phase Two Share Distribution to the Phase Two Creditors in accordance with the Amended Schemes.

(b) **Amendments to Investors' investment proportion**

In relation to the fourth paragraph of Section 3.3 of the Proposed Investment Announcement, the Investment Agreement has been amended such that:

- (i) QWL shall subscribe for at least such number of New Investor Shares amounting to 3.75% of $(70 - A)\%$ of the Enlarged Share Base ("**QWL Minimum Shares**") in aggregate for a consideration of S\$300,000; and
- (ii) WIPL shall subscribe for such number of New Investor Shares amounting to 96.25% of $(70 - A)\%$ of the Enlarged Share Base in aggregate for a consideration of S\$7,700,000 less:

(aa) any additional New Investor Shares subscribed by QWL in addition

to the QWL Minimum Shares for the same consideration per New Investor Share as the QWL Minimum Shares; and

- (bb) the aggregate amount of New Investor Shares subscribed by the Additional Investor(s) for the same consideration per New Investor Share as the QWL Minimum Shares,

provided that, in any event, the aggregate consideration payable by the Investors (including the Additional Investors, if any) for all the New Investor Shares shall be S\$8,000,000.

In relation to the last paragraph of Section 3.3 of the Proposed Investment Announcement, the Investment Agreement has also been amended to provide that Additional Investor(s) (if any), each of whom shall have entered into a deed of accession and ratification pursuant to the Investment Agreement, may subscribe for up to such number of New Investor Shares amounting to 12.5% of (70 – A)% of the Enlarged Share Base in aggregate for an aggregate consideration of S\$1,000,000.

Under the terms of the Supplemental Agreement, the number of New Investor Shares to be allotted and issued to and subscribed by each Additional Investor shall be agreed to in writing between QWL, WIPL and such Additional Investor three (3) business days prior to the Completion Date and notified to the Company in writing.

(c) **Amendments to allocation of costs**

Under the terms of the Supplemental Agreement, parties have also agreed that subject to Completion taking place, the Company shall bear all costs and expenses incurred by parties in connection with the negotiation, preparation, entry into and implementation of, the transaction documents, including financial, business and legal due diligence costs and expenses of the Investors paid by the Investors to their financial, business and legal advisors ("**Transaction Costs**").

In the event that despite the Company using its best endeavours to ensure the satisfaction of the Conditions Precedent on or before the Long-Stop Date (which pursuant to the announcement by the Company on 1 March 2018 has been extended to 26 June 2018),

- (i) any of the Conditions Precedent are not satisfied (to the extent not waived by the Investors) for reasons not attributable to the Company and completely beyond the control of the Company ("**Non-Defaulting Conditions Precedent**") or if all the Conditions Precedent have been satisfied (or waived by the Investors) but the Investors do not fulfil their obligations on Completion, each party shall bear its own Transaction Costs; or
- (ii) any of the Conditions Precedent (other than the Non-Defaulting Conditions Precedent) are not satisfied (to the extent not waived by the Investors) or if all the Conditions Precedent have been satisfied (or waived by the Investors) but the Company does not fulfil their obligations on Completion, the Company shall bear its own Transaction Costs and 50% of the Transaction Costs incurred by the Investors.

(d) **Amendments relating to the deduction of amounts owing by the Company from the Earnest Monies**

In relation to the second paragraph of Section 3.8 of the Proposed Investment Announcement, the terms of the Investment Agreement have been amended such that in the event that the Conditions Precedent have been fulfilled (or

waived by the Investors) on or prior to the Long-Stop Date, and there is no breach by the Company of the terms of the Investment Agreement, but the Investors do not fulfil their obligations on Completion to pay the Consideration in the manner set out in the Investment Agreement, the Company will be entitled to instruct the Escrow Agent to release the Escrow Amount to the Company, and the Investors shall pay the balance of the Earnest Monies, being a sum equivalent to S\$640,000 less such amounts owing by the Company to the Investors pursuant to Section 2.1 (c) of this announcement.

- 2.2 Save for the principal amendments disclosed in Section 2.1 above, all other principal terms and conditions of the Investment Agreement as announced in the Proposed Investment Announcement remain unchanged.

3. 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 Proposed Investment, the New Investor Shares, the 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.

4. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, 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 advisers. Trading in the Company's securities on the SGX-ST has been voluntarily suspended by the Company at 9.39 a.m. on 16 June 2017.

The Company will continue to keep its Shareholders updated on any material developments relating to the Proposed Investment on a timely basis.

5. CIRCULAR TO SHAREHOLDERS

A circular containing further details of, *inter alia*, the Proposed Investment and the Amended Schemes together with a notice of the EGM will be despatched to Shareholders in due course.

6. DOCUMENTS FOR INSPECTION

A copy of the Supplemental Agreement is available for inspection at the Company's registered office at 7 Sungei Kadut Crescent, Singapore 728696, for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Tan Tien Hin Winston

Non-Executive Director & Interim Chairman

5 April 2018

*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).