

The Board of Directors (the “Board”) of Serrano Limited (the “Company”) and, together with its subsidiaries, (the “Group”) is committed to ensuring a high standard of corporate governance which is in line with the recommendations of the Code of Corporate Governance 2012 (the “Code”) to provide the structure through which protection of shareholders’ interest and enhancement of long term shareholders’ value are met.

The Board confirms that the Company has since its listing on Catalist on 28 October 2014, adhered to the guidelines as set out in the Code. Where there are deviations from the Code, appropriate explanations have been provided.

A. BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The primary function of the Board is to provide effective leadership and direction for the overall business and corporate affairs of the Group to enhance the long-term value for the Company’s shareholders and the Group’s stakeholders. Besides carrying out its statutory responsibilities, the Board’s role is to:

- Provide leadership and guide the formulation of the Group’s corporate strategy, business directions, risk management policies and implementation of corporate objectives;
- Ensure and monitor the effectiveness of management (“Management”) and oversee succession planning for Management;
- Establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Review and approve, inter alia, the release of the interim and full year results announcements, the annual report and financial statements, material acquisitions and disposals of assets, diversification of business and interested person transactions of the Group;
- Review and approve the annual budget;
- Conduct periodic reviews of the Group’s financial performance against the budget, internal controls and compliance with the relevant statutory and regulatory requirements;
- Consider sustainability issues of policies and proposals where appropriate;
- Approve nominations to the Board and appointment of key management personnel;
- Ensure the Group’s compliance with all relevant and applicable laws and regulations; and
- Assume responsibility for corporate governance of the Group.

To assist in the execution of its responsibilities, the Board has established board committees (the “Board Committees”), which operate under clearly defined terms of reference. These terms of reference are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also reviewed by the Board. The three (3) Board Committees are:

- the Audit Committee (the “AC”)
- the Nominating Committee (the “NC”)
- the Remuneration Committee (the “RC”)

The Board acknowledges that the Board Committees play an important role in ensuring good corporate governance of the Group and actively engages the Board Committees on matters pertaining to the Group. The Board also acknowledges that while these Board Committees have the authority to examine specific issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members.

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The Board meets at least two (2) times a year to review and approve, inter alia, the half-year and full year results of the Group. The Board also meets as warranted by circumstances to supervise, direct and control the Group's business and affairs. Apart from approvals obtained at Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing together with all relevant information pertaining to the matter. As provided in the Company's Articles of Association, the Board may convene telephonic and videoconferencing meetings as necessary.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held since the listing of the Company on Catalist on 28 October 2014 and during the financial year ended 31 December ("FY") 2014 are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	1	1	1	1
No. of meetings attended by the Directors				
Winston Chia Wing Keong	1	1*	1	1*
Johnston Chia Wing Hock	1	1*	1*	1*
Eugene Tse Yue-Jen	1	1*	1*	1*
Ong Kian Guan	1	1	1	1
Choh Thian Chee Irving	1	1	1	1
James Kho Chung Wah	1	1	1	1

* *By invitation*

The Board has adopted a set of internal guidelines setting forth matters that require the Board's review and approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and funding proposals, diversification of business, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions with interested persons, and those relating to investment, funding, legal and corporate secretarial matters.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group. All Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

Management keeps the Directors up-to-date on pertinent developments in the Group's business, including changes in laws and regulations, financial reporting standards and industry-related matters. Periodic updates are also provided to the Directors to facilitate the discharge of their duties, responsibilities and obligations. Directors are encouraged to keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities by the Company for participation in training courses, seminars and workshops as relevant and/or applicable. The Company will arrange and will bear the cost of such training for the Directors.

Newly appointed Directors will be provided with a formal letter setting out their duties and obligations. Orientation programmes (including onsite visits of the Group's operational facilities and briefings by Management) are also conducted for newly appointed Directors to provide them with background information about the Group's business operations, strategic direction, structure, core values, corporate governance practices as well as industry-specific knowledge.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Annual Report, the Board comprises three (3) Executive Directors and three (3) Independent Directors and their membership on the Board Committees are as follows:

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Winston Chia Wing Keong	Executive Chairman and Chief Executive Officer ("CEO")	-	Member	-
Johnston Chia Wing Hock	Executive Director	-	-	-
Eugene Tse Yue-Jen	Executive Director	-	-	-
Ong Kian Guan	Lead Independent Director	Chairman	Member	Member
Choh Thian Chee Irving	Independent Director	Member	Member	Chairman
James Kho Chung Wah	Independent Director	Member	Chairman	Member

The NC has reviewed and is satisfied that the current composition and size of the Board and Board Committees are appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations, the balance and diversity of, amongst other factors, skills, experience and gender. The Board comprises Directors who are qualified and experienced in various fields including accounting and finance, legal, business and management experience and the requisite industry knowledge. The NC is of the view that the current Board comprises members who as a group possess core competencies necessary to lead and manage the Group effectively. Further, the Independent Directors make up half of the Board and provide the Board with independent and objective judgement in the corporate affairs of the Group. The Board has appointed Ong Kian Guan as its Lead Independent Director. There is presently a strong and independent element on the Board. Half of the Board is made up of Independent Directors and the independence of each Independent Director is reviewed by the NC. Accordingly, the Company is in compliance with the requirement of the Code where Independent Directors should make up at least half of the Board, where the Chairman of the Board (the "Chairman") and the CEO is the same person.

