



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

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**Issuer:** Serrano Limited

**Security:** Serrano Limited

**Meeting details:**

Date: 31 July 2018

Time: 4.00 p.m.

Venue: 7 Sungei Kadut Crescent Singapore 728696

**Company Description**

NA



1. In the Operations and financial review (page 4 of the annual report), the group reported that “operations in the company was reduced to a minimal level”.

The group had two business segments, namely Fit-Out Business and the Wholesale and Retail Furnishings Business.

- (i) Given the financial status of the group, what is the current operational status of the group? What are the current staff strength and the size of the management team?**
- (ii) How soon can a team be set up to tap into the opportunities presented by the spate of enbloc sales?**
- (iii) The group’s recent troubles are well publicised and the industry has a deep preference for financially strong partners. Taking all these factors into account, how will the group be positioning itself to win jobs going forward? What is the value proposition of the group to its potential customers?**
- (iv) Who is leading the negotiation for the potential acquisition of a major stake in Sinbor Company Pte Ltd?**
- (v) What is the experience of the team in deal structuring and valuation?**

2. In the Letter to shareholders, it was disclosed that the group will be “working towards the resumption of trading for the shares of the Company by 30 September 2018.” Shares of the company were voluntarily suspended from trading more than a year ago, on 16 June 2017.

- (i) Can the board help shareholders understand what are the necessary steps to be taken and completed before the exchange will allow the resumption of trading?**
- (ii) What are the fund raising options being considered by the board?**
- (iii) How does the board ensure that shareholders who have suffered in the past two-three years are not unduly diluted as the company raises funds from the market?**

3. On 13 July 2018, the company announced that its independent auditor has issued a qualified opinion and indicated the existence of a material uncertainty related to going concern in its Independent Auditor’s Report for the financial statements of the Group for the financial year ended 31 December 2017.

For the financial statements for the previous financial year ended 31 December 2016, it included a disclaimer of opinion on the following matters:

Item 1 Going concern

Item 2 Completeness, existence and accuracy of liabilities

- Item 3 Project revenue, contract costs and other items of expenses
- Item 4 Impairment losses charged, write-down and write-off to profit or loss
- Item 5 Subsequent events

The predecessor auditors stated that they were unable to obtain sufficient appropriate audit evidence (for items 3 & 4 above) and were also unable to perform alternative audit procedures.

As such, the independent auditor has stated that they are not able to determine the reliability of the opening balances, which if audited, might have resulted in adjustments that might have been necessary.

However, in the Directors' Statement, the directors have stated the following:

In our opinion,

- (a) the accompanying statements of the Group and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and

(Source: Company annual report)

- (i) Given that the company's independent auditor and the predecessor auditor have included their qualified opinions, can the directors of the company justify how they have given their opinion that "the accompanying statements of the Group and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards"?**
- (ii) How is the board, especially the audit committee, going to resolve these outstanding issues that have been raised by the independent auditor and the predecessor auditor?**