



**Xin Au Pty Ltd
T/as Dumpling Land
(Administrators Appointed)
ACN 618 870 992
ABN 79 618 870 992 (“the Company”)**

Administrators’ Report to creditors

Pursuant to Section 439A of the Corporations Act 2001 and
75-225 of the Insolvency Practice Rules

22 August 2022

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ABBREVIATIONS

Act	Corporations Act 2001
Administrators	Michael Hogan and Christian Sprowles
ALLPAP	All present and after acquired property
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	the Australian Securities & Investments Commission
ATO	Australian Taxation Office
BAS	Business Activity Statement
Company	Xin Au Pty Ltd Pty Ltd (Administrators Appointed)
Deed Proponent	Yifan Du and Kailiang Chen
Director	Yifan Du
DoCA	Deed of Company Arrangement
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ERV	Estimated Realisable Value
FY	Financial Year
IPS	Insolvency Practice Rules
Landlord	Scentre Group
PPSA	Personal Property Securities Act 2009
PPSR	Personal Properties and Securities Register
ROCAP	Report on Company Activities and Property
Shareholder	Kailiang Chen
YTD	Year to Date

1. EXECUTIVE SUMMARY

1.1. Introduction

Brendan Copeland and I were appointed as Joint and Several Voluntary Administrators of the Company on 26 July 2022 pursuant to a resolution passed by the Company's director.

The Company was incorporated on 3 July 2017 in New South Wales and operated a restaurant in a food court in Westfields, Kotara NSW.

A search of the Australian Securities & Investments Commission ("ASIC") records indicate the Company was registered in New South Wales on 3 May 2017. The Director is Yifan Du.

Since our appointment as Voluntary Administrators we continued the business trading for two days to wind down existing stock. It was determined there was no ability to sell the business as a going concern and the lease was disclaimed and premises vacated. The Company employed three (3) employees which we understand are on working VISAs and since have been outsourced to other related companies.

A proposal for a Deed of Company Arrangement ("DoCA") has been received from the Directors of the Company, which will enable the business to continue, employees to continue their employment and provide for a better return to creditors compared to a winding up.

This is the Administrators report to creditors pursuant to Section 439A of the Act.

If creditors have any queries, please contact Anny Ngo on (02) 8020 5853 or by email at anny@hogansprowles.com.au.

1.2. Purpose of this report and second meeting of creditors

The purpose of this report is to provide creditors with details about the Company's business, property, affairs and financial circumstances in preparation for the upcoming second creditors meeting.

This report informs creditors of our investigative findings and sets out the Administrators' opinion about each of the options available to creditors at the second meeting, together with our opinion as to the best course of action. Creditors will be entitled to vote on the future of the Company at the second meeting (often referred to as the decision meeting).

We have recommended creditors accept the DoCA at the second meeting. The reasons for our opinion have been provided at section 11 of this report and in the attached Statement of Administrators' Opinion. In summary, the DoCA provides for a greater return to creditors compared with the alternatives. Details of the estimated returns are summarised at section 1.5 of this report.

The second meeting of creditors will be held on Tuesday, 30 August 2022 at the offices of virtually or at HoganSproles at Level 9, 60 Pitt Street, Sydney NSW at 12:30pm.

1.3. Administrators' opinion

Having regard to the matters set out in this report, creditors will be able to vote on one of the following outcomes at the next meeting:

- The administration comes to an end (and control of the Company reverts to its director); or
- The Company execute a Deed of Company Arrangement ("DoCA"); or
- The Company be wound up.

We recommend that it is in creditors' interests to resolve for the Company to execute a DoCA at the Second Meeting of Creditors. A statement of our opinion is provided at **Annexure A** of this report.

Creditors may also resolve to adjourn the Second Meeting of Creditors for a period of up to 45 days.

1.4. Deed of Company Arrangement proposal

A DoCA proposal was received from Yifan Du and Kailiang Chen ("Deed Proponent") on 22 August 2022. The intent of the DoCA is to inject external funds which would not otherwise be available, facilitate the continued employment of employees and their associated entitlements and allow a return to creditors greater than a return under a liquidation scenario.

The essential elements of the Deed are as follows:

- Contribution from the Deed Proponent in the sum of \$210,000 payable to be procured as follows:
 - \$50,000 upon execution of the DoCA;
 - \$50,000 within 3 months of executing the DOCA; and
 - Eleven (11) monthly instalments of \$10,000 payable by the last Friday of the month commencing the fourth month after the execution of the DoCA
- The assumption of all priority annual leave entitlements totalling \$26,553.62;
- The Directors and related employees to defer their claim totalling \$132,611;
- Control of the Company return to the Director upon execution of the DoCA;
- Extinguish any claim against the Deed Proponent; and
- Personal guarantee to be provided by the director and Shareholder.

1.5. The estimated return to creditors

The anticipated returns for creditors are as follows with an overall return to participating creditors of 18.4 cents in the dollar:

	Value of Claim (\$)	Liquidation	DoCA
Priority unsecured - Superannuation	55,265	Nil	100 c/\$*
Priority unsecured - Annual Leave		Nil	100 c/\$**
Unsecured Creditors	481,037	Nil	18.4c/\$
Deferred Creditors (Related Parties)	289,306	Nil	Nil

*\$5k has been estimated for interest and penalties and excludes related party unsecured Superannuation

**Obligations to continue with the existing employees.

Our investigations indicate that the Company's books and records have not been maintained in accordance with Section 286 of the Act. A review of the books and records available including the financial statement for FY20 and advised by the external accountant indicating that the outstanding superannuation is \$50,265 plus \$5k estimate in consideration for interest. The ATO has not been able to confirm the amount of superannuation that is currently outstanding and the quantum of any penalties. Accordingly, the quantum of superannuation payable may increase from the current estimate and may have a negative impact on the ultimate return to unsecured creditors.

The DoCA allows for the payment of outstanding priority employee entitlements in full and a dividend of 18.4 cents in the dollar to non-related party unsecured creditors based on the information available.

1.6. Investigation summary

Investigation / Recovery	Corporations Act	Total claim \$
Insolvent trading	Section 588G	464,457
Preference	Section 588FA	50,303
Related party transactions	Section 588FE(4)	Uncertain
Breaches of Directors duties	Section 180	Uncertain

Our preliminary investigations indicate that the Company became insolvent on or around September 2020.

In addition to the above, the director may have breached their duties pursuant to section 180 to 182 of the Corporations Act, specifically relating to care and diligence. Offences for insolvent trading and breaches of duties would also likely extended to the secretary and shareholder, Kailiang Chen, who in our opinion may have been a de facto/ shadow director at the time of our appointment. Further details are provided at section 10.1.

On 24 March 2020, the Coronavirus Economic Response Package Omnibus Bill 2020 was implemented and specifically section 588GAAA was introduced into the Corporations Act 2001 temporary relief for financially distressed businesses. This amendment provides relief for directors from potential personal liability for insolvent trading until 31 December 2020. Accordingly, the liquidator will not have any ability to pursue the Directors for insolvent trading.

Pursuant to section 588GAAA(i) the director would be protected from any insolvent trading claim for any debt incurred in the ordinary course of business during the relief period.

Further details of our investigations are provided at section 10 of this report.

1.7 Reasons for the Company's failure

In our opinion the reasons for the Company's failure are as follows:

- Reducing sales over the last three (3) years due to the impact of Covid-19 pandemic which resulted in losses over this period. This appears to be due to the reduced foot traffic in Westfields.
- Inability to negotiate a settlement with landlord for the rental arrears.
- Inadequate record keeping /lack of company books and records.

2. INTRODUCTION

2.1. Role of the Administrator

Administrators are empowered by the Act to assume control of an insolvent company, to manage the Company's affairs and deal with its assets in the interests of its creditors and members.

The intention of a Voluntary Administration is to maximise the prospects of a company, or as much as possible of its business, continuing in existence or, if that is not possible, to achieve a better return to creditors and members than would be achieved by its immediate liquidation. During an administration, there is a moratorium over most pre-administration creditor claims.

Administrators are required to investigate a company's affairs and report to creditors on the Administrators' opinion as to which outcome of the administration process is in the best interest of creditors.

In our opinion, the Voluntary Administration leading into the proposed DoCA, has met the obligations pursuant to section 435A of the Act.

2.2. First Meeting of Creditors

The first meeting of creditors, convened under Section 436E of the Act, was held on Friday, 5 August 2022 at 10:00 am at HoganSprowles, Level 9, 60 Pitt Street, Sydney, NSW 2000.

A committee of inspection was not formed by creditors.

An alternate Administrator was not proposed and as a result we remain the Administrators of the Company.

2.3. Second Meeting of Creditors

The second meeting of creditors will be held on Tuesday, 30 August 2022 at the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW at 12:30pm.

Creditors are encouraged to attend at least 15 minutes prior to this time to enable orderly registration for the meeting, please submit proxy and proof of debt forms by 4:00 pm on Monday, 29 August 2022.

Attendance at the meeting, whilst encouraged, is not mandatory and non-attendance will not impact the rights of creditors.

Annexure B includes the Notice of Meeting, proxy form and informal proof of debt.

3. DISCLAIMER AND INDEPENDENCE

3.1. Disclaimer

In reviewing this report, creditors should note the following:

- The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changes or additional information which may be provided to us between the date of this report and the date of the Second Meeting of Creditors.
- Neither we, nor HoganSprowles nor any member or employee thereof is responsible in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.
- In considering the options available to creditors and formulating their recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditors. These forecasts and estimates may change as asset realisations and any claims progress.