The independence of each Director is assessed and reviewed at least annually by the NC. In its deliberation as to the independence of a Director, the NC takes into account examples of relationships as set out in the Code, considers whether a Director has and/or had business relationships with the Company or its related corporations, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Group. The NC has reviewed, determined and confirmed the independence of the Independent Directors. There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Winston Chia Wing Keong is the Executive Chairman and CEO of the Company. He plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He also assumes responsibility for the smooth functioning of the Board, ensures the timely flow of information between Management and the Board, sets the agenda for Board meetings, ensures sufficient allocation of time for thorough discussion of each agenda item, promotes a culture of openness and debate at the Board and cultivates high standards of corporate governance. In addition, he assumes the responsibility for running the day-to-day business of the Group, ensures the implementation of policies and strategies across the Group as set by the Board, manages Management and leads the development of the Group's future strategies including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing business.

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The Board has not adopted the recommendation of the Code to have separate persons appointed as the Chairman and the CEO as the Board is of the view that there is a sufficiently strong independent element and safeguards in place to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the numbers of Independent Directors on the Board as well as the contributions made by each member at meetings which relate to the affairs and operations of the Group. Further, given the Group's current corporate structure, size, nature and scope of operations, the Board is satisfied that one person is able to effectively discharge the duties of both positions.

The Board has appointed Ong Kian Guan as the Lead Independent Director of the Company to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison in the event that any issues arise between the Independent Directors and the Executive Directors. He is available to address the concerns of shareholders, employees or other persons in the event that interactions with the Executive Chairman and CEO and/or the Chief Financial Officer (the "CFO") has failed to satisfactorily resolve their concerns or where such channel of communications is considered inappropriate. Ong Kian Guan will also take the lead in ensuring compliance with the Code.

The Independent Directors meet on a need-to basis amongst themselves and with the Company's external auditors and internal auditors without the presence of Management to discuss matters such as, the Group's financial performance, corporate governance and risk management initiatives, Board processes, any internal audit observations, succession planning as well as leadership development and the remuneration of Executive Directors. Thereafter, the Lead Independent Director would provide feedback to the Chairman of the board after such meetings, if needed.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following four members, the majority of whom, including the NC Chairman, are independent:

James Kho Chung Wah	(Chairman)
Ong Kian Guan	(Member)
Choh Thian Chee Irving	(Member)
Winston Chia Wing Keong	(Member)

The NC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the NC include:

- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board, where appropriate;
- evaluating whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company;
- developing processes for evaluating the performance of the Board, the Board Committees and Directors and implementing such processes for assessing the effectiveness of the Board as a whole and the contribution of each individual Director;
- nomination and re-nomination of Directors having regard to their contribution and ability to commit sufficient time and attention to the affairs of the Group, taking into account their respective commitments outside of the Group and the roles and scope of responsibilities of such commitments;

- determining the independence of the Directors, taking into consideration guidance from the Code and any other salient factors, at least on an annual basis;
- reviewing training and professional development programmes for the Board;
- reviewing and approving any new employment of persons related to the Directors, CEO and substantial shareholders of the Company (“Substantial Shareholders”) and the proposed terms of their employment;
- reviewing and making recommendations to the Board on relevant matters relating to the succession plans of the Board and key executives; and
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of Directors. When a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board, the NC will review and assess candidates before making recommendations to the Board. In recommending new appointments to the Board, the NC takes into consideration the balance and diversity of skills, calibre, experience, expertise, attributes, ability and gender, amongst other factors, required to support the Group’s business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors.

In identifying suitable candidates, the NC may:

- advertise or use the services of external advisors to facilitate a search; and
- consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall consider and interview candidates on merit against objective criteria, taking into consideration whether the candidate can devote sufficient time and attention to the affairs of the Group.

As mentioned under Principle 2 above, the NC reviews the independence of the Directors at least annually, taking guidance from the Code and other salient factors. Notwithstanding that the Chairman of the Board is an Executive Director and the CEO, the Company maintains a strong and independent element on the Board with Independent Directors making up half of the Board. None of the Directors on the Board are related and do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgement with a view to the best interests of the Group. The NC has reviewed, determined and confirmed that Ong Kian Guan, James Kho Chung Wah and Choh Tian Chee Irving are independent as Independent Directors.

The role of NC also includes the recommendation of Directors for retirement by rotation pursuant to the Articles of Association of the Company. In reviewing the re-nomination of Directors, the NC will take into consideration the results of the assessment conducted on the Board as a whole and the various Board Committees, the Director’s independence, contribution, performance (such as attendance and participation at Board meetings and other board appointments and principal commitments outside of the Group) and any other factors as may be deemed relevant by the NC. Pursuant to the Articles of Association of the Company, at least one-third of the Board members are to retire from office by rotation and be subject to re-election by the shareholders at every Annual General Meeting (“AGM”). In addition, the Articles of Association of the Company provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to re-election at least once every three (3) years. Directors who are due for retirement shall abstain from voting on any resolution in respect of their re-appointment as a Director.

