

ADVANCE AND CONDITIONAL SUBSCRIPTION AGREEMENT

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 10 December 2019 entered into an advance and conditional subscription agreement (the "**Agreement**") with Market Innovators Pte Ltd (the "**Lender**"), pursuant to which:

- (a) the Lender shall within five business days from the date of the Agreement (the "**Payment Date**") provide an advance of S\$250,000 (the "**Advance**") to the Company; and
- (b) only in the event that trading of the Company's shares on the Catalist is resumed, the 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 Advance 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 Advance is to be provided by the Lender to the Company as a loan and not as subscription monies for the Subscription Shares. 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.

2. ADVANCE AND SUBSCRIPTION SHARES

- 2.1 The amount of the Advance and the maximum number of Subscription Shares proposed to be allotted and issued to the Lender 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
Market Innovators Pte Ltd	S\$250,000	Up to 117,391,304	2.19%	2.14%

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 2.19% of the

share capital of the Company as at the date of this announcement, and 2.14% of the enlarged share capital of the Company subsequent to the completion of the issue of Subscription Shares ("**Completion**").

- 2.3 The Company had on 11 November 2019 announced that it had entered into two separate advance and conditional subscription agreements (the "**November 2019 Agreements**"). On the assumption that the maximum number of subscription shares are issued under the November 2019 Agreements, the Subscription Shares represents approximately 2.13% of the enlarged share capital of the Company subsequent to the completion of the issue of Subscription Shares and the issue of subscription shares under the November 2019 Agreements.
- 2.4 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 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 approval of the shareholders of the Company ("**Shareholders**") for the issue of the Subscription Shares.
- 3.2 As soon as practicable after resumption of trading of the Company's shares on the SGX-ST and upon the Lender's 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 Advance and issue of Subscription Shares will be despatched to the Shareholders in due course.

4. INFORMATION ON THE REFERRER

- 4.1 The Lender was referred to the Company by KF Strategic Consulting (the "**Referrer**"), which provides general business consulting services in Singapore.
- 4.2 The referral fees payable by the Company to the Referrer represents five per cent. (5%) of the gross proceeds of the Advance, which shall be fully settled and satisfied in cash.
- 4.3 The Company understands that the Lender is an acquaintance of the Referrer but is not related to the Referrer and that the referral fees will not be shared with the Lender. The Referrer is not related to any of the Directors, substantial Shareholders of the Company, or their respective associates.

5. INFORMATION ON THE LENDER

- 5.1 The Lender is principally involved in the business of digital marketing consultancy.

- 5.2 The sole shareholder of the Lender is Takama Shinichi and directors of the Lender are Fukui Chikako, Sasaki Sumihiko, Takama Shinichi and Tomihari Tai.
- 5.3 The Lender is a private investor that was referred to the Company by the Referrer, and has represented that it is subscribing for the Subscription Shares as principal and for its own benefit. As at the date of this announcement, the Lender does not hold, directly or indirectly, any shares in the capital of the Company (the "**Shares**") and the Lender does not have any connections (including business relationships) with any Director or substantial shareholder of the Company.
- 5.1 The Lender has confirmed that it is not a person set out in Rule 812(1) of Catalist Rules. The Lender is not related to any of the Directors, substantial Shareholders of the Company, or their respective associates, and is 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.
- 5.2 The Lender has acknowledged in the Agreement 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.

6. PRINCIPAL TERMS OF THE AGREEMENT

6.1 Conditional subscription of shares in the Company

Notwithstanding anything else in the Agreement, 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**"), the 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 Agreement save that the Company shall remain liable for the repayment of the Advance and all accrued interest thereon.

6.2 Advance

The Company shall pay interest on the Advance at the rate of eight per cent. (8%) per annum, which shall accrue day to day from the payment date of the Advance 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 Advance 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 Advance plus the accrued interest thereon shall be repaid in twelve (12) equal monthly instalments by the Company to the Lender, 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 Agreement arises, 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 Lender not less than three (3) business days' prior written notice of the date of prepayment. Any prepayment under the Agreement is to be made together with all accrued interest thereon and without premium or penalty.

6.3 **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 Lender on the terms and conditions of the Agreement;
- (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 Agreement;
- (e) the allotment and issue of the Subscription Shares to the Lender not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreement by any legislative, executive or regulatory body or authority of Singapore or any other jurisdiction which is applicable to the Company or the Lender; and
- (f) the representations, warranties and undertakings contained in the Agreement 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, the 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 Agreement save that the Company shall remain liable for the repayment of the Advance and all accrued interest thereon.

7. USE OF PROCEEDS

7.1 The gross proceeds of S\$250,000 will be used by the Group as follows:

Use of proceeds	Percentage (%)	Amount (S\$)
Working capital for projects	72.00%	180,000
Professional fees	28.00%	70,000

7.2 The Company will make periodic announcements on the use of the net proceeds from the Advance 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.

7.3 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.

7.4 The Directors are of the opinion that after taking into consideration the Group's present bank facilities and the net proceeds of the Advance, the working capital available to the Group will be sufficient to meet its present requirements.

8. NO PROSPECTUS OR OFFER INFORMATION STATEMENT

The Subscription Shares are offered to the Lender 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.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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.

10. DOCUMENTS FOR INSPECTION

A copy of the 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.

11. FURTHER INFORMATION AND ACTION BY SHAREHOLDERS

11.1 A circular containing information in connection with the Advance and issue of Subscription Shares will be despatched to the Shareholders in due course. The Company will make further announcements relating to the Advance and issue of Subscription Shares as and when necessary.

11.2 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).

12. 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 Agreement 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
10 December 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 Catalyst.

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).