3.2. Independence

In accordance with Section 436DA of the Act and the ARITA Code of Professional Practice, our Declaration of Independence, Relevant Relationships and Indemnities was tabled at the first meeting of creditors and provided to creditors in our first circular dated 28 July 2022.

This declaration disclosed information regarding the independence, any prior personal or professional relationships the Administrators or HoganSprowles had with the Company or related parties and any indemnities received in relation to this appointment.

There is no change to the information provided in the Declaration of Independence, Relevant Relationships and Indemnities dated 28 July 2022.

4. STATUTORY INFORMATION

4.1. ASIC Database

Below is a summary of the ASIC database for the Company.

Company Details		
Date of Registration	3 May 2017	
Registered Office	Unit G01 Mezzanine, 81, Courallie Avenue, Homebush West NSW 2140	
Principal Place of Business	FC5, Westfield, Kotara NSW	
Name	Position	Appointed
Yifan Du	Director	2 April 2020
Kailiang Chen	Secretary	3 May 2017
Share Structure	Amount Paid	Amount Unpaid
100 Ordinary Shares	\$100.00	\$0.00
Current Shareholder	Shares Held/Type	Fully Paid
Yifan Fu	13 Ordinary Shares	Yes
Kailiang Chen	87 Ordinary Shares	Yes

4.2. Personal Properties and Securities Register

Secured Party	Registration Number	Collateral Class	Start Date
A.C.N 601 158 507 Pty Ltd	202109030052278	ALLPAAP	3/09/2021

A.C.N 601 158 507 Pty Ltd (“Shift Financial”) has advised there are no repayments in arrears however they have a security interest for \$95,463.

PPSR legislation became operational on 30 January 2012 and among other things replaced the previous system of security registration and retention of title. To claim a security interest in the Company (i.e. as a secured or retention of title creditor), creditors are required to have registered their interest on the PPSR.

Creditors that haven’t registered their interest on the PPSR, prior to the date of the Administrators’ appointment, are not entitled to claim a security interest in goods held by the Company. The fact that a creditor has or cannot register their interest on the PPSR, does not prevent that creditor from asserting its claim as an unsecured creditor of the Company, and subject to the availability of funds, receipt of a dividend through a liquidation or DoCA.

4.3. Books and Records

The Administrators are required to provide an opinion as to whether the Company’s books and records are maintained in accordance with Section 286 of the Act for a period of seven years. The Act requires that a company maintain financial records that correctly record and explain its transactions, financial position and performance, and enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records may give rise to a presumption of insolvency pursuant to Section 588E of the Act. This presumption may be relied upon by the Liquidator in an application

for compensation for insolvent trading and other actions for recoveries pursuant to Part 5.7B of the Act from the directors and related parties.

We have been provided with limited company books and records. We have obtained the following records from the director, accountants and third parties:

- Completed Report on Company Activities and Property (“RoCAP”)
- Financial Statements for FY20, FY21 and FY22
- Income tax returns for FY 21 and FY22
- Business Activity Statements for quarters September 2020 to June 2022
- Xero management account with payroll records from FY21 to date of appointment
- ATO running balance account
- Bank statements from CBA for the period 1 July 2021 to 3 August 2022 and
- Lease agreement from CBA
- Lease agreement from Scentre Group
- Lease agreements from A.C.N 601 158 507 Pty Ltd (Shift Financial Pty Ltd)

However, I would have expected the Company to have also maintained the following Company books and records:

- Financial management accounts for FY17 to YTD FY23.
- Bank reconciliations
- Invoices and receipts
- Employee records, payroll for prior FY21, employment contracts, superannuation statements and records etc

In our opinion, the books and records of the Company have not been kept in a manner that complies with section 286 of the Act.

4.4. Information for Creditors

To assist creditors, employees and shareholders understand the Voluntary Administration process ASIC has released a package of insolvency information sheets. These have the endorsement of the ARITA and are attached as **Annexure E**. You can download these as PDF files from the ASIC and ARITA. The respective websites are:

- www.arita.com.au
- www.asic.gov.au

5. OVERVIEW OF THE COMPANY

5.1. Background

The Company was registered on 3 May 2017 and the company signed a lease agreement with Westfields at Kotara NSW to trade a restaurant in the food court. The Company operated under the name “Dumpling Land”.

At the date of our appointment the director advised the Company had three (3) employees. The business has ceased to operate on or about our appointment and the director has advised the employees have been outsourced to other restaurants.

The business was impacted by Covid-19 pandemic and NSW government restrictions commencing March 2020 and potentially through to early 2022.

The NSW government and Covid-19 pandemic saw a reduction in foot traffic in the centre which impacted the sales. The Company sought an alternative method to generate sales by utilising the premises to produce dumplings for other related entities.

The Company was not able to negotiate a rental deduction and accordingly, we were appointed voluntary administrators on 26 July 2022.

6. HISTORICAL FINANCIAL RESULTS

The Company’s financial year ends on 30 June of each year. We have received the Company’s financial statements from the Company accountants for FY19 to FY22 to consider the historical financial results of the Company.

We have received limited management accounts and unable to provide a comment in relation to the adequacy.

There has been a change of accountants between FY20 and FY21 who have adopted a different set of charts of account and we provide our observations based on these financials.

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6.1. Profit and Loss

Comparative Profit and Loss	FY18 (\$)	FY19 (\$)	FY20 (\$)	FY21 (\$)
Income				
Sales	1,326,842	906,917	840,222	453,131
Cost of Sales	(740,897)	(470,241)	(507,067)	(232,770)
	585,945	436,676	333,155	220,362
<i>Sales Margin</i>	44%	48%	40%	49%
Other Income				
Cash Flow Boosts	-	-	39,921	50,649
Jobseeker Subsidy	-	-	24,000	54,000
Rent Received	4,091	10,645	10,697	2,660
Other Income	7,320	43,033	30,129	1,890
	11,411	53,679	104,747	109,199
Total Income	597,357	490,355	437,902	329,561
Operating Expenses				
Accounting	14,475	23,350	22,675	13,750
Advertising	60,237	34,439	42,395	4,010
Bank Fees	21,095	16,887	8,350	3,501
Display Materials	26,583	1,679	147	32
Interest Expense	4,010	14,477	17,815	7,965
Marketing	3,448	7,303	1,180	678
Motor Vehicle Expenses	14,844	6,162	4,299	-
Rent	51,247	64,975	53,184	81,136
Superannuation	27,703	23,657	28,350	18,134
Wages & Salaries	284,010	249,017	289,789	190,886
Travel and Entertainment	10,133	7,232	2,716	2,122
Other Expenses	61,378	70,196	47,663	24,005
	579,162	519,374	518,565	346,218
Other Expenses				
Interest expense	-	15	-	-
Realised FX	-	9,659	5,367	1,708
Income Tax Expense	9,206	-	-	-
	9,206	9,674	5,367	1,708
Net Profit/(Loss)	8,988	(38,693)	(86,030)	(18,365)

Our observations are provided below:

- There has been a change of accountants between FY20 and FY21 who have adopted a different set of charts of account. The cost of goods sold have not been allocated correctly in FY21 and FY22 however irrespectively, the Company made a net loss in FY21 and FY22 of \$154k and \$110k respectively.
- The Company has experienced a decline in sales between FY20 and FY22 from \$630k to \$348k driven by a reduction in trade due to the restrictions placed on retail businesses and conditions during the Covid-19 pandemic in FY21 and FY22.

- The Company was negotiating the rental deferral and waivers with the Landlord for FY21 and FY22 however was not able to negotiate a settlement.
- Since April 2020, the Company had received some support from the ATO through the Covid-19 pandemic however the Company was not able to make a claim on Jobkeeper or any other subsidises due to the working rights of the employees.

6.2. Balance Sheet

Balance Sheet	FY19 Financial (\$)	FY20 Financial (\$)	FY21 Financial (\$)	FY22 Financial (\$)
Current Assets				
Bank account - 2333	7,667	13,173	3,803	-
Term deposit	57,876	57,876	57,876	57,876
Inventories - finished goods	3,000	17,731	17,730	-
	68,542	88,779	79,410	57,876
Non Current Assets				
Fixtures & Fittings	2,703	2,703	2,702	2,702
Less: accumulated depreciation	(2,703)	(2,703)	(2,703)	(2,703)
Plant & equipment (cost)	13,073	13,073	13,073	13,073
Less: accumulated depreciation	(13,073)	(13,073)	(13,073)	(13,073)
SB General Pool	185,963	185,963	185,964	185,965
Less: accumulated depreciation	(75,315)	(108,509)	(131,719)	(147,966)
Formation expenses	624	624	624	624
Less: accumulated depreciation	(624)	(624)	(624)	(624)
	110,648	77,454	54,244	37,997
Total Assets	179,190	166,233	133,654	95,873
Current Liability				
Income tax payable	-	11,062	11,062	11,062
ATO - integrated account	18,486	54,695	55,578	159,425
Provision for GST	4,760	41,112	-	-
Amounts withheld from salary & wages	-	-	20,904	-
	23,245	106,870	87,544	170,487
Non Current Liability				
Director loan	182,519	58,544	199,639	189,306
Total Liabilities	205,764	165,414	287,183	359,793
Net Assets	(26,574)	819	(153,529)	(263,920)

We have not received the Company's management accounts and accordingly our comments are limited to the financial statements provided by the accountants.

Our observations are provided below:

- The director loan was made up of payments to and on behalf of the Company to fund the working capital. According to the financials, the balance of the director loan was as at 30 June

2022, \$189k however Mr Chen has advised its likely to be in the vicinity of \$500k. We have not been provided with documentary evidence to support his claim.