In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:

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Pursuant to Article 102 of the Articles of Association of the Company:

- (i) Johnston Chia Wing Hock
- (ii) Eugene Tse Yue-Jen
- (iii) Ong Kian Guan
- (iv) James Kho Chung Wah
- (v) Choh Tian Chee Irving

James Kho Chung Wah, Ong Kian Guan and Choh Tian Chee Irving, being the members of the NC, have abstained from deliberation in respect of their own respective nomination and assessment.

All Directors are required to declare their board representations. As at the date of this Annual Report, none of the Directors hold more than four (4) directorships in other listed companies outside of the Group. The Board has not set a numerical limit on the number of listed company board representations each Director may hold. It will do so when deemed necessary. The NC has reviewed and is satisfied that notwithstanding their multiple board appointments and principal commitments, Ong Kian Guan, James Kho Chung Wah and Choh Tian Chee Irving, who sit on multiple boards of listed companies outside of the Group, have been able to devote sufficient time and attention to the affairs of the Group to adequately discharge their duties as Directors of the Company. The Company does not have any alternate Directors as the Board does not encourage the appointment of alternate Directors unless it is in exceptional cases.

Key information of each member of the Board is set out below:

Name of Director	Date of first appointment	Date of last re-election	Present directorships and chairmanships in other listed companies	Directorships and chairmanships in other listed companies over the preceding three years
Winston Chia Wing Keong	18 September 2012	26 June 2014	Nil	Nil
Johnston Chia Wing Hock	10 October 2014	Not Applicable	Nil	Nil
Eugene Tse Yue-Jen	10 October 2014	Not Applicable	Nil	Nil
Ong Kian Guan	10 October 2014	Not Applicable	Director of and Chairman of the Audit Committee for : (i) Alliance Mineral Assets Limited (ii) China Haida Ltd. (iii) China XLX Fertiliser Ltd. (iv) WeiYe Holdings Limited	Director of and Chairman of the Audit Committee for : (i) Asia Fashion Holdings Limited (ii) China Animal Healthcare Limited (iii) JES International Holdings Limited

Key information of each member of the Board is set out below: (Continued)

Name of Director	Date of first appointment	Date of last re-election	Present directorships and chairmanships in other listed companies	Directorships and chairmanships in other listed companies over the preceding three years
James Kho Chung Wah	10 October 2014	Not Applicable	Director of and Chairman of the Audit Committee for : (i) Pollux Properties Ltd.	Nil
Choh Tian Chee Irving	10 October 2014	Not Applicable	Director of and Chairman of the Remuneration Committee and the Nominating Committee for : (i) A-Sonic Aerospace Limited	Nil

Winston Chia Wing Keong and Johnston Chia Wing Hock are brothers. Save as aforesaid, none of the Directors on the Board are related and they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgement with a view to the best interests of the Group. The profiles of the Directors are set out on pages 12 and 13 of this Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board and its board committees as a whole and the contribution by each Director to the effectiveness of the Board.

The NC has established a review process to assess the performance of the Board as a whole and the Board Committees on an annual basis. The Board assesses, amongst others, the Board structure, operation, value and responsibilities of the Board and Board Committees and the performance objectives of the Board. All Directors are requested on an annual basis to complete a Board assessment checklist designed to seek their views on the various performance criteria set by the Board, so as to assess the overall performance and effectiveness of the Board. The checklists are completed and submitted to the company secretary (the "Company Secretary") for collation and the consolidated responses are presented to the NC for review and discussion before making any recommendations to the Board. The performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance against certain short and long-term financial and non-financial performance indicators and to identify areas for improvement and to implement appropriate action.

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes in different aspects to the success of the Group, and therefore, it would be more appropriate to assess the Board as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and despite multiple board representations in certain instances, each Director has been adequately contributing to the overall effectiveness and objectives of the Board.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management recognizes the importance of ensuring the flow of complete, adequate and timely information to the Directors on an on-going basis to enable them to make informed decisions in discharging their duties and responsibilities. Regular updates on the Group's financial performance, position and prospects, amongst others, are provided to the Independent Directors by Management at the Board and Board Committee meetings. To allow the Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to the Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

Board papers, if required, will be prepared and furnished to the Board for approval providing background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees and professional advisers who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations and to ensure that the Board is fully cognizant of the decisions and actions of the Management, Directors are also updated on initiatives and developments on the Group's business, as well as the financial performance, position and prospects of the Group as soon as practicable and/or possible and on an on-going basis.

To facilitate direct access to Management, Directors are also provided with the names and contact details of Management. All Directors have unrestricted access to the Group's records and information. The Directors also have separate and independent access to the Company Secretary, the Company's external auditors, internal auditors and other professional advisors, where relevant. The Company Secretary assists in ensuring good information flows within the Board and Board Committees and between the Management and Independent Directors. The Company Secretary is responsible for, among others, ensuring that the Board procedures are observed and that Company's Memorandum and Articles of Association, relevant rules and regulations including the Catalist Rules, are complied with. The Company Secretary also assists the Chairman and CEO and the Board in advising, implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholders' value.

