



**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

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**Financial Statements and Dividend Announcement For The Financial Year Ended 31 December 2015**

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*Serrano Limited (the "Company") was listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 October 2014. The initial public offering ("IPO") of the Company was sponsored by United Overseas Bank Limited (the "Sponsor").*

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact persons for the Sponsor are Mr Khong Choun Mun, Managing Director, Equity Capital Markets and Mr David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.*

**Background**

The Company was incorporated in the Republic of Singapore on 18 September 2012 under the Companies Act (Chapter 50) of Singapore as a private company limited by shares and was converted to a public company limited by shares on 14 October 2014. The group comprising the Company and its subsidiaries (the "Group") was formed pursuant to a restructuring exercise (the "Restructuring Exercise"), which involved certain acquisitions, divestments and rationalisation of the Group's corporate and shareholding structure prior to the IPO. Please refer to the Company's offer document dated 15 October 2014 (the "Offer Document") for further details of the Restructuring Exercise.

For the purpose of this announcement, the results of the Group for the financial year ended 31 December 2015 ("FY2015"), and the comparative results of the Group for the financial year ended 31 December 2014 ("FY2014") represented a consolidation of the financial statements of the Company and its subsidiaries after the Restructuring Exercise, and have been prepared on the assumption that the Group structure following the completion of the Restructuring Exercise has been in place since 1 January 2014.

Pursuant to an offer information statement dated 4 September 2015 ("OIS") issued by the Company, the Company undertook a renounceable partially-underwritten rights issue ("Rights Issue") for which 122,360,574 new ordinary shares in the capital of the Company ("Rights Shares") were allotted and issued, as announced by the Company on 29 September 2015, to shareholders of the Company ("Shareholders") at an issue price of S\$0.07 per Rights Share on 1 October 2015.

**SERRANO LIMITED**(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)**PART I - INFORMATION REQUIRED FOR THE ANNOUNCEMENT OF FULL YEAR RESULTS****1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		
	Unaudited FY2015 S\$	Audited FY2014 S\$	Increase/ (Decrease) %
<b>Revenue</b>	94,663,331	85,222,077	11.1
Cost of sales	(107,848,746)	(74,067,497)	45.6
<b>Gross (loss)/profit</b>	(13,185,415)	11,154,580	NM
Other income	585,189	2,489,968	(76.5)
<b>Expenses</b>			
Selling and distribution costs	(1,396,286)	(1,362,585)	2.5
Administrative expenses	(5,094,511)	(4,176,898)	22.0
Other expenses	(5,477,158)	(2,636,676)	107.7
Finance costs	(4,958,483)	(3,557,675)	39.4
Share of results of associate, net of tax	1,984	3,671	(46.0)
<b>(Loss)/profit before income tax</b>	(29,524,680)	1,914,385	NM
Income tax expense	(21,485)	(826,160)	(97.4)
<b>(Loss)/profit for the financial year</b>	(29,546,165)	1,088,225	NM
<b>Other comprehensive income:</b>			
Items that will or may be reclassified subsequently to profit or loss			
Surplus on revaluation of property, plant and equipment	151,548	-	NM
Income tax relating to items that will or may be classified	-	-	-
<b>Total comprehensive income for the financial year</b>	(29,394,617)	1,088,225	NM
<b>(Loss)/profit attributable to owners of the Company</b>	(29,394,617)	1,088,225	NM

*NM denotes not meaningful***1(a)(ii) The net profit attributable to shareholders of the Company includes the following charges/(credits):**

	Group		
	Unaudited FY2015 S\$	Audited FY2014 S\$	Increase/ (Decrease) %
Depreciation of property, plant and equipment	1,313,033	1,023,721	28.3
Amortisation of intangible asset	47,040	47,040	-
IPO expenses charges	188,893	1,357,759	(86.1)
Under provision of income tax expenses in respect of prior year	29,482	174,391	(83.1)
Government grants	(198,630)	(128,656)	54.4
Interest income	(28,634)	(162,103)	(82.3)
Rental income	-	(339,536)	NM
Trade rebates	-	(263,385)	NM
Advertisement sponsorship	-	(148,000)	NM
Labour costs charged to Sorrento Vietnam Shareholding Company ("Sorrento Vietnam")	-	(258,000)	NM
Miscellaneous income	(43,269)	(23,129)	87.1
Management fees charged by Sorrento Vietnam	-	(1,062,992)	NM
Finance costs	4,958,483	3,557,675	39.4
Allowance for impairment loss on doubtful third parties trade and other receivables	4,355,978	26,197	16,527.8
Amounts due from contract customers, retention sum and variation orders written off	5,971,876	-	NM
Impairment on available-for-sales financial assets	260,000	-	NM
Provision for retention receivables	2,749,574	400,000	587.4
Bad third parties trade receivables written off	22,260	-	100.0
Loss on disposal of available-for-sale financial assets	-	660,900	NM
Plant and equipment written off	57,891	-	NM
Gain on disposal of plant and equipment	(157,977)	(14,017)	1.027.1
Foreign exchange gain, net	(159,803)	(75,261)	63.2