- Following the Covid-19 pandemic in FY20 to FY22, the Company was net asset deficit of \$263k.
- The depreciation schedule discloses a motor vehicle, Toyota Hiace under the Company however the vehicle has since been written off and Allianz Insurance provided a payout in May 2022.
- The tax lodgements were lodged in August 2022, subsequently after our appointment which indicate the ATO debt increased from \$87k to \$170k.

6.3. Working Capital

Ratio Analysis	FY19	FY20	FY21	FY22
	(\$)	(\$)	(\$)	(\$)
Working capital	45,297	(18,091)	(8,134)	(112,611)
Quick Ratio	2.82	0.66	0.70	0.34
Current Ratio	2.95	0.83	0.91	0.34

Our observations are below:

- The business experienced a significant decline in working capital in FY20 which continued to erode in FY20 midst of the decline in trade during the Covid-19 period.
- The above analysis indicated in the adjusted ratios that the company is not liquid as liquidity is less than 1 from FY20 to FY22.

6.4. Company Director's Explanation for the Company's Difficulties

According to the Directors, the Company's financial difficulties were caused by the NSW government restrictions implemented due to the Covid-19 pandemic and inability to negotiate a settlement with the Landlord.

6.5. Administrators' Opinion on the Reasons for the Company's Difficulties

In our opinion the reasons for the Company's failure are as follows:

- Covid appears to have had an impact on sales, reducing sales over the last three (3) years from \$630k to \$348k.
- The Company was unable to negotiate a settlement for the rental arrears incurred in FY21 and FY22.
- Lack of management of Company books and records.

7. REPORT ON COMPANY ACTIVITIES & PROPERTY (“ROCAP”)

The Act requires directors and secretary to complete and provide to the Administrators a RoCAP, detailing the financial position of the Company at the date of our appointment. The RoCAP discloses estimated realisable value (ERV) of known assets and liabilities.

Report On Company Activities & Property	Director's ROCAP Book value (\$)	Director's ROCAP ERV (\$)
Assets		
Cash at Bank	789	789
Plant and equipment	3,000	-
Security deposit bond	59,876	-
Inventory	-	-
Total Assets	63,665	789
Liabilities		
Priority Creditors	50,265	50,265
Secured Creditor		
A.C.N 601 158 507 Pty Ltd	Unknown	Unknown
Unsecured Creditors	346,000	336,749
Total Liabilities	396,265	387,014
Estimate Surplus/(Deficiency)	(332,600)	(386,225)

Please refer to our estimated position statement in Section 9 for further commentary in relation to the Administrators’ estimated realisable values based our investigations to date.

8. DEED OF COMPANY ARRANGEMENT

8.1. Introduction

On 18 August 2022, we received a DoCA proposal from Yifan Du and Kailiang Chen, the Director of the Company and Shareholder. A copy of the DoCA can be requested from our office by contacting Anny Ngo on (02) 8020 5853 or by email on anny@hogansproawles.com.au.

The DoCA is expected to return 100 cents in the dollar to priority creditors. The proposed DoCA does not impact continuing employees. All employment arrangements and employee entitlements will be preserved in full. In the event an employee has an unpaid claim against the Company, their rights are preserved in the Deed Fund as a priority creditor.

The payment to unsecured creditors will result in a better return than under liquidation of 18.4 cents in the dollar.

A comparison of the returns from DoCA and Liquidation scenarios are provided at section 9 of this report.

8.2. Key terms

Below is a summary of the key terms of the deed proposal and we have attached a copy of the deed proposal to this report.

Term	Description
Deed Proponent	Yifan Du and Kailiang in their personal capacities and in their capacities as director and shareholders of the Company.
Deed Administrator	The Administrators will become the Deed Administrators
Composition of Deed Fund	<p>The Deed Fund shall comprise of \$210,000 to be paid to the Administrators' nominated account details as follows:</p> <ul style="list-style-type: none">(a) First payment, being the upfront payment of \$50,000 to be payable upon execution of the DoCA;(b) Second payment of \$50,000 to be payable within 3 months of execution of the DOCA;(c) Commencing in the fourth month of executing the DOCA, eleven (11) monthly instalments of \$10,000(d) any trading profits of the Company from the appointment of the Voluntary Administrators to the execution of the DoCA; and(e) cash at bank in the administration account as at the date of execution of the DoCA.(f) Assumption of outstanding employee entitlements (\$26,554 including excluded employees).
Distribution of Deed Fund	<p>The Deed Administrator shall distribute the Deed Fund in the following order of priority:</p> <ul style="list-style-type: none">(a) firstly, in payment of the Voluntary Administrators' costs, charges and expenses (including their remuneration);(b) next, in payment of the Deed Administrators' costs, charges and expenses (including their remuneration);(c) next, in payment of unpaid salary, superannuation, annual leave or other entitlements of employees of the Company; and(d) finally, payment of a pari passu dividend to the Company's unsecured creditors (excluding the Deferred Creditors).
Termination and Variation of Deed	This Deed will be effectuated once the Deed Contributions as defined in the Deed Agreement has been paid to the Company in full, and the Deed Administrators have distributed those funds.

Control of the Company	<p>The control of the Company will return to the Company's Director upon execution of the DoCA.</p> <p>The Director will provide an undertaking to ensure the taxation lodgements are up to date.</p>
Related party/Deferred creditors	<p>The Deferred Creditors will agree to forbear from enforcing their claims against the Company as at the date of the appointment of the Voluntary Administrators until the later of:</p> <ul style="list-style-type: none"> (a) 12 months' from effectuation of the DOCA; or (b) The Company has sufficient assets available to pay its debts as and when they fall due and make repayments to the Deferred Creditors, unless the DOCA is terminated otherwise than by effectuation.

9. ESTIMATED RETURN TO CREDITORS IN A DOCA AND LIQUIDATION

In a liquidation scenario, we estimate that the assets of the Company will be insufficient for the purposes of enabling a dividend to unsecured creditors. Any recovery will be reliant on the successful recovery of pursuing voidable transactions and breaches of director's duties for inadequate books and records and presumption of insolvent trading. At this stage the success of recovery is uncertain and generally costly to pursue.

The proposed DoCA will enable priority creditors (employees) to be paid all their outstanding superannuation 100 c/\$.

Our investigations indicate that the Company's books and records have not been maintained in accordance with Section 286 of the Act. A review of the books and records available including the financial statement for FY20 and advised by the external accountant indicating that the outstanding superannuation is \$50,265 plus \$5k estimate in consideration for interest. The ATO has not been able to confirm the amount of superannuation that is currently outstanding and the quantum of any penalties. Accordingly, the quantum of superannuation payable may increase from the current estimate and may have a negative impact on the ultimate return to unsecured creditors.

In addition, the employees will be able to continue their employment under the same terms with the company. Accordingly, the priority annual leave claims of (approx. \$3,580 excluding related parties' component) would be paid out in the ordinary course.

It is expected that approximately \$88,735 will be available for distribution to unsecured creditors which represents a return of 18.4 cents in the dollar to participating unsecured creditors. The distribution will be dependent on the final quantum of claims and the table below approximates the return to creditors.

	Value of Claim \$	Liquidation	DoCA
Priority unsecured - Superannuation	55,265	Nil	100 c/\$*
Priority unsecured - Annual Leave	3,580	Nil	100 c/\$**

Unsecured Creditors	481,037	Nil	18.4 c/\$
Deferred Creditors (Related Parties)	321,917	Nil	Nil

*includes interest and penalties and excludes related party unsecured Superannuation.

**Obligations to continue with the existing employees.

Deferred creditors are related party creditors who have agreed to subordinate their claims.

We provide below our estimated position statement, noting that the estimated positions are only estimates based on the information available to the Administrators at the time of preparing this report.

Estimated Position Statement	Notes	Book Value 26-Jul-22 \$	Liquidation ERV \$	DOCA ERV \$
Assets Subject to a Specific Charge				
A.C.N 601 158 507 Pty Ltd (Shift) - ALLPAAP	1	95,463	-	-
Assets				
Cash	2	3,803	-	-
Inventory	3	-	-	-
Plant & Equipment & Leasehold Improvements	4	37,997	-	-
Term Deposit	5	59,876	-	-
Liquidator recoveries	7		Uncertain	Uncertain
Total assets available		197,139	0	210,000
Less: Costs (excl. GST)				
VA fees & disbursements	8		46,000	46,000
Legal fees			-	10,000
Liquidators Fees & Disbursements			52,000	-
DOCA Fees & Disbursements			-	10,000
Total Costs			98,000	66,000
Total Surplus/(Deficiency) for Priority Creditors			(98,000)	144,000
Less: Employee Entitlements				
Superannuation	9		50,265	55,265
Annual leave			3,580	
PILN			1,560	
Total Employee Entitlements			55,405	55,265
Total Surplus/(Deficiency) for Secured Creditor			(153,405)	66,000
Secured Creditor - A.C.N 601 158 507 Pty Ltd (Shift)	1		95,463	
Total Surplus/(Deficiency) for Unsecured Creditors			(248,868)	88,735
Unsecured Creditors (non related)				
Unsecured Creditors	10		481,037	481,037
Unsecured Creditors (Related) (non participating creditors in DOCA)				
Director Loan			189,306	189,306
Related Employee entitlements			132,611	132,611
Unsecured creditors			Nil	0.1845

Notes

1. The secured creditor claim is currently up to date and cross collateralised with related party companies. It is the intention for the related parties to continue to make payment under the existing agreement.
2. We have identified 3 accounts with CBA. It is likely CBA will offset its claim with the surplus funds.