The Company Secretary attends and prepares minutes for all Board and Board Committee meetings. As secretary for the Board Committees, the Company Secretary assists in ensuring co-ordination and liaison between the Board, the Board Committees and Management. The Company Secretary assists the Chairman and CEO, the Chairman of each Board Committee and Management in the development of the agendas for the various Board and Board Committee meetings.

The appointment and removal of the Company Secretary are subject to the approval of the Board. The Directors either individually or as a group have the right to seek independent legal and/or professional advice in the furtherance of their duties. The cost of such services will be borne by the Company.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three (3) members, all of whom are Independent Directors:

Choh Thian Chee Irving	(Chairman)
Ong Kian Guan	(Member)
James Kho Chung Wah	(Member)

The RC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the RC include:

- reviewing and recommending to the Board for endorsement, a framework of remuneration for the Board and key management personnel of the Group. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share options, share-based incentives and awards and other benefits-in-kind with a goal to motivate, recruit and retain employees through competitive compensation and progressive policies;
- reviewing and recommending to the Board the remuneration packages of employees related to Directors, CEO and/or Substantial Shareholders, to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;
- reviewing and approving any bonuses, pay increases and/or promotions for employees related to the Directors, CEO and/or Substantial Shareholders;
- administering the performance share plan and any other share option scheme or share plan established from time to time, in accordance with the rules of such share plan or share option scheme and the Catalist Rules; and
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

There are no termination or retirement benefits that are granted to the Directors.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company. The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors owe a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. In addition, the Company has in place alternative corporate governance practices described herein, such as the establishment of whistle-blowing policies, rigorous selection criteria of its Directors and key management personnel by the NC, the engagement of a professional accounting firm as the Group's outsourced internal auditors, private discussions between the Independent Directors with the external auditors and internal auditors and the granting of full access to all employees and documents of the Group to the Independent Directors, as checks and balances to prevent the occurrence of such instances.

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Group's relative performance and the performance of individual Directors and key management personnel.

On 15 October 2014, the Company entered into separate service agreements with Winston Chia Wing Keong, Johnston Chia Wing Hock and Eugene Tse Yue-Jen in relation to their appointments as Executive Directors of the Company. The service agreements are valid for an initial period of three (3) years with effect from the date of admission of the Company to Catalist. Upon the expiry of the initial period of three (3) years, the employment of each Executive Director shall be automatically renewed on a year-on-year basis on such terms and conditions as may be agreed by the parties unless terminated by either party giving six (6) months' written notice of intention not to renew the employment, or in lieu of notice, payment equivalent to six (6) months' salary based on each Executive Director's last drawn monthly salary. Based on the terms of their service agreements, the Executive Directors are entitled to a basic monthly salary and an annual fixed bonus of one (1) months' basic salary. The Executive Directors are also entitled to receive a performance bonus based on the Group's audited consolidated profit before tax before payment of any performance bonus ("PBT") commencing from

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FY2015, provided that the Executive Director is under the employment of the Group on the last day of the relevant financial year. The amount of performance bonus will be determined as follows:

	Amount of performance bonus		
	Where PBT is equal to S\$3 million or less than S\$6 million	Where PBT is equal to S\$6 million or less than S\$9 million	Where PBT is equal to S\$9 million or more
Performance bonus payable	An amount equivalent to three (3) months' salary	An amount equivalent to five (5) months' salary to	An amount equivalent eight (8) months' salary

The Independent Directors receive directors' fees for their services. The RC also ensures that the fees paid to Independent Directors are appropriate taking into account factors such as effort and time spent, and their responsibilities. The RC ensures that the Independent Directors are not over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his or her own remuneration package.

Performance conditions such as the financial performance and operations of the Group, as well as any other business objectives such as quality of service and adherence to corporate values which may from time to time be determined by the Board are used to determine the short-term incentive schemes employed on the remuneration of the Executive Directors and key management personnel. In addition, all employees of the Group, including the Directors, are eligible to participate in the Company's performance share plan known as the "Serrano Performance Share Plan" ("PSP"). The PSP is employed as a long-term incentive in the remuneration of the Executive Directors and key management personnel, and forms an integral component of the Group's compensation scheme. It is designed to reward, retain and motivate employees to achieve superior performance to align the interests of employees with that of the Company's shareholders. The PSP is administered by the RC. The performance conditions used to determine the entitlements of the Executives Directors and key management personnel under the PSP include specific performance targets imposed by the Group, taking into account factors such as (i) the business strategies, plans and directions of the Company and the Group; (ii) the actual job scope and responsibilities of the employee; and (iii) the prevailing economic conditions. As at the date of this Annual Report, no awards have been granted under the PSP.

All revisions to the remuneration packages of the Directors are subject to the review by and recommendation of the RC and the approval of the Board. Directors' fees are further subject to the approval of shareholders at the AGM. Where necessary, the RC will seek external professional advice on remuneration matters of Directors and key management personnel.

