



P R E S S R E L E A S E

Serrano's 1H2015 revenue up 27.9% to S\$53.1 million

- Focus on securing new projects in the emerging Southeast Asian markets
- Strong order book of S\$63.6 million as at 30 June 2015

Financial highlights for the six months ended 30 June 2015 ("1H FY2015") and 30 June 2014 ("1H FY2014")

S\$' million, unless otherwise stated	1H FY2015	1H FY2014	+/(-) %
Revenue	53.1	41.5	27.9
Gross profit	5.7	5.8	(2.0)
Gross profit margin (%)	10.7	13.9	(3.2) ppt
Profit before tax	0.4	1.2	(67.7)
Net profit	0.3	0.8	(60.5)

SINGAPORE, 27 July 2015 – Serrano Limited ("Serrano" or the "Company" and, together with its subsidiaries, the "Group"), a leading provider of interior fit-out solutions in Singapore and Southeast Asia, today reported a 27.9% increase in revenue to S\$53.1 million in 1H FY2015 from S\$41.5 million in 1H FY2014, boosted by a S\$12.5 million increase in revenue contribution from the Group's Interior Fit-Out Business.

Revenue from the Group's Interior Fit-Out Business rose by 31.8% to S\$51.8 million in 1H FY2015 as compared to S\$39.3 million in 1H FY2014. The growth was mainly attributable to seven new interior fit-out projects which commenced work in 1H FY2015 and five projects which had higher levels of project activity in 1H FY2015 compared with 1H FY2014. This was partially offset by five projects which had lower levels of project activity as they neared completion in 1H FY2015 compared with 1H FY2014.

The Group's Wholesale and Retail Furnishings Business, however, registered a 39.5% decline in revenue to S\$1.4 million in 1H FY2015, as compared to S\$2.3 million in 1H FY2014.

For 1H FY2015, the Group's gross profit fell 2.0% to S\$5.7 million as compared to S\$5.8 million in 1H FY2014, while gross profit margin declined by 3.2 percentage points to 10.7%.

Administrative expenses increased by 37.7% to S\$2.6 million in 1H FY2015 as compared to S\$1.9 million in 1H FY2014. This was mainly attributable to the increase in employee benefits expense, arising from staff salary increments and the general increase in headcount, an increase in directors' remuneration and directors' fees in conjunction with the Company's initial public offering on the Catalist of the Singapore Exchange Securities Trading Limited in October 2014 (the "IPO"), as well as an increase in costs for the upkeep of plant and machinery. Additionally, the Group also registered higher finance costs which increased by 31.6% to S\$2.3 million in 1H FY2015 as compared to S\$1.8 million in 1H FY2014. As a result of the above, among others, profit for 1H FY2015 declined 60.5% to S\$0.3 million.

Outlook

The Group's operating environment is expected to remain challenging in Singapore on the back of weakened private construction demand arising from the Singapore government's property cooling measures as well as the tightening of foreign labour supply and increase in foreign worker levies.

"In spite of these challenges, the Group managed to secure a total of 14 new interior fit-out projects amounting to S\$46.3 million since the Company's IPO. As at 30 June 2015, the Group has a strong order book of S\$63.6 million," said Mr Winston Chia (谢耀德), Executive Chairman and CEO of Serrano.

"Apart from the Singapore market, the Group also has interior fit-out projects in the emerging Southeast Asian markets. With our sound track record and capabilities, we will continue to bid for new interior fit-out projects in these markets, in particular, Myanmar, Vietnam, Cambodia and Thailand. We believe our new public-listed status will put us in good stead when bidding for new projects locally and in the Southeast Asian markets. For the residential sector, we are setting sights on the home renovation sector as we continue to explore opportunities in the commercial, hospitality and retail sectors."

The Group has also completed the purchase of a new property at 16 Sungei Kadut Way, Singapore 728793, in June 2015. With a gross floor area of 4,998 square metres, the new premises will house

the Group's production facilities as well as a refreshed and new concept showroom for its furnishing products, which will feature varied home concept displays and furnishing ideas.

Proposed Rights Issue

On 29 June 2015, the Company announced a proposed renounceable partially-underwritten rights issue of up to 150,000,000 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S\$0.07 for each Rights Share (the "**Issue Price**") on the basis of one Rights Share for every one existing share (the "**Shares**") held by the shareholders of the Company (the "**Shareholders**").

The Issue Price represents a discount of approximately 44.0% to the theoretical ex-rights price of S\$0.125 per Share based on the closing price of S\$0.180 per Share on 29 June 2015 ("**Closing Price**"), and approximately 61.1% discount to the Closing Price.

Commenting on the Rights Issue, Mr Chia said, "This exercise will provide an opportunity for existing Shareholders who are confident of the prospects of the Group to subscribe for additional Shares in the Company. In addition, the funds raised will help strengthen the Group's financial position by enlarging our capital base and enhancing our financial flexibility to capitalise on potential growth opportunities."

The net proceeds raised from the Rights Issue will be used mainly to fund:

- The purchase of the Group's new property at 16 Sungei Kadut Way, Singapore 728793, and new production machinery and warehouse management system for use at the new property so as to improve the Group's manufacturing capability and supply chain productivity;
- Business expansion into the Interior Fit-Out Business targeting the home retail, commercial and hospitality sectors in Singapore and Southeast Asia; and
- General working capital.

The Company has appointed SAC Capital Private Limited ("**SAC Capital**") as the Issue Manager and Underwriter of the Rights Issue, to which SAC Capital has agreed to partially-underwrite up to 72,000,000 Rights Shares.

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About Serrano Limited

Serrano Limited is a leading provider of interior fit-out solutions for property development and refurbishment projects in Singapore and Southeast Asia. Its portfolio spans the residential, hospitality, retail and commercial sectors, with a focus on mid to high-end private residential developments.

Some of its significant projects include prestigious developments such as The Interlace, Reflections at Keppel Bay, Ritz-Carlton Residences, ICON @ Tanjong Pagar and the Youth Olympic Village (Nanyang Technological University) in Singapore; the Star City Thanlyin township development and Traders Hotel (now known as the Sule Shangri-La Hotel) in Myanmar; The Estella in Vietnam; and The Met and The River in Thailand.

As a testament of its leading position and commitment to quality, the Group has won numerous awards and certifications. These include The Business Times and KPMG – Enterprise 50 Award in 2014, the Singapore Prestige Brand Award – Established Brand in 2013 and 2014, the Asia Pacific Brands Award Singapore’s Finest in 2014, the Singapore Furniture Industry Awards - The Furniture Manufacturer Award (Gold) in 2013, the Built Environment Industry Asia Awards – Regional Award of the Year for Outstanding Business Achievement in 2013, the ASEAN Business Awards – Most Admired ASEAN Enterprise – Growth (Large Company) in 2013, and the ISO 9001:2008 Quality Management System Certificate for wholesale and distribution of furniture and project management for residential/building furnishings from December 2013 to December 2016.

Issued for and on behalf of Serrano Limited by

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This press release should be read in conjunction with the unaudited financial statements and dividend announcement for the half year ended 30 June 2015 of Serrano Limited (the “Company”).

This press release has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, United Overseas Bank Limited (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Sponsor has not independently verified the contents of this press release.

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

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