Trading was breakeven when winding down the business upon our appointment.

3. No inventory was collected from the premises as they were perishable items or of no to little commercial value.
4. On 1 August 2022 we arranged for removalist to attend the premises to remove plant and equipment of the Company. However, due to the equipment being secured to the premise and restricted access, no plant and equipment was removed. To avoid any risk of damaging the premises, the lease was disclaimed on 2 August 2022.

According to the Landlord's documentation, the landlord had contributed to the purchase of the fixtures and fittings of \$20,000 plus GST.

Based on our investigations, there were 5 vehicles registered under the Company. However, we have been provided with documentation that supports four (4) vehicles were purchased by a third party and the director confirmed the Company utilised those vehicles from time to time for deliveries. The one vehicle, Toyota Hiace (registration C071XD) that is owned by the Company was written off in an accident in May 2022. Accordingly, there is no recovery in any plant & equipment.

5. The term deposit relates to the security bond held in favour of Scentre Group (landlord). It is likely the landlord would offset with their claim.
6. Refer to section 8 of this report in relation to the DoCA Proposal.
7. Refer to section 10 of this report.
8. Refer to section 14 of this report for detail.
9. We have assumed that the employee entitlements would crystallise under the liquidation scenario.

As noted previously, based on our review of the information available to us, the superannuation outstanding is \$50,265 and \$5k for interest accrued.

Further, pursuant to section 556 of the Act, the priority awarded to related party employee entitlements are capped at \$2,000 for wages and superannuation and \$1,500 for annual leave and retrenchment entitlements. The Annual leave ERV in the liquidation scenario excludes related parties' ordinary unsecured component.

Under the DoCA scenario, the related parties have agreed to forfeit their claim in relation to superannuation and leave entitlements which would decrease the priority creditor pool by \$3,500.

In a liquidation scenario, unsecured related party creditors would be entitled to prove for any distribution to unsecured creditors. However, in the DoCA scenario, the related parties would defer any claim for any distribution. A meeting of eligible employee creditors will be held prior to the second meeting of creditors to compromise their priority claims.

10. Below is a summary of the unsecured creditors known as at the date of this report:

Creditor	Amount (\$)
Unsecured Creditors	
Westfields	276,873
ATO	168,653
CBA - Better Business Loan	35,511
	481,037
Unsecured Creditors (Related)	
Director Loan	189,306
Related Employee entitlements - W Chen & K Chen	132,611
	321,917
Total Unsecured Creditors	802,955

In a liquidation scenario, unsecured related party creditors would be entitled to prove for any distribution to unsecured creditors.

10. RECOVERIES, OFFENCES, VOIDABLE TRANSACTIONS & INSOLVENT TRADING

We have reviewed the Company's financial statements, general ledgers, bank statements and books and records to identify possible recoveries and offences.

For general information about what offences may be identified by the Administrators, please refer to the attached ARITA information sheet entitled "*Creditor Information Sheet: Offences, Recoverable transactions and Insolvent Trading*" marked as **Annexure E**.

10.1. De facto and Shadow Director

Shadow or de facto directors can include someone who:

- exercises top-level management functions;
- undertakes tasks that would typically be expected of a director; or
- regularly attends and/or has a vote at board meetings.

Both de facto and shadow directors have the same statutory duties and liabilities under the Act as the appointed directors of the company, and can be held liable for breaches of directors' duties.

Based on our investigations into the affairs of the Company, we are of the opinion the secretary,

Kailiang Chen would be considered a de facto or shadow director of the company. This is based upon the following:

- Mr Chen made decisions that affected the whole or a substantial part of the Company;
- Mr Chen is a signatory on the Company's bank account with CBA;
- Mr Chen is a guarantor on lease agreements with Shift Financial
- Mr Chen was negotiating the settlement with Scentre Group.

Further investigations would need to be undertaken to confirm this assessment under a liquidator.

10.2. Voidable Transactions

Corporations Regulation 5.3A.02 requires Administrators to specify whether there are any transactions that appear to be voidable transactions in respect of money, property or other benefits which may be recoverable by a liquidator under Part 5.7B of the Act.

This issue is relevant to creditors if they are being asked to choose between a DoCA or liquidation, as voidable transactions are only recoverable if a company is being wound up, i.e. in liquidation.

The main defences to a voidable transaction claim are:

- Good faith defence - It would be necessary to establish that the Company was insolvent, and the recipient had reasonable grounds for suspecting that the Company was insolvent at the time or would become insolvent.
- Running account balance defence – If in the course of the relationship, the level of the company's net indebtedness is increased and reduced from time to time, then all the transactions are taken to be a single transaction for the purposes of establishing whether there was an unfair preference. Simply stated in the context of a 'continuing business relationship' the amount of the unfair preference will be determined by considering all transactions (payments and further supplies) between the company and the creditor. The Courts have allowed Liquidators to choose the starting date of the period as the date which best suits them, so long as it falls within the relation back period. The end date is the commencement of the administration. Therefore, the amount of the preference will usually be the difference between the highest amount owed during the period and the amount owing at the time of the appointment.
- The defendant creditor is a secured creditor - generally speaking, a Liquidator cannot pursue a secured creditor and can only pursue unfair preferences in respect of unsecured debts.

To the extent that information has been available, the Administrators have conducted the following preliminary investigations in relation to voidable transactions:

- Review the books and records to determine whether there have been any unfair loans to or from the Company;
- Review books and records for the period approximately 6 months prior to the appointment of the Administrators to determine whether any creditors have been preferred over the general body of creditors as a result of any transaction; and
- Review documentation provided to us by third parties.

A summary of the various transactions is set out below:

a) Unfair Preferences (Section 588FA)

Unfair preferences are transactions between the Company and a creditor resulting in the creditor receiving more than the creditor would receive if the transaction were set aside and the creditor was to prove for this amount in the winding-up. Voidable transactions must have taken place in the period beginning six (6) months prior to the relation back day and ending on the date of the appointment of Administrators.

From our investigations to date and limited books and records, we have identified a number of transactions totalling \$50,303 that may be subject to this Section of the Act. The director has not provided details of these payments and accordingly, a liquidator would have to undertake further investigations to determine whether the payments would constitute a preference.

b) Uncommercial Transactions (Section 588FB)

Section 588FB of the Corporations Act provides for transactions that were not beneficial or were detrimental to the Company as being void. The transaction must have occurred when the Companies was insolvent or would become insolvent.

From our investigations to date, we have not identified any transactions that would be subject to this Section of the Act.

c) Unfair Loans (Section 588FD)

Section 588FD of the Act provides for loans to be voided in circumstances where interest or charges are considered extortionate.

From our investigations to date, we have not identified any transactions that would be subject to this Section of the Act.

d) Unreasonable Director-Related Transactions (Section 588FDA)

Section 588FDA of the Corporations Act provides for transactions where it may be expected that a reasonable person in the Company's circumstances would not have entered into the transaction having regard to the benefits, detriments and respective benefits to other parties.

From our investigations to date, we have not identified any transactions that would be subject to this Section of the Act.

e) Related Party Transactions (Section 588FE(4))

Section 588FE(4) of the Act provides for payments to related parties may be voided where the Company was insolvent at the time of the transaction.

Based on the bank statements provided by CBA, we have determined that the movements in the loans to the related entities may constitute transactions that would be subject to this section of the Act, having regard to the following:

- The Directors would have been aware of the financial position of the related entities, which were severely impacted by Covid-19 which limited the ability to repay the increasing loan accounts.
- The Directors in their capacity as directors of the related entities would have been aware of the financial position of the Company.

However, we note that there would be the following defences in relation to this potential claim:

- The uncertainty surrounding the pandemic and its duration would have made it difficult to determine the related entities' financial capacity to repay the loans.
- The director injected working capital during trading as required of which circa \$142.7k was loaned to the Company in the last 12 months.
- As such, no funding from the director would have been disruptive to the business, leading to the termination of the employees and the requirement to pay the associated termination costs, further deteriorating the Company's financial position.

We note that these claims may be claims against the director for breaches of director's duties. Breaches of director's duties are discussed in section 10.4.

Based on our analysis, even if these claims were to be pursued in a liquidation, the uncertainty of the assets of the directors and the costs associated with pursuing the claims would provide a minimal benefit to creditors as compared to the current DoCA proposal.

f) Circulating security interest created within 6 months before relation back date (Section 588 FJ)

Our searches reveal there were no circulating security interest created within 6 months before our appointment.

10.3. Insolvent Trading (Section 588G)

Section 588G of the Act provides that a company's director(s) has a duty to protect the company from incurring debt when there are reasonable grounds for suspecting that the company will be unable to pay its debts as and when they fall due. Section 588M of the Act provides that a Liquidator is able to recover 'damages' from the director(s) of an insolvent company, in an amount equal to the loss or damage suffered by the company as a result of a breach of duty.

Section 95A(1) of the Corporations Act 2001 provides a definition of a solvent entity as follows:

"A person is Solvent if, and only if, the person is able to pay all of its debts, as and when they become due and payable"

An insolvent entity is defined under Section 95A(2) of the Corporations Act 2001 as:

"A person which is not Solvent is Insolvent"

Based on the above definition of insolvency, and our preliminary review, it is our opinion the Company may have traded whilst insolvent from September 2020. Insolvent trading claims also apply to de facto and show directors which we have identified in section 10.4 of this report. We estimate the quantum of the insolvent trading claim to be in the vicinity of \$464k. The quantum is based on the debt accrued from the non lodgement of tax returns and BASs and the claim from the Landlord at the date on our appointment. Further investigations to determine the quantum and success recovery of the claim would be required by the liquidator.