The RC has reviewed the Company's obligations arising in the event of termination of the Executive Directors' service agreements, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The various components of the remuneration of the Directors for FY2014 in percentage terms are disclosed below. The remuneration received by the Directors for FY2014 is in each case, below S\$250,000. The Company has not fully disclosed the remuneration of its Directors as the Board is of the view that it is not in the interests of the Company to disclose such details due to the sensitive nature of such information.

Name of Director	Directors' fees ⁽¹⁾ (%)	Salary ⁽²⁾ (%)	Variable bonus ⁽²⁾ (%)	Total (%)
Up to S\$250,000				
Winston Chia Wing Keong ⁽³⁾	-	85.7	14.3	100.0
Johnston Chia Wing Hock ⁽⁴⁾	-	86.5	13.5	100.0
Eugene Tse Yue-Jen	-	87.7	12.3	100.0
Ong Kian Guan	100.0	-	-	100.0
James Kho Chung Wah	100.0	-	-	100.0
Choh Thian Chee Irving	100.0	-	-	100.0

Notes:

- (1) Directors' fees are subject to shareholders' approval at the forthcoming AGM.
 (2) Inclusive of provident funds.
 (3) Winston Chia Wing Keong is the brother of Johnston Chia Wing Hock, Frank Chia Wing Heng and Karen Chia (Xie Lijuan), and spouse of How Choon Hiong.
 (4) Johnston Chia Wing Hock is the brother of Winston Chia Wing Keong, Frank Chia Wing Heng and Karen Chia (Xie Lijuan), and brother-in-law of How Choon Hiong.

The aggregate remuneration received by the top five (5) key management personnel (who are not Directors or the CEO) for FY2014 is S\$592,154 and in each case, below S\$250,000. The Company has not fully disclosed the remuneration of each of its key management personnel as the Board is of the view that it is not in the best interests of the Company and the employees of the Group to disclose such details due to the sensitive nature of such information. The various components of the remuneration of the Group's key management personnel (who are not Directors or the CEO) in percentage terms are as follows:

Name of key management personnel	Salary ⁽¹⁾ (%)	Variable bonus ⁽¹⁾ (%)	Total (%)
Up to S\$250,000			
Philip Chia Beng Hock	91.8	8.2	100.0
Kung Guan Seng	86.0	14.0	100.0
Frank Chia Wing Heng ⁽²⁾	92.1	7.9	100.0
Karen Chia (Xie Lijuan) ⁽³⁾	92.0	8.0	100.0
O'Hara Sean Claude William	91.8	8.2	100.0

Notes:

- (1) Inclusive of provident funds.
 (2) Frank Chia Wing Heng is the brother of Winston Chia Wing Keong, Johnston Chia Wing Hock and Karen Chia (Xie Lijuan), and brother-in-law of How Choon Hiong.
 (3) Karen Chia (Xie Lijuan) is the sister of Winston Chia Wing Keong, Johnston Chia Wing Hock and Frank Chia Wing Heng, and sister-in-law of How Choon Hiong.

The remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during FY2014 are as follows:-

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Remuneration band and name of employee	Salary ⁽¹⁾ (%)	Variable bonus ⁽¹⁾ (%)	Total (%)
From S\$100,000 to S\$149,999			
Karen Chia (Xie Lijuan) ⁽²⁾	92.0	8.0	100.0
From S\$50,000 to S\$99,999			
Frank Chia Wing Heng ⁽³⁾	92.1	7.9	100.0
How Choon Hiong ⁽⁴⁾	92.2	7.8	100.0

Notes:

(1) Inclusive of provident funds.

(2) Karen Chia (Xie Lijuan) is the sister of Winston Chia Wing Keong, Johnston Chia Wing Hock and Frank Chia Wing Heng, and sister-in-law of How Choon Hiong.

(3) Frank Chia Wing Heng is the brother of Winston Chia Wing Keong, Johnston Chia Wing Hock and Karen Chia (Xie Lijuan), and brother-in-law of How Choon Hiong.

(4) How Choon Hiong is the spouse of Winston Chia Wing Keong, and sister-in-law of Johnston Chia Wing Hock, Frank Chia Wing Heng and Karen Chia (Xie Lijuan).

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar. The remuneration of employees related to the Directors and Substantial Shareholders of the Company will also be reviewed annually by the RC.

In considering the disclosure of remuneration of the Directors and key management personnel, the Company has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration. The Company believes that full detailed disclosure of the remuneration of each Director and each key management personnel as recommended by the Code would be prejudicial to the interests of the Group and hamper its ability to retain and nurture the Group's talent pool. The Company has instead presented such information in remuneration bands.

C. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the interim and annual financial statements, results announcements as well as timely announcements and/or news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial performance, position and prospects. In this respect, the AC reviews all financial statements and recommends them to the Board for approval.

The Board also reviews the legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant regulatory requirements.