*NM denotes not meaningful*

**SERRANO LIMITED**(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
	S\$	S\$	S\$	S\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11,796,641	7,721,452	-	-
Intangible assets	518,237	565,277	-	-
Investments in subsidiaries	-	-	11,068,138	18,268,138
Investment in associate	113,721	62,737	108,066	59,066
Available-for-sale financial assets	1,540,000	1,800,000	1,540,000	1,800,000
	<u>13,968,599</u>	<u>10,149,466</u>	<u>12,716,204</u>	<u>20,127,204</u>
<b>Current assets</b>				
Inventories	1,370,922	1,336,082	-	-
Trade and other receivables	18,400,850	20,827,562	14,910,238	4,694,895
Prepayments	95,097	193,222	900	96,666
Amounts due from contract customers	69,430,573	71,257,116	-	-
Cash and cash equivalents	8,441,151	7,515,265	80,966	1,625,391
	<u>97,738,593</u>	<u>101,129,247</u>	<u>14,992,104</u>	<u>6,416,952</u>
<b>Total assets</b>	<u>111,707,192</u>	<u>111,278,713</u>	<u>27,708,308</u>	<u>26,544,156</u>
<b>EQUITY AND LIABILITIES</b>				
Share capital	33,029,183	24,802,397	33,029,183	24,802,397
Other reserves	(6,649,575)	(6,801,123)	-	-
Accumulated (losses)/profits	(21,005,547)	8,540,618	(5,708,913)	1,645,554
<b>Equity attributable to owners of the Company</b>	<u>5,374,061</u>	<u>26,541,892</u>	<u>27,320,270</u>	<u>26,447,951</u>
<b>Non-current liabilities</b>				
Bank borrowings	372,488	672,384	-	-
Finance lease payables	451,173	954,627	-	-
Deferred tax liabilities	662,578	672,975	-	-
	<u>1,486,239</u>	<u>2,299,986</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade and other payables	35,704,137	21,284,733	388,038	96,205
Bank borrowings	68,989,169	59,687,415	-	-
Finance lease payables	153,586	557,053	-	-
Current income tax payable	-	907,634	-	-
	<u>104,846,892</u>	<u>82,436,835</u>	<u>388,038</u>	<u>96,205</u>
<b>Total liabilities</b>	<u>106,333,131</u>	<u>84,736,821</u>	<u>388,038</u>	<u>96,205</u>
<b>Total equity and liabilities</b>	<u>111,707,192</u>	<u>111,278,713</u>	<u>27,708,308</u>	<u>26,544,156</u>

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**1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

	Group			
	As at 31 December 2015		As at 31 December 2014	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less, or on demand	69,142,755	-	60,244,468	-
Amount repayable after one year	823,661	-	1,627,011	-
	69,966,416	-	61,871,479	-

**Details of collaterals**

The Group's credit facilities are secured by one or several of (a) personal guarantees by Chia Wing Keong ("Winston Chia") (Executive Director and Chief Executive Officer) and/or Chia Wing Hock ("Johnston Chia") (Executive Director); (b) corporate guarantees by Serrano Limited and/or the Company's controlling shareholder, Wah Heng Design Corporation Pte Ltd ("Wah Heng"), and/or the Company's wholly-owned subsidiary, Serrano Holdings Pte Ltd ("Serrano Holdings"); (c) mortgages over the Group's properties at 49 Sungei Kadut Loop, Singapore 729492 and 16 Sungei Kadut Way, Singapore 728793; (d) charges on fixed deposits; and (e) the assignment of proceeds in connection with the Group's interior fit-out contracts. The Group's hire purchase facilities are secured on the respective motor vehicles and machinery.

On 25 February 2016, Serrano Holdings entered into an undertaking agreement (the "Undertaking Agreement") with Sorrento Vietnam, pursuant to which Sorrento Vietnam has undertaken, subject to the relevant approvals being obtained, to dispose of its factory (the "Property Disposal") by 30 September 2016 (or such other date as Serrano Holdings and Sorrento Vietnam may agree in writing) and to apply the net proceeds from the Property Disposal towards the discharge of the Credit Facilities (as defined below).

Serrano Holdings had provided three corporate guarantees (the "Guarantees") to secure credit facilities granted to Sorrento Vietnam, as follows:

- (a) Two corporate guarantees dated 3 October 2014 in favour of Malayan Banking Berhad, Ho Chi Minh City Branch and Hanoi Branch ("Maybank") to guarantee the full amount of the credit facilities of up to US\$6.3 million (equivalent to S\$8.9 million) granted to Sorrento Vietnam (the "Maybank Credit Facilities"), out of which US\$3.0 million (equivalent to S\$4.3 million) has been repaid and US\$3.3 million (equivalent to S\$4.6 million) remains outstanding; and
- (b) Corporate guarantee dated 22 October 2015 in favour of An Binh Commercial Jointstock Bank, Binh Duong Branch ("AB Bank") to guarantee the full amount of the credit facilities of up to VND75.0 billion (equivalent to S\$4.7 million) granted to Sorrento Vietnam (the "AB Bank Credit Facilities"), which has been fully drawn down (collectively, the "Credit facilities").

The amount owing to Maybank by Sorrento Vietnam under the Maybank Credit Facilities as at the date of this announcement is approximately US\$3.3 million (equivalent to S\$4.6 million), out of which US\$2.2 million (equivalent to S\$3.1 million) was due for repayment to Maybank between 27 November 2015 and 16 February 2016 (the "Outstanding Sum").