Our assessment considers the following:

- Presumption of insolvency based on the inadequate books and records received from the director;
- Non-lodgement of tax returns and business activity statements since September 2020 onwards;
- Inability to negotiate a settlement with the landlord in the months leading up to our appointment, being 26 July 2022;
- Net asset position declines from FY21 onwards;
- The Company continued to make losses since FY21;
- The company's revenue continued to decline during the Covid-19 restrictions which saw a reduction in foot traffic state wide and particularly Westfield, Kotara NSW; and
- The de facto director reduce his wages to reduce the Company's liabilities.

There are several defences available to a director pursuant to section 588FGB of the Act include:

- if it is provided that, at the payment time, the person had reasonable grounds to expect, and did expect, that the company was solvent at that time and would remain solvent if the payment was made.
- had reasonable grounds to believe, and did believe:
 - that a competent and reliable person (*the other person*) was responsible for providing to the first-mentioned person adequate information about whether the company was solvent; and
 - that the other person was fulfilling that responsibility.
- expected, on the basis of information provided to the first-mentioned person by the other person, that the company was solvent at that time and would remain solvent even if it made the payment.
- because of illness or for some other good reason, the person did not take part in the management of the company at the payment time.
- the person took all reasonable steps to prevent the company from making the payment; or there were no such steps the person could have taken.

When making our assessment of the Company's insolvency we would also consider the common law principles, some of which include:

- Whether or not a company is insolvent for the purposes of the Corporations Act, ss95A, 459B, 588FC or 588G(1)(b) is a question of fact to be ascertained from the consideration of the company's financial position taken as a whole.
- In considering the company's financial position, the court must have regard to the commercial realities. Commercial realities will be relevant in considering what resources are available to the company to meet its liabilities as they fall due, whether the resources other than cash are realisable by sale or borrowing upon security, and when such realisation are achievable.
- The conclusion of insolvency ought to be clear from a consideration of the debtor's financial position in its entirety and generally speaking ought not to be drawn simply from evidence of temporary lack of liquidity. It is the debtor's inability, utilising such cash resources as he has or can command through the use of his/her assets, to meet his/her debts as they fall due which indicates insolvency.

After examining the financial information and the Company's background, the Director may have the following defences to an insolvent trading claim:

- On 24 March 2020, the Coronavirus Economic Response Package Omnibus Bill 2020 was implemented and specifically section 588GAAA was introduced into the Corporations Act 2001 temporary relief for financially distressed businesses. This amendment provides relief for directors from potential personal liability for insolvent trading.

On 7 September 2020, the Australian Government announced that the temporary relief would be extended until 31 December 2020. Accordingly, the liquidator will not have any ability to pursue the Directors for insolvent trading.

Pursuant to section 588GAAA(i) the director would be protected from any insolvent trading claim for any debt incurred in the ordinary course of business during the relief period.

Accordingly, are granted relief from personal liability for insolvent trading pursuant to the Coronavirus Economic Response Package Omnibus Bill 2020 and section 588GAAA of the Act.

- The director and de facto director (shadow director) injected funds in the last 12 months of \$142,700.

For general information about insolvent trading, please refer to the Creditor Information Sheet – S439A reports contained within the Code of Professional Conduct on the ARITA website at www.arita.com.au.

10.4. Directors' Personal Financial Position

If the Company is wound up at the Second Meeting of Creditor further investigations may be conducted into the prospects of a successful actions against the Director and the cost benefits of pursuing such actions.

Personal names extract from the ASIC database indicates the following:

Yifan Du is a director and/or secretary of the following companies:

Company Name	Position	Start Date	End Date
Xin Yummy Pty Ltd	Director	8/02/2022	
Xin Xing Pty Ltd	Director	1/12/2021	2/03/2022

The shadow director, Kailiang Chen is also a director of the following companies:

Company Name	Position	Start Date	End Date
Xin Au Pty Ltd	Director & Secretary	13/07/2020	
Xin Yummy Pty Ltd	Director	8/02/2022	
Xin Fresh Pty Ltd	Director & Secretary	5/08/2021	
Xin Kai Pty Ltd	Director & Secretary	13/07/2020	
Xin Xing Pty Ltd	Director & Secretary	2/03/2022	
Xin Tai Pty Ltd	Director & Secretary	23/05/2019	10/10/2021

The Director and Shadow Director also hold the shareholding in the following entities:

Yifan Du	Shares	Beneficially Held	Beneficially Paid
Xin Yummy Pty Ltd	18 Ordinary Shares	Yes	Yes

Kailiang Chen	Shares	Beneficially Held	Beneficially Paid
Xin Au Pty Ltd	87 Ordinary Shares	Yes	Yes
Xin Kai Pty Ltd	69 Ordinary Shares	Yes	Yes
Xin Fresh Pty Ltd	100 Ordinary Shares	Yes	Yes
Xin Yummy Pty Ltd	19 Ordinary Shares	Yes	Yes
Xin Xing Pty Ltd	100 Ordinary Shares	Yes	Yes

A property title search records reveal the Director, Mr Du jointly owns a property in Newcastle NSW. The property is encumbered with Commonwealth Bank of Australia Ltd and a caveat has been lodged by Grow Funding Pty Ltd in relation to the Directors interest in the property.

A property search of the Shadow Director confirms that he does not own any property.

Based on our investigations, the Director's portion of the equity in the property would be insufficient to provide confidence that it would be commercial to pursue the potential claims against the Director and achieve a return that would be better than the current DoCA proposal.

10.5. Breach of Directors' Duties

Section 180 to 184 of the Act sets out duties and powers of directors and officers of a company to enable directors to act in the interest of a company. The duties include:

- Section 180 – Care and Diligence (Civil obligations)
- Section 181 – Good Faith (Civil obligations)
- Section 182 – Use of Position (Civil obligations)

- Section 183 – Use of Information (Civil obligations)
- Section 184 – Good faith, use of position and use of information (Criminal offences)

Based on our investigations to date, there may be breaches of director duties pursuant to section 180. However, further investigations would need to be conducted and the director will have defences available to him which has been discussed above in section 10.3. Should a liquidator be appointed, further investigations would need to be conducted in relation to this matter.

11. ADMINISTRATORS' OPINION

Section 439A requires Administrators to provide their opinion on which of the three (3) alternative courses of action available to creditors, is in their interests.

It is the Administrators' opinion in relation to the Company that:

- It **would not** be in the creditors' best interest to resolve **to end the administration** at the second meeting of creditors as the Company is insolvent and is unlikely to return to solvency.
- It **would** be in the creditors' best interest to resolve that the Company execute a Deed of Company Arrangement ("DoCA") for the following reasons:
 - The proposed DoCA provides a greater return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA provides a more certain return to priority and unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA will cost less to administer than a Liquidation.
 - The proposed DoCA enables the business to continue and employees to be retained.
- It **would not** be in the creditors' best interests for the Company to be wound up for the following reasons:
 - It would provide a smaller return (if any) to priority creditors of the Company compared with the proposed DoCA.
 - The prospect of a return to creditors of the Company is uncertain and reliant on related party debtor and voidable transaction recoveries, which are uncertain.
 - The costs of a Liquidation will be greater than the proposed DoCA, due to the costs associated with pursuing recoveries.
 - A Liquidation is likely to result in the termination of the employees and the crystallisation of entitlements.

See **Annexure A** as our formal statement of opinion.

12. SECOND MEETING OF CREDITORS

The Second Meeting of Creditors is to be held virtually and at the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Tuesday, 30 August 2022 at 12:30pm.

The purpose of the Second Meeting of Creditors is to discuss the Company's affairs and to determine the Company's future. Creditors' options are as follows:

- That the Administration should end.
- The Company executes a Deed of Company Arrangement.
- That the Company be wound up.

Creditors may adjourn the meeting for up to forty-five (45) business days.

Creditors will also be asked whether they wish to replace the incumbent Administrators with a new liquidator or deed administrator (as applicable).

In respect of the meeting please find enclosed the following at **Annexure B**:

- Form 529 – Notice of Meeting and Agenda
- Form 532 – Appointment of Proxy
- Form 535 – Proof of Debt Form

In order to receive this report and any future reports and/or notices via email or facsimile, rather than by regular post, please provide your contact details on the enclosed Proof of Debt form.

Telephone facilities will be available.

13. CONDUCT OF THE ADMINISTRATION

We have attended to the following matters:

- Ceased trading the business and arrange outsource of the employees;
- Issued notices of appointment;
- Met with the Company's Director to understand the background and financial position of the Company;
- Attended to statutory duties including notifying ASIC, the ATO and other relevant authorities of their appointment and advertising their appointment;
- Organising access to electronic data and files for investigation;
- Convened the first meeting of creditors held on 5 August 2022;

- Attended and chaired the first meeting of creditors (and lodged minutes of those meetings);
- Undertook personal property securities register and property searches;
- Conducted a preliminary review of the books and records made available, to ascertain the Company's financial position, the key issues affecting the Company and transactions potentially recoverable by a liquidator;
- Liaised with stakeholders, including the accountant and creditors of the Company;
- Liaised with insurance brokers regarding the adequate cover of insurance;
- Answered unsecured creditors' enquiries in relation to the Administration;
- Conducting preliminary investigations in relation to the business, affairs and financial circumstances of the Company; and
- Prepared a detailed report to creditors pursuant to Section 439A of the Act.

14. REMUNERATION

14.1. Voluntary Administration

At the meeting of creditors to be held on Tuesday, 30 August 2022, pursuant to Section 449E of the Act, the Administrators will seek creditor approval for the fee's set out in the remuneration report, which is attached as **Annexure F**.