In accordance with the Catalyst Rules, the Board will provide a negative assurance statement in respect of the interim financial results announcements, to confirm that to the best of its knowledge, nothing has come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Group recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with, amongst others, the management accounts of the Group and the relevant accompanying explanatory information on a quarterly basis. Management also highlights key business indicators and major issues that are relevant to the Group's performance on an on-going basis in order for the Board to make a balanced and informed assessment of the Group's performance, financial performance, position and prospects as well as Management's achievements of the goals and objectives determined by the Board.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the governance of risks and the overall internal control framework. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving the Group's strategic objectives.

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk exposure, risk tolerance and risk policies.

The Board notes that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Nonetheless, the Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology ("IT") controls. The Board also recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' interests and the Group's assets. The Board will look into the need for establishment of a separate Board risk committee at the relevant time.

To ensure that the Group's risk management and internal control systems are adequate and effective, the Group has engaged Nexia TS Risk Advisory Pte Ltd ("Nexia TS") as the internal auditors of the Group who have presented their internal audit proposal to the Board and the AC to assist the Board and the AC in their review of the Group's risk management and internal control systems focusing on financial, operational, compliance and IT controls. The Company is in the process of documenting a framework which will set out the Group's risk profile, the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board. The framework provides an overview of the Group's key risks, how they are managed, and the various assurance mechanisms in place, which will allow the Group to address the on-going changes and challenges in the business environment, reduce uncertainties and facilitate the shareholder value creation process.

The AC will ensure that a review of the effectiveness of the Group's risk management policies and procedures and internal controls in addressing material risks, including financial, operational, compliance and IT risks are conducted annually. In this respect, the AC will review the audit plans and the findings of the external and internal auditors, and will ensure that Management follows up on the external and internal auditors' recommendations raised, if any, during the audit process.

Based on the internal control policies and procedures established and maintained by the Group, works performed by the external and internal auditors and reviews performed by the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group addressing financial, operational, compliance and IT risks are adequate as at the date of this Annual Report.

For FY2014, the Board and the AC have also obtained assurances from the Executive Chairman and CEO and the CFO that the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

Audit Committee

Principle 12: The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) members, all of whom are Independent Directors:

Ong Kian Guan	(Chairman)
James Kho Chung Wah	(Member)
Choh Thian Chee Irving	(Member)

The AC has adopted written terms of reference defining its membership, administration and duties. Some of the key duties and responsibilities of the AC include:

- reviewing with the external and internal auditors their audit plans, scope of work, evaluation of the adequacy of the internal controls, audit reports, management letters on internal controls, the Management’s response and any other relevant findings or matters, where applicable;
- monitoring and reviewing the implementation of the external auditors’ and internal auditors’ recommendations concurred with Management in relation to the adequacy and effectiveness of the Group’s internal controls addressing financial, operational, compliance and IT risks;
- at least annually, reviewing and reporting to the Board on the adequacy and effectiveness of the Group’s internal controls addressing financial, operational, compliance and IT risks with the objective of including the Board’s opinion, with the concurrence of the AC, on the adequacy of these internal controls in the Annual Report;
- reviewing the periodic consolidated financial statements of the Company and results announcements before submission to the Board for review and approval, focusing on, in particular, the relevance and consistency of accounting policies, significant financial reporting issues, recommendations and judgements made by Management and the external auditors, and compliance with financial reporting standards, Catalist Rules and any other statutory and regulatory requirements so as to ensure the integrity of the periodic consolidated financial statements of the Company and results announcements;
- reviewing the independence and objectivity of the external auditors, the aggregate amount of fees paid or payable to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services, respectively;
- making recommendations to the Board, and in the case of the external auditors, to the Board on proposals to the shareholders, for the appointment, re-appointment and removal of the external auditors and internal auditors, and approve the remuneration and terms of engagement of the external auditors and internal auditors;
- reviewing the suitability of the CFO and adequacy of the finance team on an on-going basis;
- reviewing and recommending all hedging policies (if any) to the Board for approval;
- reviewing any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules (if any);
- reviewing potential conflicts of interests (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- reviewing the policy and arrangement by which staff or any other person may, in confidence, raise concerns about possible improprieties on matters of our business operations, financial reporting or any other matters and to ensure that arrangements are in place for the independent investigation of such matter and for appropriate follow-up; and
- performing such other duties or functions as may be delegated by the Board or required by regulatory authorities.

Apart from the duties listed above, the AC has explicit authority to investigate any matter within its terms of reference, and matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position, and to review its findings. The AC has full access to and has the full cooperation of Management. It also has the full discretion to invite any Director or any member of Management to attend its meetings.

The Board considers Ong Kian Guan, a practising chartered accountant with the Institute of Singapore Chartered Accountants who has extensive accounting and financial management knowledge and experience, well-qualified to chair the AC. The other members of the AC bring with them invaluable experience in finance and business management. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experience to discharge the duties and responsibilities of the AC.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. The AC has reviewed the scope and value of non-audit fees paid or payable by the Group to the external auditors, BDO LLP. The aggregate amount of audit fees paid or payable to the external auditors for FY2014 was S\$95,950. No non-audit fees were paid or payable to the external auditors in respect of FY2014. The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the nomination of BDO LLP for re-appointment as the Company's external auditors at the forthcoming AGM. The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of its external auditors.