The amount owing to AB Bank by Sorrento Vietnam under the AB Bank Credit Facilities as at the date of this announcement is approximately VND75.0 billion (equivalent to S\$4.7 million). Currently, there are no overdue payments to AB Bank under the AB Bank Credit Facilities.

As at the date of this announcement, Serrano Holdings has not received any written notice from Maybank and/or AB Bank to call on the Guarantees. Consequently, the Company is of the opinion that the Guarantees remain as contingent liabilities for which no provision has been made in the Group's financial statements as at the date of this announcement.

For the above purpose, exchange rates as at 17 February 2016 of S\$1.00 to VND15,939 and S\$1.00 to US\$0.7115 from Monetary Authority of Singapore have been used.

Please refer to the Company's announcement dated 25 February 2016 for further details of the abovementioned Undertaking Agreement, the Guarantees and the Credit Facilities.

**SERRANO LIMITED**(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	Unaudited FY2015 S\$	Audited FY2014 S\$
<b><u>Operating activities</u></b>		
(Loss)/profit before income tax	(29,524,680)	1,914,385
<b><u>Adjustments for:</u></b>		
Allowance for impairment loss on doubtful third parties trade and other receivables	4,355,978	26,197
Amounts due from contract customers, retention sum and variation orders written off	5,971,876	-
Provision for retention receivables	2,749,574	-
Amortisation of intangible asset	47,040	47,040
Bad third parties trade receivables written off	22,260	-
Allowance for impairment loss on doubtful third parties trade receivables written back	(33,852)	(13,331)
Impairment on available-for-sale finance assets	260,000	-
Depreciation of property, plant and equipment	1,313,033	1,023,721
Interest income	(28,634)	(162,103)
Finance costs	4,958,483	3,557,675
IPO expenses charged	188,893	1,357,759
Share of results of associate, net of tax	(1,984)	(3,671)
Loss on disposal of available-for-sale financial assets	-	660,990
Gain on disposal of plant and equipment	(157,977)	(14,017)
Plant and equipment written off	57,891	-
Operating cash flows before working capital changes	<u>(9,822,099)</u>	<u>8,394,645</u>
<b><u>Working capital changes:</u></b>		
(Increase)/Decrease in inventories	(34,840)	300,182
Increase in trade and other receivables	(1,917,675)	(9,294,939)
Decrease/(Increase) in prepayments	98,125	(31,513)
Increase in amounts due from contract customers	(6,894,908)	(18,038,011)
Increase in trade and other payables	15,642,846	2,854,349
Cash absorbed by operations	<u>(2,928,551)</u>	<u>(15,815,287)</u>
Income tax paid	(939,516)	(279,151)
<b>Net cash used in operating activities</b>	<u>(3,868,067)</u>	<u>(16,094,438)</u>
<b><u>Investing activities</u></b>		
Interest received	28,634	24,734
Proceeds from disposal of plant and equipment	832,158	51,782
Proceeds from disposal of available-for-sale financial assets	-	1,004,328
Investment in associate	(49,000)	-
Purchase of property, plant and equipment	(1,312,744)	(62,690)
<b>Net cash (used in)/from investing activities</b>	<u>(500,952)</u>	<u>1,018,154</u>
<b><u>Financing activities</u></b>		
Increase in fixed deposits pledged	(651,691)	(1,055,627)
Interest paid	(4,958,483)	(3,557,675)
Proceeds from bank borrowings	93,782,216	67,727,436
Proceeds from issuance of ordinary shares	-	5,175,000
Proceeds from issuance of redeemable convertible preference shares	-	3,000,000
Proceeds from issuance of Right Shares	7,341,798	-
IPO share issue expenses paid	(188,893)	(1,768,150)
Rights Share issue expenses paid	(338,454)	-
Repayment of bank borrowings	(98,231,721)	(30,392,640)
Loan from a corporate shareholder	5,500,000	-
Loan from a third party	500,000	-
Repayment of loan from a third party	(500,000)	-
Repayment of loan from a corporate shareholder	(2,500,000)	-
Repayment of finance leases	(906,921)	(580,673)
<b>Net cash (used in)/from financing activities</b>	<u>(1,152,149)</u>	<u>38,547,671</u>



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(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

	Unaudited FY2015 S\$	Audited FY2014 S\$
<b>Net change in cash and cash equivalents</b>	(5,521,168)	23,471,387
Cash and cash equivalents at beginning of financial year	(2,741,943)	(26,213,330)
<b>Cash and cash equivalents at end of financial year*</b>	<u>(8,263,111)</u>	<u>(2,741,943)</u>

\*Cash and cash equivalents consist of the following:

	As at 31 December	
	2015 S\$	2014 S\$
Fixed deposits with bank	5,705,426	5,053,735
Cash and bank balances	2,735,725	2,461,530
Cash and cash equivalents on consolidated statement of financial position	<u>8,441,151</u>	<u>7,515,265</u>
Bank overdrafts	(10,998,836)	(5,203,473)
Fixed deposits pledged	(5,705,426)	(5,053,735)
Cash and cash equivalents on consolidated statement of cash flows	<u>(8,263,111)</u>	<u>(2,741,943)</u>