At the meeting, creditors will be asked to consider the following resolutions:

"That the remuneration of the Administrators, their partners and staff, for the period of the administration from 26 July 2022 to 19 August 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022 of fees equalling \$35,000 plus GST, and that the Administrators can draw the remuneration immediately or as required."

"That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period of the administration from 22 August 2022 to the 30 August 2022, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

"That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period of the administration from 22 August 2022 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

“That the internal disbursements of the Administrators for the period 26 July 2022 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 22 August 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Administrators as required.”

A copy of the information sheet ‘Approving Fees: a guide for creditors’ can be found on the ASIC website at www.asic.gov.au.

14.2. Deed of Company Arrangement

If the Company enters into a Deed of Company Arrangement, approval of the Deed Administrator’s future fees will be sought in accordance with the remuneration report attached as **Annexure F**. A summary of the tasks to be completed by the Deed Administrators and their staff in the conduct of the deed for the period upon signing of the deed to the completion is also outlined in the **Remuneration Report**.

At the meeting, creditors will be asked to consider the following resolutions:

“That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$10,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

“That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the Remuneration Approval Report dated 22 August 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Deed Administrators as required.”

14.3. Liquidation

If the Company is placed into liquidation, approval of the Liquidator’s future fees will be sought in accordance with the remuneration report attached as **Annexure F**. A summary of the tasks to be completed by the Liquidators and their staff in the conduct of the liquidation for the period 30 August 2022 the completion of the liquidation is also outlined in the **Remuneration Report**.

At the meeting, creditors will be asked to consider the following resolutions:

“That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period from the commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$50,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

“That the internal disbursements of the Liquidators for the period from the commencement of the liquidation to the conclusion of the liquidation at the rates outlined in the Remuneration Approval Report dated 22 August 2022 be capped at the amount of \$2,000 plus GST and can be drawn by the Liquidators as required.”

DATED this 22nd day of August 2022



Michael Hogan
Joint & Several Administrator

**Xin Au Pty Ltd Pty Ltd T/as Dumpling Land
(Administrators Appointed)
A.C.N. 618 870 992**

**STATEMENT OF ADMINISTRATORS'S OPINION
PURSUANT TO SECTION 439A(4)(b) OF THE CORPORATIONS ACT**

This statement sets out our opinions in relation to the alternatives which the creditors of the Company will consider at the Second Meeting of Creditors to be held at **the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Tuesday, 30 August 2022 at 12:30pm.**

- It **would not** be in the creditors' best interest to resolve **to end the administration** at the second meeting of creditors as the Company is insolvent and is unlikely to return to solvency.
- It **would** be in the creditors' best interest to resolve that the Company execute a Deed of Company Arrangement ("DoCA") for the following reasons:
 - The proposed DoCA provides a greater return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA provides a more certain return to priority and unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA will cost less to administer than a Liquidation.
 - The proposed DoCA enables the business to continue and employees to be retained.
- It **would not** be in the creditors' best interests for the Company to be wound up for the following reasons:
 - It would provide a smaller return (if any) to priority creditors of the Company compared with the proposed DoCA.
 - The prospect of a return to creditors of the Company is uncertain and reliant on related party debtor and voidable transaction recoveries, which are uncertain.
 - The costs of a Liquidation will be greater than the proposed DoCA, due to the costs associated with pursuing recoveries.
 - A Liquidation is likely to result in the termination of the employees and the crystallisation of entitlements.

Dated this **22nd day of August 2022**


Michael Hogan

Joint & Several Administrator

Annexure B

FORM 529

CORPORATIONS ACT 2001
Section 439A
Insolvency Practice Rules (Corporations)
75-10, 75-15 & 75-20

NOTICE OF SECOND MEETING OF CREDITORS

**Xin Au Pty Ltd Pty Ltd T/as Dumpling Land
(Administrators Appointed)
A.C.N. 618 870 992
("the Company")**

NOTICE IS GIVEN that concurrent meeting of the creditors of the Company will be held at **the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Tuesday, 30 August 2022 at 12:30pm.**

AGENDA

1. To review the Administrators' report concerning the companies' business, property, affairs and financial circumstances.
2. For creditors to consider the options available and to resolve either:
 - a) that the administration should end; or
 - b) that the company execute a Deed of Company Arrangement; or
 - c) that the company be wound up.
3. For creditors to:
 - a) approve the Voluntary Administrators' remuneration; and
 - b) determine the remuneration of the Deed Administrator/Liquidator, if one is appointed.
4. For creditors to consider the appointment of an alternative Deed Administrator or Liquidator.
5. If the Company is wound up, to consider the appointment of a Committee of Inspection.
6. If the Company is wound up, to consider the early destruction of the books and records at the conclusion of the liquidation.
7. To consider any other business that may be brought before the meeting.

Telephone conference facilities will be available at the meeting. Please note that under Insolvency Practice Rules (Corporations) (IPR) 75-35:

- a) A person, or the proxy or attorney of a person, who wishes to participate in the meeting by telephone must give to the convener, not later than the second last working day before the day on which the meeting is to be held, written statement setting out:
 - (i) the name of the person and of the proxy or attorney (if any); and

- (ii) an address to which notices to the person, proxy or attorney may be sent; and
 - (iii) a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.
- b) A person, or the proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred by the person, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the Company.

Proxies to be used at the meeting should be given to me as Joint and Several Administrator and to the person named as convening the meeting. A creditor can only be represented by proxy or by an attorney pursuant to IPR 75-150 & 75-155 and if a body corporate by a representative appointed pursuant to Section 250D.

Creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Company in accordance with IPR 75-85 and that claim has been admitted for voting purposes wholly or in part by the Joint and Several Administrators.

Dated this **22nd day of August 2022**



Michael Hogan
Joint & Several Administrator

HoganSprowles Pty Ltd
Level 9, 60 Pitt Street
Sydney NSW 2000.

FORM 535
 CORPORATIONS ACT 2001

ACN 618 870 992

Sub regulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Joint and Several Administrators Xin Au Pty Ltd Pty Ltd (Administrators Appointed):

1. This is to state that the company was, on 26 July 2022⁽¹⁾ and still is, justly and truly indebted to⁽²⁾ (full name):

 ('Creditor')

 of (full address)

 for \$..... dollars and.....cents.

Particulars of the debt are:

Date	Consideration ⁽³⁾ state how the debt arose	Amount \$	GST included \$	Remarks ⁽⁴⁾ include details of voucher substantiating payment

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:
 Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount \$ c	Due Date

- I am **not** a related creditor of the Company ⁽⁵⁾
- I am a related creditor of the Company ⁽⁵⁾
 relationship: _____

- 3A.^{(6)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.
- 3B.^{(6)*} I am the creditor's agent authorised to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2022

Signature of Signatory

 NAME IN BLOCK LETTERS

 Occupation

 Address

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT (Voting / Dividend) - Ordinary	\$
Date Received:	/ /	ADMIT (Voting / Dividend) – Preferential	\$
Entered into CORE IPS:		Reject (Voting / Dividend)	\$
Amount per CRA/RATA	\$	Object or H/Over for Consideration	\$
Reason for Admitting / Rejection			
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED	/ /		

Proof of Debt Form Directions

- * Strike out whichever is inapplicable.
- (1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.
- (2) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
- (3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
- (4) Under "Remarks" include details of vouchers substantiating payment.
- (5) Related Party / Entity: Director, relative of Director, related company, beneficiary of a related trust.
- (6) If the Creditor is a natural person and this proof is made by the Creditor personally. In other cases, if, for example, you are the director of a corporate Creditor or the solicitor or accountant of the Creditor, you sign this form as the Creditor's authorised agent (delete item 3A). If you are an authorised employee of the Creditor (credit manager etc), delete item 3B.

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
 - (a) have an identifying mark;
 - (b) and be endorsed with the words:
 - i) "This is the annexure of *(insert number of pages)* pages marked *(insert an identifying mark)* referred to in the *(insert description of form)* signed by me/us and dated *(insert date of signing)*; and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

APPOINTMENT OF PROXY
 CREDITORS MEETING

**Xin Au Pty Ltd Pty Ltd T/as Dumpling Land
 (Administrators Appointed)
 A.C.N. 618 870 992**

*I/*We ⁽¹⁾	
Of (address)	
being a creditor of the Company, appoint ⁽²⁾ or in his or her absence	
to vote for me/us on my/our behalf at the meeting of creditors to be held on 30 August 2022 or at any adjournment of that meeting.	

Please mark any boxes with an X

Proxy Type: General Special

	For	Against	Abstain
Resolution 1 A resolution that the Administration end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 A resolution that the company be required to execute a Deed of Company Arrangement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 A resolution that the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 That in the event that the Company is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (Alternative Appointee) be appointed in their stead.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 That the remuneration of the Administrators, their partners and staff, for the period of the administration from 26 July 2022 to 19 August 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors of 22 August 2022 of fees equalling \$35,000 plus GST, and that the Administrators can draw the remuneration immediately or as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>Resolution 6 That the future remuneration of the Administrators, their partners and staff, for the period of the administration from 22 August 2022 to 30 August 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors of 22 August 2022 of fees equalling \$5,000 plus GST, and that the Administrators can draw the remuneration immediately or as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 7 That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period 30 August 2022 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 8 That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$10,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 9 That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$50,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 10 That the internal disbursements of the Administrators for the period 26 July 2022 to the conclusion of the Administration at the rates outlined in the report to creditors dated 22 August 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Administrators as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>Resolution 11 That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the report to creditors dated 22 August 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Deed Administrators as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 12 That the internal disbursements of the Liquidators for the period from the commencement of the liquidation to the conclusion of the liquidation at the rates outlined in the report to creditors dated 22 August 2022 be capped at the amount of \$2,000 plus GST and can be drawn by the Liquidators as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 13 A Resolution that a committee of inspection be appointed.</p> <p>I am prepared / not* prepared to sit on the Committee of Inspection</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 14 That subject to obtaining the approval of the Australian Securities and Investments Commission under Section 542(4) of the Corporations Act 2001, the books and records of the Company and of the liquidation be disposed of by the Liquidators six months after the dissolution of the Company or earlier at the discretion of the Australian Securities and Investments Commission.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 14 Adjourn the second meeting of creditors for up to 45 business days.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2022.

 Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, Of

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.
 Insert the name, address and description of the person appointed.

**Proposal for a Deed of Company Arrangement for Xin Au Pty Ltd (Administrators appointed)
T/as Dumpling Land ACN 618 870 992 ("Company")**

A. Background

1. The Company operated a restaurant in the food court of Westfields located in Kotara NSW.
2. On 26 July 2022, Michael Hogan and Brendan Copeland were appointed Voluntary Administrators of the Company (**Voluntary Administrators**).
3. The director and shareholders of the Company, Yifan Du (**Director**) and Kailiang Chen (**Shareholder**), propose that the Company enters into a Deed of Company Arrangement (**DOCA**) which contains the key terms as set out in this proposal and other terms as may be agreed between the Director and the Voluntary Administrators.

B. Deed Fund

4. A Deed Fund will be established under the DOCA which will be comprised of:
 - (a) \$210,000 to be paid to the Voluntary Administrators' nominated account detailed as follows:
 - (i) First payment, being the upfront payment of \$50,000 to be payable upon execution of the DOCA;
 - (ii) Second Payment of \$50,000 to be payable within 3 months of execution of the DOCA;
 - (iii) Commencing from the fourth month, eleven (11) equal monthly instalments of \$10,000.
 - (b) any trading profits of the Company from the appointment of the Voluntary Administrators to the execution of the DOCA;
 - (c) cash at bank in the administration account as at the date of execution of the DOCA; and
 - (d) the Company assumes the outstanding employee entitlements (\$26.5k) if crystallised. These are expected to be \$47k in a liquidation scenario
5. For the avoidance of doubt, the Deed Fund will not include any pre-appointment debtors of the Company.
6. The following guarantees and indemnities will be provided:
 - (a) The Director and Shareholder provides an unconditional and irrevocable personal guarantee for the Deed Fund.

C. Related Parties

7. The following associated and/or related entities of the Company will agree not to prove in the DOCA:

- (a) the Director;
 - (b) the Shareholder;
- (Deferred Creditors).**
8. The Deferred Creditors will agree to forbear from enforcing their claims against the Company as at the date of the appointment of the Voluntary Administrators until the later of:
- (a) 12 months' from effectuation of the DOCA; or
 - (b) the Company has sufficient assets available to pay its debts as and when they fall due and make repayments to the Deferred Creditors,
- unless the DOCA is terminated otherwise than by effectuation.
9. For the avoidance of doubt, the Deferred Creditors are otherwise entitled to vote at any subsequent meeting of creditors of the Company and prove against the Company in liquidation.
- D. Deed Administrators and the Deed Fund**
10. The Voluntary Administrators will become the Administrators of the DOCA, jointly and severally (**Deed Administrators**).
11. Control of the Company will revert to the Directors immediately upon execution of the DOCA.
12. In the period between control of the Company reverting to the Directors and effectuation of the DOCA, the Directors:
- (a) must provide upon request the management accounts to the Deed Administrators, ensure all tax lodgements are made on time and provide copies of those tax lodgements to the Deed Administrators; and
 - (b) must not (without the prior written consent of the Deed Administrators), other than in the ordinary course of business, sell, transfer, encumber or otherwise dispose of any assets, business and/or undertaking of the Company.
13. The Deed Fund shall be administered by the Deed Administrators and distributed pursuant to the terms of the DOCA, which must provide for the following order and priority of payments:
- (a) firstly, in payment of the Voluntary Administrators' costs, charges and expenses (including their remuneration);
 - (b) next, in payment of the Deed Administrators' costs, charges and expenses (including their remuneration);
 - (c) next, in payment of unpaid salary, superannuation, annual leave or other entitlements of employees of the Company; and

- (d) finally, payment of a pari passu dividend to the Company's participating unsecured creditors.
14. All participating creditors (excluding the Deferred Creditors) will be required to prove their debts as if the Company was in liquidation and the *Corporations Act 2001* (Cth) shall apply accordingly.
15. The DOCA will contain all relevant provisions of Schedule 8A of the *Corporations Regulations*, except where inconsistent with the express terms of the DOCA.
16. The DOCA will otherwise terminate once the Deed Administrators declare that it has been wholly effectuated.

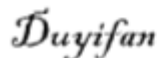
Moratorium and creditors to accept dividend

17. All claims by creditors of the Company shall be subject to a moratorium during the term of the DOCA.
18. All creditors of the Company (excluding the Deferred Creditors) must accept their distribution from the Deed Fund as specified above in full and final settlement of all debts payable by, and all claims against, the Company and all actions in respect of such debts and/or claims against the Company shall be barred.
19. On payment of their entitlements under the DOCA, the creditors' claims (excluding those of the Deferred Creditors) are released in full and extinguished.

Documentation

20. A deed reflecting the terms of this proposal and any other provision(s) agreed between the Directors and the Voluntary Administrators must be entered into. No binding arrangement or agreement between the parties shall exist until such time as documentation is finalised and executed.
21. It shall be a condition precedent to the DOCA that the Deferred Creditors enter into appropriate deed(s) of deferral that provide they shall not prove against the Deed Fund established under the DOCA and/or enforce their claims against the Company as set out in paragraph 8 above.
22. The director undertakes to lodge all taxation lodgements up to the date of the administration.

Date: 22 August 2022



Yifan Du
Director, Xin Au Pty Ltd



Kailiang Chen
Shareholder, Xin Au Pty Ltd



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.



To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Remuneration Report

Xin Au Pty Ltd Pty Ltd T/as Dumpling Land (Administrators Appointed) A.C.N. 618 870 992

This remuneration report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration for undertaking the Administration.

Table of Contents

Part 1:	Declaration
Part 2:	Executive Summary
Part 3:	Description of work completed / to be completed
Part 4:	Calculation of Remuneration
Part 5:	Statement of Remuneration Claim
Part 6:	Remuneration Recoverable from External Sources
Part 7:	Likely impact on dividends
Part 8:	Disbursements
Part 9:	Report on Progress of the Administration
Part 10:	Summary of Receipts and Payments
Part 11:	Queries
Part 12:	Information Sheet

Part 1: Declaration

Michael Hogan and Brendan Copeland of HoganSprowles have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of Xin Au Pty Ltd (Administrators Appointed) in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

Part 2: Executive Summary

To date, no remuneration has been approved and paid in the administration. This remuneration report details approval sought for the following fees:

	Amount ex GST (\$)
Current remuneration approval sought:	
Voluntary Administration - Actual	
Resolution 5: 26 July 2022 to 19 August 2022	35,000
Voluntary Administration - Estimated	
Resolution 6: 22 August 2022 to 30 August 2022	5,000
Resolution 7: 30 August 2022 to the conclusion of the administration	5,000
Total - Voluntary Administration	45,000
Deed of Company Arrangement	
Resolution 8: from commencement to completion	10,000
Total - Deed of Company Arrangement	10,000
Liquidation	
Resolution 9: from commencement to completion	50,000
Total - Liquidation	30,000

Please refer to this report section for full details of the calculation and composition of the remuneration approval sought.

We note that the actual fees incurred for the period 26 July 2022 to 19 August 2022 are \$35,604.50 (excluding GST), however we have capped our fees in the amount of \$35,000 for this period.

Part 3: Description of work completed / to be completed

Resolution 5 - Current Joint and Several Administrators' remuneration for the period 26 July 2022 to 19 August 2022.

Task Area	General Description	Includes
Assets Number of hours: 2.00 Cost: \$870.00	Stock, plant and equipment	Liaise with auctioneer to attend premises to inspect Liaise with auctioneer/removalist to access premises to remove plant and equipment. Liaise with landlord regarding access to the premises. Motor vehicle search conducted and inquiries made. Review documents in relation to the ownership of the vehicles

Task Area	General Description	Includes
		Liaise with management regarding assets and equipment
	Leasing	Obtained lease contract and arrange notice of appointment. Revise leasing agreement and payout Liaise with landlord regarding access to the premises. Disclaim property
Creditors Number of hours: 25.90 Cost: \$12,871.50	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Calls with creditors
	Creditor reports	Preparation of Initial notifications to creditors Preparing 439A, investigation, meeting and general reports to creditors Internal disbursements approval
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation & lodgement of minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
	Tasks associated with DoCA	Review draft DoCA terms Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA
Employees Number of hours: 1.30 Cost: \$572.00	Employees enquiry	Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employee's objections to leave entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Liaising with management regarding employee entitlements. Liaise with accountants regarding super account