The AC meets with the external and internal auditors, without the presence of the Management, at least annually to discuss the results of their audit, their evaluation of the Group's system of internal controls and any other relevant matters or findings that have come to the attention of the external and internal auditors. To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the AC is encouraged to participate in training courses, seminars and workshops, as relevant, and to seek advice from the external auditors at the AC meetings that are held.

No former partner or director of the Company's existing external and internal auditors is a member of the AC.

Whistle Blowing Policy

The Group has put in place a whistle-blowing framework ("**Whistle Blowing Policy**") endorsed by the AC where the employees of the Group or any other person may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other matters. A dedicated secured email address has been set up to allow whistle-blowers to contact the AC directly.

Details of the Whistle Blowing Policy and arrangements have been made available to all employees of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate and timely follow-up action, and provides assurance that whistle blowers will be protected from reprisal or victimization for whistle blowing in good faith and without malice, within the limits of the law.

The AC reports to the Board on whistle blowing matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to appropriate external advice where necessary.

No concerns involving possible corporate improprieties were brought to the attention of the AC since the listing of the Company on Catalist on 28 October 2014 and in FY2014, and as at the date of this Annual Report.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognizes that it is responsible for maintaining a system of internal controls to safeguard shareholders' interests and the Group's businesses and assets while Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditors is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC, to conduct regular internal audits of high risk areas and to report their findings to the AC for review by both the AC and the Board.

The internal audit function of the Company is outsourced to Nexia TS as the Group's internal auditors. The AC, having considered, amongst others, the reputation and track record of Nexia TS and the qualifications, experience and availability of resources and independence of the team at Nexia TS, is satisfied that the appointment of Nexia TS as internal auditors is appropriate. The internal auditors had conducted a review of the effectiveness of the Group's internal controls in FY2014. The internal auditors confirm that they have carried out their function taking guidance from with the Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The internal auditors report primarily to the Chairman of the AC and has full access to the documents, records and personnel of the Company and the Group, including access to the AC. The internal auditors plan their internal audit schedules in consultation with Management and their plans are reviewed and approved by the AC. The AC reviews the reports issued by the internal auditors to ensure that the Group's internal controls including financial, operational, compliance and IT controls are robust and effective, and follows up with Management and the internal auditors in ensuring that the internal auditors' recommendations agreed with Management have been adequately and appropriately implemented. The AC also ensures that Management provides good support to the internal auditors, such as providing the internal auditors with access to documents, records, properties and personnel when requested in order for them to carry out their function accordingly.

The AC will review the adequacy and effectiveness of the internal audit function at least annually.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements

The Group's corporate governance practices promote fair and equitable treatment of all the Company's shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET, in particular, information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements and press releases via SGXNET as well as through reports/circulars sent to all shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Articles of Association of the Company allow each shareholder to appoint up to two (2) proxies to vote and attend general meetings on his behalf. The Company will consider amending its Articles of Association at an appropriate time to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with the continuing disclosure obligations under the Catalist Rules, the Company informs shareholders promptly of all major developments that may have a material impact on the Group. All of the Company's announcements are released via SGXNET, including financial results, annual reports, distribution of notices, press releases, analyst briefings, presentations, announcements on material corporate actions and other developments. The Company does not practise selective disclosure of material information and price sensitive information is publicly released as soon as is practicable as required by the Catalist Rules.

General meetings are still the principal forum for dialogue with shareholders. To promote a better understanding of shareholders' views, the Board encourages shareholders to participate during the Company's general meetings. At these meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. The Company could gather views and address shareholders' concerns at general meetings.

The Company also communicates through its corporate website, <http://www.serrano.com.sg>, to provide shareholders access to the Group's corporate announcements, press releases, annual reports and corporate information. In addition, the Company has engaged the services of August Consulting Pte Ltd, as the Group's investor relations firm who will focus on facilitating all investor relations communications with shareholders, analysts and media on a regular basis, to attend to their queries or concerns as well as to keep the investing public apprised of the Group's corporate developments and financial performance. To enable shareholders to contact the Company easily, the contact details of the investor relations firm are set out in the corporate information page of this Annual Report. The investor relations firm has procedures in place for responding to investors' queries as soon as applicable.

Outside of the financial announcement periods, when necessary and appropriate, the Executive Directors may also meet with analysts and fund managers who like to seek a better understanding of the Group's operations.

The Company does not have a formal dividend policy at present. The form, frequency and amount of dividends the Directors may recommend or declare in respect of any particular financial year or period will take into consideration the Group's financial performance, cash position, working capital requirements and other factors as the Board may deem appropriate. As the Group is expanding its business and operations both locally and overseas, the Board, having considered the projected capital expenditure and working capital requirements, has deemed it prudent to reinvest the Group's profits and is proposing that no dividend be declared in respect of FY2014.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend, participate and vote at the Company's general meetings to ensure a high level of accountability on the part of the Board and Management, and to stay informed of the Group's performance, strategies and growth plans. Notice of general meetings are dispatched to shareholders, together with explanatory notes, or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Company supports active shareholder participation at general meetings and welcomes questions from shareholders who wish to raise issues pertaining to the Group, either informally or formally, within the setting of the general meetings. If shareholders are unable to attend the meetings, the Articles of Association of the Company allow a shareholder of the Company to appoint up to two (2) proxies to attend and vote in place of the shareholder.