**1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Consolidated statement of changes in equity**

Group	Share capital S\$	Asset revaluation reserve S\$	Merger reserve S\$	Accumulated profits/(losses) S\$	Total equity attributable to owners of the Company S\$
As at 1 January 2014	7,550,002	2,637,015	-	7,452,393	17,639,410
Total comprehensive income for the year	-	-	-	1,088,225	1,088,225
Adjustment pursuant to the share swap undertaken in relation to the Restructuring Exercise	(7,550,000)	-	(9,438,138)	-	(16,988,138)
Issuance of shares pursuant to the Restructuring Exercise	17,037,786	-	-	-	17,037,786
Issuance of Pre-IPO Subscription Shares (as defined in the Offer Document)	3,000,000	-	-	-	3,000,000
Proceeds from issuance of shares at IPO	5,175,000	-	-	-	5,175,000
IPO share issue expenses	(410,391)	-	-	-	(410,391)
As at 31 December 2014	<u>24,802,397</u>	<u>2,637,015</u>	<u>(9,438,138)</u>	<u>8,540,618</u>	<u>26,541,892</u>
Loss for the financial year	-	-	-	(29,546,165)	(29,546,165)
Other comprehensive income:					
Surplus on revaluation of property, plant and equipment	-	151,548	-	-	151,548
Proceeds from issuance of Rights Shares	8,565,240	-	-	-	8,565,240
Right Issues expenses	(338,454)	-	-	-	(338,454)
As at 31 December 2015	<u>33,029,183</u>	<u>2,788,563</u>	<u>(9,438,138)</u>	<u>(21,005,547)</u>	<u>5,374,061</u>

**SERRANO LIMITED**(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)**Statement of changes in equity**

Company	Share capital S\$	Accumulated profits/(losses) S\$	Total equity attributable to owners of the Company S\$
As at 1 January 2014	2	(9,720)	(9,718)
Total comprehensive income for the year	-	1,655,274	1,655,274
Adjustment pursuant to the share swap undertaken in relation to the Restructuring Exercise	17,037,786	-	17,037,786
Issuance of Pre-IPO Subscription Shares (as defined in the Offer Document)	3,000,000	-	3,000,000
Proceeds from issuance of shares at IPO	5,175,000	-	5,175,000
IPO share issue expenses	(410,391)	-	(410,391)
As at 31 December 2014	24,802,397	1,645,554	26,447,951
Loss for the financial year	-	(7,354,467)	(7,354,467)
Proceeds from issuance of Rights Shares	8,565,240	-	8,565,240
Right Issues expenses	(338,454)	-	(338,454)
As at 31 December 2015	33,029,183	(5,708,913)	27,320,270

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of shares	Issued and paid-up share capital S\$
As at 1 July 2015	150,000,000	24,802,397
Issuance of new shares pursuant to the Right Issue	122,360,574	8,226,786
As at 31 December 2015	272,360,574	33,029,183

The Company had no treasury shares or securities convertible into shares that were outstanding as at 31 December 2015 and 31 December 2014.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Number of ordinary shares as at 31 December	
	2015	2014
Total number of issued shares excluding treasury shares	272,360,574	150,000,000

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors of the Company.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the financial year ended 31 December 2015 as its most recently audited financial statements for the financial year ended 31 December 2014.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all the new and revised Financial Reporting Standards ("FRS") and interpretations of FRS ("INT FRS") that are relevant to the Group and effective for the financial year beginning on 1 January 2015. The adoption of these new and revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the financial year ended 31 December 2015 or prior years.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Unaudited	Audited
	FY2015	FY2014
(Loss)/profit attributable to owners of the Company (S\$)	(29,546,165)	1,088,225
Weighted average number of ordinary shares:		
(a) Basic earnings per share	180,841,569 <sup>1</sup>	131,506,849 <sup>2</sup>
(b) Diluted earnings per share	180,841,569 <sup>1</sup>	131,506,849 <sup>2</sup>
(Loss)/earnings per ordinary share (cents)		
(a) Based on the weighted average number of ordinary shares in issue	(16.33)	0.83
(b) On a fully diluted basis	(16.33)	0.83

<sup>1</sup>The weighted average number of shares of the Company for FY2015 has been computed using the post-IPO share capital of 150,000,000 shares and the post-Rights Issue share capital of 272,360,574 shares.

<sup>2</sup>The weighted average number of shares of the Company for FY2014 has been computed using the pre-IPO share capital of 127,500,000 shares and the post-IPO share capital of 150,000,000 shares.

The basic and diluted earnings per share are the same for FY2015 and FY2014 as there were no potentially dilutive instruments as at 31 December 2015 and 31 December 2014.



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7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	Group		Company	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
Net asset value per share based on the number of shares in issue at end of year (cents) <sup>1</sup>	1.97	17.69	10.03	17.63

<sup>1</sup>Net asset value per ordinary share for the Group as at 31 December 2015 and 31 December 2014 has been computed based on the share capital of 272,360,574 shares and 150,000,000 shares respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Review of the Group's performance****Revenue**

Revenue increased by approximately S\$9.4 million or 11.1% from S\$85.2 million in FY2014 to S\$94.7 million in FY2015.

Revenue from the Interior Fit-Out Business increased by approximately S\$11.2 million or 14.1% from S\$79.6 million in FY2014 to S\$90.8 million in FY2015. This was mainly attributable to:

- (a) S\$40.9 million was attributable to 15 projects which were carried over from FY2014 and which had higher levels of project activity in FY2015; and
- (b) Partially offset by S\$29.9 million attributable to 3 projects which was carried over from FY2014 but which had lower levels of project activity as they neared completion in FY2015.

Revenue from the Wholesale and Retail Furnishings Business decreased by approximately S\$1.8 million or 32.1% from S\$5.6 million in FY2014 to S\$3.8 million in FY2015. This was mainly due to a decrease in sales to customers in the retail furnishings market due to softer market conditions.

**Cost of sales**

Cost of sales increased by approximately S\$33.8 million or 45.6% from S\$74.1 million in FY2014 to S\$107.8 million in FY2015. This was mainly attributable to cost overruns for projects due mainly to an increase in labour sub-contracting costs of approximately S\$12.7 million resulting from labour shortage and reworks undertaken, and additional direct costs incurred for defect rectifications of approximately S\$7.5 million, as well as increase in provisions and write-off of overdue retention sums and claims for variation orders not approved of approximately S\$8.3 million.

**Gross (loss)/profit**

Gross loss was S\$13.2 million in FY2015 against a gross profit S\$11.2 million in FY2014, a decline of approximately S\$24.3 million due to the factors as discussed above.



## **SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

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### **Other income**

Other income decreased by approximately S\$1.9 million or 76.5%, from S\$2.5 million in FY2014 to S\$585,000 in FY2015. This was mainly due to absence in management fees charged to Sorrento Vietnam pursuant to the Management and Technical Consultancy Agreement of approximately S\$1.1 million as a result of a one-off upfront payment payable by Sorrento Vietnam to the Group in FY2014 and the absence of trade rebates of approximately S\$264,000 assigned by SI Import & Export Pte Ltd ("SI Import & Export") and Wah Heng receivable from suppliers of furnishings products in relation to the Wholesale and Retail Furnishings Business for purchases made by SI Import & Export and Wah Heng on behalf of the Group, as a result of the discontinuation of such arrangements pursuant to the IPO and listing of the Company on Catalist. Please refer to the sections entitled "General and Statutory Information – Material Contracts" of the Offer Document for further details on the Management and Technical Consultancy Agreement, "Management's Discussion and Analysis of Results of Operation and Financial Condition – Review of Results of Operations" and "Interested Person Transactions – Past Interested Person Transactions" for further details on the Group's transactions with SI Import & Export and Wah Heng.

### **Selling and distribution costs**

Selling and distribution costs remained relatively stable at approximately S\$1.4 million in FY2014 and FY2015.

### **Administrative expenses**

Administrative expenses increased by approximately S\$918,000 or 22.0% from S\$4.2 million in FY2014 to S\$5.1 million in FY2015. This was mainly attributable to the increase in directors' remuneration and directors' fees payable in aggregate of approximately S\$437,000, and lease rental charges of approximately S\$316,000. The increase in directors' remuneration and directors' fees was in conjunction with the IPO. The increase in lease rental charges was due to the lease of motor vehicles by certain directors and employees of the Group on behalf of the Group.

### **Other expenses**

Other expenses increased by approximately S\$2.8 million or 107.7% from S\$2.6 million in FY2014 to S\$5.5 million in FY2015. This was mainly due to an increase in allowance for impairment loss on doubtful third parties trade and other receivables of approximately S\$4.3 million, which was partially offset by a decrease in IPO expenses charges of approximately S\$1.2 million and loss of disposal of Sorrento Vietnam of approximately S\$661,000 in relation to the Restructuring Exercise which was incurred in FY2014.

### **Finance costs**

Finance costs increased by approximately S\$1.4 million or 39.4% from S\$3.6 million in FY2014 to S\$5.0 million in FY2015 mainly due to interest expenses and bank charges payable in relation to loan and credit facilities for general working capital purposes of approximately S\$1.2 million.

### **Income tax expense**

Income tax expenses decreased by approximately S\$805,000 or 97.4% from S\$826,000 in FY2014 to S\$21,000 in FY2015. This was mainly attributable to the loss incurred by the Group in FY2015.

### **Loss for the financial year**

As a result of the above, the Group incurred a loss of approximately S\$29.5 million for FY2015, as compared to a profit of approximately S\$1.1 million in FY2014.

### **Review of the Group's financial position**

#### **Non-current assets**

Non-current assets increased by approximately S\$3.8 million from S\$10.1 million as at 31 December 2014 to S\$14.0 million as at 31 December 2015. The increase in non-current assets was mainly due to the acquisition of 16 Sungei Kadut Way Singapore 728793 (the "New Property") of approximately S\$4.9 million (excluding goods and services tax), partially offset by the net decrease in property, plant and equipment of S\$1.3 million primarily attributable to depreciation charges.

#### **Current assets**

Current assets decreased by approximately S\$3.4 million from S\$101.1 million as at 31 December 2014 to S\$97.7 million as at 31 December 2015. The decrease in current assets was mainly due to the decrease in trade and other receivables of approximately S\$2.4 million which was mainly due to the increase in allowance for impairment loss on doubtful third parties trade and other receivables of approximately S\$4.3 million, partially offset by the increase in trade receivables of approximately S\$1.9 million arising from sales made on credit terms to the Group's customers. There was also a decrease in amounts due from contract customers of approximately S\$1.8 million mainly due to an increase in amounts due from contract customers, retention sum and

**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

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variation orders written off and provisions for retention receivables in aggregate of approximately S\$8.3 million in aggregate which was partially offset by an increase in amounts due from contract customers of approximately S\$6.5 million as a result of the higher volume of unbilled interior fit-out work-in-progress arising from increased levels of project activity in FY2015. Cash and cash equivalents was higher by approximately S\$926,000 as at 31 December 2015.