Each item of special business included in the notice of the general meetings will be accompanied by explanatory notes as may be required. Separate resolutions are proposed for approval on each substantially separate issue at general meetings. Resolutions are as far as possible, structured separately and may be voted upon independently, unless the resolutions are interdependent and linked so as to form one significant proposal. Resolutions are passed at general meetings by hand or by poll, if required.

Corporate Governance Report

All Directors, including the Chairman of the Board and the respective Chairmen of the AC, NC and RC, as well as the CFO and the external auditors are intended to be present at the forthcoming AGM to address any relevant queries raised by shareholders. The Company will make available minutes of general meetings to shareholders upon their written request.

The Company will be conducting its voting at general meetings by poll effective from 1 August 2015 where shareholders are accorded voting rights proportionate to their shareholding and all votes will be counted.

DEALINGS IN SECURITIES

Rule 1204(19) of the Catalist Rules

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by the Directors and officers of the Group.

The Company has adopted a Code of Best Practices to provide guidance to its Directors and all officers of the Group with regards to dealings in the Company's securities.

The Directors and officers of the Group are prohibited from dealing in the securities of the Company while in possession of unpublished price-sensitive information as well as during the period commencing one (1) month before the announcement of the Company's half-year and full-year results and ending on the date of the announcement of the relevant results. The Directors and officers of the Group are to refrain from dealing in the Company's securities on short-term considerations.

Directors and officers of the Group are also required to adhere to the provisions of the Securities and Futures Act, Chapter 289, Companies Act, Chapter 50, the Catalist Rules and any other relevant laws, rules and regulations with regard to their securities transactions. They are expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly documented and submitted to the AC for their review and to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms that will not be prejudicial to the Company and its minority shareholders.

The AC has reviewed the following significant transactions entered into by the Group and its interested persons for FY2014 in accordance with its existing procedures:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Wah Heng Design Corporation Pte Ltd	Hire purchase reimbursements and administrative fees payable by the Group - S\$173,000	Nil
SI Import & Export Pte Ltd ("SI Import & Export")	Assignment of trade rebates to the Group – S\$263,000*	Nil

* This includes amounts of S\$149,000 which relate to further trade rebates assigned by SI Import & Export to the Group in relation to the purchase of furnishings made by SI Import & Export on behalf of the Group prior to the Company's listing on Catalist.

The Board is of the view that the transactions above were not conducted on arm's length basis and were not based on normal commercial terms. The Group does not intend to enter into such transactions with SI Import & Export in the future. Please refer to the sections entitled "Interested Person Transactions – Past Interested Person Transactions" and "Interested Person Transactions – Present And On-going Interested Person Transactions" of the Company's Offer Document for further details.

The Company does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules.

MATERIAL CONTRACTS

Rule 1204(8) of the Catalist Rules

The Company confirms that save for the service agreements between the Company and its Executive Directors, Winston Chia Wing Keong, Johnston Chia Wing Hock and Eugene Tse Yue-Jen, and as disclosed in the section entitled "General And Statutory Information – Material Contracts" of the Offer Document, there were no other material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director, CEO or controlling shareholder of the Company, either still subsisting as at 31 December 2014 or if not then subsisting, which were entered into since the end of 31 December 2014.

NON-SPONSOR FEES

Rule 1204(21) of the Catalist Rules

In compliance with Rule 1204(21) of the Catalist Rules, the nature of and amount of fees for non-sponsor services rendered by the Company's sponsor, United Overseas Bank Limited, to the Group in FY2014 were as follows:

Non-sponsor services	S\$'000
Underwriting and placement commission in relation to the IPO	181
Receiving bank fees in relation to the IPO	20
Total	201

Corporate Governance Report

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING (“IPO”)

Rule 1204(22) of the Catalist Rules

The net proceeds from the IPO due to the Company, after deducting the Company’s share of expenses in relation to the IPO of approximately S\$1.8 million, was S\$3.4 million.

The following table sets out the breakdown of the use of net proceeds from the IPO due to the Company as at the date of this Annual Report:

	Amount allocated (as stated in Offer Document) S\$’000	Amount utilised S\$’000	Amount unutilised S\$’000
To increase market penetration	1,000	-	1,000
To explore investments, acquisitions, strategic alliances and/or joint ventures	1,000	(395) ⁽¹⁾	605
General working capital	1,412 ⁽²⁾	(1,412)	-
Net proceeds	3,412⁽¹⁾	(1,807)	1,605

Notes:

⁽¹⁾ This pertains to the option fee, the amount payable on the exercise of the option and any applicable taxes and duties payable in relation to the purchase of the property located at 16 Sungei Kadut Way, Singapore 728793.

⁽²⁾ The difference in the amounts disclosed in this Annual Report and as stated in the Offer Document is due to differences between the estimated and actual expenses incurred in relation to the IPO.