**Non-current liabilities**

Non-current liabilities decreased by approximately S\$814,000 from S\$2.3 million as at 31 December 2014 to S\$1.5 million as at 31 December 2015. The decrease was mainly due to repayment of finance lease and bank borrowings of approximately S\$503,000 and S\$300,000 respectively.

**Current liabilities**

Current liabilities increased by approximately S\$22.4 million from S\$82.4 million as at 31 December 2014 to S\$104.8 million as at 31 December 2015. The increase in current liabilities was mainly due to the increase in trade payables which consisted primarily of amounts payable to the Group's suppliers and sub-contractors for purchases made on credit for raw materials and accessories, and accrued expenses for interior fit-out works performed by the Group's sub-contractors in aggregate of approximately S\$11.4 million, as well as an increase in loan and credit-facilities of approximately S\$9.3 million for general working capital purposes.

**Equity attributable to owners of the Company**

The decrease in equity attributable to owners of the Company from S\$26.5 million as at 31 December 2014 to S\$5.4 million as at 31 December 2015 was mainly due to the loss for FY2015 of approximately S\$29.5 million, which was partially offset by the increase in share capital of approximately S\$8.2 million pursuant to the Rights Issue.

**Review of the Group's cashflows****Net cash used in operating activities**

In FY2015, net cash used in operating activities of approximately S\$3.9 million consisted of operating cash outflow before working capital changes of S\$9.8 million, net of working capital inflow of S\$6.9 million and income tax paid of S\$940,000. The net working capital inflow arose mainly due to:

- (a) an increase in trade and other payables of approximately S\$15.6 million mainly due to an increase in trade purchases made on credit by the Group of approximately S\$7.2 million, and accrued payables to sub-contractors of approximately S\$4.2 million;
- (b) partially offset by an increase in amounts due from contract customers of approximately S\$6.9 million mainly due to the higher volume of unbilled interior fit-out work-in-progress arising from increased levels of project activity in FY2015; and
- (c) an increase in trade and other receivables of approximately S\$1.9 million mainly due to higher sales made on credit terms to trade customers.

**Net cash used in investing activities**

Net cash used in investing activities amounted to approximately S\$501,000 in FY2015 mainly due to:

- (a) payment in part for the acquisition of the New Property of approximately S\$1.3 million; and
- (b) partially offset by the sale proceeds from disposal of motor vehicles and office equipment of approximately S\$832,000.

**Net cash used in financing activities**

Net cash used in financing activities amounted to approximately S\$1.2 million in FY2015 mainly due to:

- (a) repayment of bank borrowings of approximately S\$98.2 million;
- (b) interest paid of approximately S\$5.0 million;
- (c) repayment of loans from a corporate shareholder of approximately S\$5.5 million;
- (d) repayment of loans from a third party of approximately S\$500,000;
- (e) repayment of finance leases of approximately S\$907,000;
- (f) increase in fixed deposits pledged of approximately S\$652,000;



**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

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- (g) Rights Issue expenses paid of approximately S\$340,000;
- (h) offset by proceeds from bank borrowings of approximately S\$93.8 million primarily in relation to term loans and trust receipts to finance the working capital of the Group's interior fit-out projects;
- (i) net proceeds from the Rights Issue of approximately S\$7.3 million;
- (j) loans from a corporate shareholder of approximately S\$5.5 million; and
- (k) loans from a third party of approximately S\$500,000.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Company had on 30 December 2015 issued a profit guidance announcement to Shareholders via SGXNET to inform Shareholders that the Group would be expecting to report a net loss for FY2015.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group recently acquired new production facilities, warehouse management system and machinery for the Interior Fit-Out Business which had been installed at its premises located at 49 Sungei Kadut Loop Singapore 729492 and the New Property. This is expected to further enhance the Group's product and service offerings to customers and improve the productivity, cost efficiency as well as support its growing retail home renovation business segment in Singapore.

In addition, with the soft opening of the Group's Serrano Experience Centre, the New Property and its two new showrooms for furnishings products for Wholesale and Retail Furnishing Business at the New Property and 18 Tampines Industrial Crescent The Space @Tampines, the Group believes that this would further enhance its market penetration into retail home renovation business as well as the Interior Fit-Out business for the commercial and hospitality sectors in Singapore.

The Group has a total order book of approximately S\$52.3 million as at 31 December 2015 including a significant interior decorative project for office and residential building from Shwe Taung Development Co., Ltd which is one of the largest property developers in Myanmar. The Directors believe that the Company's public-listed status will stand the Group in good stead as it continues to explore new interior fit-out project opportunities locally and in other emerging Southeast Asian markets, in particular, Myanmar, Vietnam, Cambodia and Thailand. The Group will also seek to leverage on its track record and capabilities to secure more interior fit-out projects not only in the residential sector, but also in the commercial, hospitality and retail home sectors.

The Group's operating environment is expected to remain challenging given weakened demand for residential property market in Singapore arising from the property cooling measures implemented by the Singapore government, as well as the tightening in supply of foreign workers. The Group's losses in FY2015 are primarily attributable to:

- (a) cost overruns for projects due mainly to an increase in labour sub-contracting costs resulting from labour shortage and reworks undertaken as well as additional cost incurred for defect rectifications; and
- (b) write-off of overdue retention sums and claims for variation orders not approved.

As alluded to in the Company's announcement on 30 December 2015, the Group has breached certain covenants in its credit facility agreements and is currently continuing with its discussions with the relevant financial institutions to resolve these breaches including obtaining waivers and/or accommodation from the relevant financial institutions regarding the aforementioned breaches.

The Company is currently reviewing the Group's operations including operational policies and processes and resource allocation to enhance its effectiveness and efficiency. The Company is also reviewing the financial position of the Group on how best to strengthen it. Toward these, the Company may consider engaging an external consultant to perform an independent review and to submit its recommendations.

The Company will update Shareholders accordingly of any new developments.

**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

**11. Dividend****(a) Whether any interim (final) ordinary dividend has been declared (recommended)?**

No.

**(b) Any dividend declared (recommended) for the corresponding period of the immediately preceding financial year?**

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for FY2015.

**13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company has not obtained an IPT general mandate.

**14. Use of Rights Issue Proceeds**

As at the date of this announcement, the net proceeds from the Rights Issue has been fully utilised as follows:

	Amount allocated based on percentage of net proceeds (as stated in the OIS)	Amount utilised as at the date of this announcement	Balance of net proceeds as at the date of this announcement
	S\$'000	S\$'000	S\$'000
Funding of the purchase of the New Property, new production machinery and warehouse management system for the New Property	1,705	1,705	-
Funding of business expansion into the Interior Fit-Out Business targeting the home retail, commercial and hospitality sectors in Singapore and Southeast Asia	1,595	1,595	-
General working capital purposes	4,875	4,875	-
<b>Net proceeds</b>	<b>8,175</b>	<b>8,175</b>	<b>-</b>

**15. Confirmation by the issuer pursuant to Rule 720(1)**

The Company confirms that it has procured undertakings from all of its Directors and executive officers as required under Rule 720(1) of the Listing Manual of the SGX-ST, Section B: Rules of Catalist.

**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

**PART II- ADDITIONAL INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS****16. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group has two major business segments, namely:-

- a) Interior Fit-Out Business; and
- b) Wholesale and Retail Furnishings Business.

<b>2015 Group</b>	<b>Interior Fit-Out Business S\$</b>	<b>Wholesale and Retail Furnishings Business S\$</b>	<b>Total S\$</b>
<b>Revenue</b>	90,882,662	3,780,669	94,663,331
<b>Results</b>			
Segment results	(23,357,714)	(1,239,101)	(24,596,815)
Interest income	28,634	-	28,634
Finance costs	(4,788,713)	(169,770)	(4,958,483)
Loss before income tax	<u>(28,117,793)</u>	<u>(1,408,871)</u>	<u>(29,526,664)</u>
Income tax expense			(21,485)
Share of results of associate, net of tax			<u>1,984</u>
Loss for the financial year			<u>(29,546,165)</u>
<b>Non-cash items</b>			
Amortisation of intangible asset	-	(47,040)	(47,040)
Gain on disposal of plant and equipment	153,161	4,816	157,977
Depreciation of property, plant and equipment	(1,279,209)	(33,824)	(1,313,033)
Plant and equipment written off	-	(57,891)	(57,891)
Allowance for impairment loss on doubtful third parties trade and other receivables	(4,303,428)	(52,550)	(4,355,978)
Amounts due from contract customers, retention sum and variation orders written off	(5,971,876)	-	(5,971,876)
Impairment on available-for-sales financial assets	(260,000)	-	(260,000)
Provision for retention receivables	(2,749,574)	-	(2,749,574)
Bad third parties trade receivables written off	-	(22,260)	(22,260)
<b>Capital expenditure</b>			
Property, plant and equipment	<u>5,854,493</u>	<u>114,253</u>	<u>5,968,746</u>
<b>Assets and liabilities</b>			
Segment assets	<u>107,597,165</u>	<u>4,110,028</u>	<u>111,707,193</u>
Segment liabilities	100,412,615	5,257,938	105,670,553
-Current income tax payable	-	-	-
-Deferred tax liabilities	662,578	-	662,578
	<u>101,075,193</u>	<u>5,257,938</u>	<u>106,333,131</u>


**SERRANO LIMITED**

 (Company Registration No.:201223004Z)  
 (Incorporated in the Republic of Singapore)

2014 Group	Interior Fit-Out Business S\$	Wholesale and Retail Furnishings Business S\$	Total S\$		
<b>Revenue</b>	79,607,176	5,614,901	85,222,077		
<b>Results</b>					
Segment results	5,771,747	(465,461)	5,306,286		
Interest income	162,103	-	162,103		
Finance costs	(3,441,633)	(116,042)	(3,557,675)		
Profit/(loss) before income tax	<u>2,492,217</u>	<u>(581,503)</u>	1,910,714		
Income tax expense			(826,160)		
Share of results of associate, net of tax			<u>3,671</u>		
Profit for the financial year			<u>1,088,225</u>		
<b>Non-cash items</b>					
Amortisation of intangible asset	-	(47,040)	(47,040)		
Gain on disposal of property, plant and equipment	13,826	191	14,017		
Depreciation of property, plant and equipment	(973,291)	(50,430)	(1,023,721)		
Allowance for impairment loss on doubtful third parties trade receivables	-	(26,197)	(26,197)		
Allowance for impairment loss on doubtful third parties trade receivables written back	<u>-</u>	<u>13,331</u>	<u>13,331</u>		
<b>Capital expenditure</b>					
Property, plant and equipment	<u>62,302</u>	<u>388</u>	<u>62,690</u>		
<b>Assets and liabilities</b>					
Segment assets	<u>104,568,275</u>	<u>6,710,438</u>	<u>111,278,713</u>		
Segment liabilities	76,975,103	6,181,109	83,156,212		
-Current income tax payable	847,834	59,800	907,634		
-Deferred tax liabilities	628,636	44,339	672,975		
	<u>78,451,573</u>	<u>6,285,248</u>	<u>84,736,821</u>		
<b>Geographical information</b>					
<b>2015</b>	<b>Singapore S\$</b>	<b>Vietnam S\$</b>	<b>Myanmar S\$</b>	<b>Others S\$</b>	<b>Total S\$</b>
Total revenue from external customers for FY2015	<u>77,548,605</u>	<u>13,384,544</u>	<u>1,535,041</u>	<u>2,195,141</u>	<u>94,663,331</u>
Non-current assets (excluding available-for-sale financial assets and investment in associate) as at 31 December 2015	<u>12,280,611</u>	<u>34,267</u>	<u>-</u>	<u>-</u>	<u>12,314,878</u>
<b>2014</b>	<b>Singapore S\$</b>	<b>Vietnam S\$</b>	<b>Myanmar S\$</b>	<b>Others S\$</b>	<b>Total S\$</b>
Total revenue from external customers for FY2014	<u>62,922,223</u>	<u>14,223,116</u>	<u>7,807,804</u>	<u>268,934</u>	<u>85,222,077</u>
Non-current assets (excluding available-for-sale financial assets and investment in associate) as at 31 December 2014	<u>8,054,296</u>	<u>232,433</u>	<u>-</u>	<u>-</u>	<u>8,286,729</u>

**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

**17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Please refer to paragraph 8 above.

**18. A breakdown of sales.**

	FY2015	Group FY2014	Increase/(Decrease)
	S\$	S\$	%
(a) Sales reported for first half year ended 30 June	53,113,454	41,511,123	27.9
(b) Operating profit after tax reported for first half year ended 30 June	308,785	781,787	(60.5)
(c) Sales reported for second half year ended 31 December	41,549,877	43,710,954	(4.9)
(d) Operating profit after tax reported for second half year ended 31 December	(29,854,950)	306,438	NM

*NM denotes not meaningful*

**19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

**20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age in 2016	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Chia Wing Heng ("Frank Chia")	46	Son of Chia Ah Kau and Ng Wan who are the substantial shareholders of the Company, and brother of Winston Chia and Johnston Chia	Production Director since 2014.  Responsible for providing management and technical consulting services under the Management and Technical Consulting Agreement (as defined in the Offer Document) to Sorrento Vietnam.	N.A.
Chia Lay Kiong (XieLijuan) ("Karen Chia")	43	Daughter of Chia Ah Kau and Ng Wan, and sister of Winston Chia and Johnston Chia	Wholesale and Retail Furnishings Director since 2012.  Responsible for the day-to-day operations of the Group's Wholesale and Retail Furnishings Business.	N.A.
How Choon Hiong ("Jaslin How")	45	Daughter-in-law of Chia Ah Kau and Ng Wan, spouse of Winston Chia and sister-in-law of Johnston Chia	Import and export manager of the Company's wholly-owned subsidiary, Serrano Holdings Pte Ltd ("Serrano Holdings") since 2005.  Responsible for overseeing all incoming and outgoing container shipments and shipping documentation flow.	N.A.



**SERRANO LIMITED**

(Company Registration No.:201223004Z)  
(Incorporated in the Republic of Singapore)

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Tan Chee Keong ("Steven Tan")	48	Nephew of Chia Ah Kau and Ng Wan, and cousin of Winston Chia and Johnston Chia	Project director of Serrano Holdings since 2015.  Assisting the Chief Operating Officer with the overall operation of the Interior Fit-Out Business. Responsible for liaison with various parties, vendors, subcontractors to ensure timely completion of projects and costs control to ensure projects keep within budget.	N.A.
Tan Chee Meng	47	Nephew of Chia Ah Kau and Ng Wan, and cousin of Winston Chia and Johnston Chia	Factory manager of Serrano Holdings since 2015.  Responsible for overseeing pre-production planning, process control and monitoring, costs control and timely delivery of goods.	N.A.
Tan Chi Wah	44	Nephew of Chia Ah Kau and Ng Wan, and cousin of Winston Chia and Johnston Chia	Planning manager of Serrano Holdings since 2014.  Responsible for planning and preparing production schedules, manufacturing processes, tools, and human resource requirements.	N.A.

*N.A.denotes not applicable.*

**BY ORDER OF THE BOARD****Winston Chia Wing Keong**

Executive Director and Chief Executive Officer

29 February 2016