Task Area	General Description	Includes
Trade On Number of hours: 9.10 Cost: \$2,834.00	Trade On Management	Liaising with management and staff Attendance on site
	Processing receipts and payments	Entering receipts and payments into accounting system
	Budgeting and Financial reporting	Assessing the trading position of the business
Investigation Number of hours: 28.20 Cost: \$12,228.00	Conducting investigation	Collection of company books and records company's books & records and Report as to Affairs Reviewing company's books and records Review and preparation of company nature and history Reviewing insolvency claims Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors and other key staff regarding certain transactions Preparation of investigation file Review taxation reports and liabilities Calculation of superannuation penalties and interest for ATO Review related parties loan accounts Follow up director and management regarding information Consider de facto/shadow director
Administration Number of hours: 15.80 Cost: \$6,229.00	ASIC reporting	Preparing statutory lodgements Liaising with ASIC
	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Liaise with pre-appointment broker regarding policy
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms

Task Area	General Description	Includes
	ATO and other statutory reporting	Notification of appointment Correspondence with ATO regarding specific matters
	Planning / Review	Discussions regarding status of administration

Resolution 6 - Future Joint and Several Administrators' remuneration for the period 22 August 2022 to 30 August 2022

Task Area	General Description	Includes
Creditors Number of hours: 8.5 Estimated Cost: \$3,503	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	Preparing 439A report
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation & lodgement of minutes of meetings with ASIC
	Tasks associated with DoCA	Review draft DoCA agreement Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA
Administration Number of hours: 3.9 Cost: \$1,566.00	Document maintenance/file review/checklist	Review of file Filing of documents File reviews Updating checklists
	Bank account administration	Requesting bank statements Bank account reconciliations
	Planning / Review	Discussions regarding status of administration

Resolution 7 - Future Joint and Several Administrators' remuneration for the period 30 August 2022 to the conclusion of the administration

Task Area	General Description	Includes
Creditors Number of hours: 8.5 Estimated Cost: \$3,858	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation & lodgement of minutes of meetings with ASIC
	Tasks associated with DoCA	Review draft DoCA agreement Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA
Administration Number of hours: 2.6 Cost: \$1,165	Document maintenance/file review/checklist	Review of file Filing of documents File reviews Updating checklists
	Bank account administration	Requesting bank statements Bank account reconciliations
	Planning / Review	Discussions regarding status of administration

Resolution 8 – Deed Administrators' remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

Task Area	General Description	Includes
Creditors Number of hours: 10.0 Estimated Cost: \$4,328	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of inspection members
	Creditor reports	Preparing investigation, meeting and general reports to creditors
	Tasks associated with DoCA	Review draft DoCA agreement Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA

Task Area	General Description	Includes
Dividend Number of hours: 10.5 Estimated Cost: \$3,983	Processing proofs of debt	Preparation of correspondence to potential creditors inviting Lodgement of POD Receipt of PODs Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration Number of hours: 4.5 Estimated Cost: \$1,923	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	Finalisation	Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Sending job files to storage

Resolution 9 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

Task Area	General Description	Includes
Creditors Number of hours: 29 Estimated Cost: \$12,165	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of inspection members
	Secured creditor reporting	Preparing reports to secured creditor Responding to secured creditor’s queries
	Creditor reports	Preparing 439A, investigation, meeting and general reports to creditors Internal disbursements approval Preparation of Initial notifications to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
Employees Number of hours: 25.5 Estimated Cost: \$9,470	Employees enquiry	Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employee’s objections to leave entitlements
	FEG	Correspondence with FEG
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company’s books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements

Task Area	General Description	Includes
	Employee dividend	Correspondence with employees regarding dividend Correspondence with ATO regarding SGC proof of debt Calculating dividend rate Preparing dividend file Advertising dividend notice Preparing distribution Receipting POD Adjudicating POD Ensuring PAYG is remitted to ATO
Investigation Number of hours: 57.5 Estimated Cost: \$22,580	Conducting investigation	Collection of company books and records Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements company's books & records and Report as to Affairs Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Preparation of investigation file Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required
	Examinations	Preparing brief to solicitor Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	Internal meetings to discuss status of litigation Preparing brief to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review

Task Area	General Description	Includes
Administration Number of hours: 15.0 Estimated Cost: \$5,960		Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Correspondence with previous brokers
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records in storage Sending job files to storage

Part 4: Calculation of Remuneration

Resolution 5 – Current Joint and Several Administrators’ remuneration for the period 26 July 2022 to 22 August 2022

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area													
					Assets hrs	\$	Creditors hrs	\$	Dividend hrs	\$	Employee s. hrs	\$	Trade On hrs	\$	investigation hrs	\$	Administr ation hrs	\$
Michael Hogan	Partner	595.0	9.5	5,653	0.0	0	4.1	2,440	0.0	0	0.0	0	0	0	0.0	0	5.4	3,213
Anny Ngo	Director	550.0	48.0	26,400	1.5	825	20.0	11,000	0.0	0	1.0	550	3	1,375	21.0	11,550	2.0	1,100
Christine Xiao	Analyst 2	240.0	24.8	5,952	0.5	120	1.8	432	0.0	0	0.3	72	7	1,584	7.2	1,728	8.4	2,016
Total			82	38,005	2.0	945	25.9	13,872	0.0	0	1.3	622	9	2,959	28.2	13,278	15.8	6,329
BUT SAY				35,000														
GST				3,500														
Total (incl GST)				38,500														
Average hourly rate				462														

Resolution 6 – Future Joint and Several Administrators’ remuneration for the period 22 August 2022 to 30 August 2022

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area			
					Creditors hrs	\$	Administration hrs	\$
Michael Hogan	Partner	595.0	1.9	1,131	1.0	595	0.9	536
Brendan Copeland	Partner	595.0	0.5	298	0.5	298	0.0	0
Anny Ngo	Director	550.0	4.0	2,200	3.0	1,650	1.0	550
Christine Xiao	Analyst 2	240.0	6.0	1,440	4.0	960	2.0	480
Total			12	5,068	8.5	3,503	3.9	1,566
BUT SAY				5,000				
GST				500				
Total (Incl GST)				5,500				
Average hourly rate				409				

Resolution 7 – Future Joint and Several Administrators’ remuneration for the period 30 August 2022 to the conclusion of the administration

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area			
					Creditors hrs	\$	Administration hrs	\$
Michael Hogan	Partner	595.0	2.0	1,190	1.5	893	0.5	298
Brendan Copeland	Partner	595.0	1.5	893	1.0	595	0.5	298
Anny Ngo	Director	550.0	3.6	1,980	3.0	1,650	0.6	330
Christine Xiao	Analyst 2	240.0	4.0	960	3.0	720	1.0	240
Total			11	5,023	8.5	3,858	2.6	1,165
BUT SAY				5,000				
GST				500				
Total (Incl GST)				5,500				
Average hourly rate				452				

Resolution 8 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area					
					Creditors hrs	\$	Dividend hrs	\$	Administration hrs	\$
Michael Hogan	Partner	595.0	3.0	1,785	1.0	595	1.0	595	1.0	595
Brendan Copeland	Partner	595.0	1.5	893	0.5	298	0.5	298	0.5	298
Anny Ngo	Director	550.0	8.5	4,675	4.5	2,475	3.0	1,650	1.0	550
Christine Xiao	Analyst 2	240.0	12.0	2,880	4.0	960	6.0	1,440	2.0	480
Total			25	10,233	10.0	4,328	10.5	3,983	4.5	1,923
BUT SAY				10,000						
GST				1,000						
Total (Incl GST)				11,000						
Average hourly rate				409						

Resolution 9 – Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area							
					Creditors hrs	\$	Employees hrs	\$	Investigation hrs	\$	Administration hrs	\$
Michael Hogan	Partner	595.0	13.0	7,735	5.0	2,975	2.0	1,190	2.0	1,190	4.0	2,380
Brendan Copeland	Partner	560.0	4.5	2,520	2.0	1,120	0.5	280	1.0	560	1.0	560
Anny Ngo	Director	550.0	44.0	24,200	9.0	4,950	8.0	4,400	25.0	13,750	2.0	1,100
Christine Xiao	Analyst 2	240.0	65.5	15,720	13.0	3,120	15.0	3,600	29.5	7,080	8.0	1,920
Total			127	50,175	29.0	12,165	25.5	9,470	57.5	22,580	15.0	5,960
BUTSAY				50,000								
GST				5,000								
Total (Incl GST)				55,000								
Average hourly rate				395								

Part 5: Statement of Remuneration Claim

At the meeting of creditors convened for 30 August 2022 creditors will be asked to consider the following resolutions:

Resolution 5 – Current Joint and Several Administrators’ remuneration for the period 26 July 2022 to 19 August 2022

“That the remuneration of the Administrators, their partners and staff, for the period of the administration from 26 July 2022 to 19 August 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators’ partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022 of fees equalling \$35,000 plus GST, and that the Administrators can draw the remuneration immediately or as required.”

Resolution 6 – Future Joint and Several Administrators’ remuneration for the period 22 August 2022 to 30 August 2022

“That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period 22 August 2022 to 30 August 2022, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 7 – Future Joint and Several Administrators’ remuneration for the period 30 August 2022 to the conclusion of the administration

“That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period 30 August 2022 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 7 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

“That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 22 August 2022, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$10,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 8 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

“That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 22 August 2022, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$50,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Creditors have not previously approved any remuneration of the Administrators.

Part 6: Remuneration Recoverable from External Sources

The Administrators have not received, and are not entitled to receive, any funding from external sources in respect of remuneration.

Part 7: Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. Administrators, Deed Administrators and Liquidators are entitled to be remunerated for necessary work that is reasonably performed. That work is also the source of any funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the administrator’s remuneration is that the remuneration will be paid to the external administrators if sufficient funds are generated to enable it to be paid. The remuneration will be paid from those funds that are generated prior to the payment of most other stakeholders. It is noted that no funds would be available for any stakeholder without the work necessarily undertaken by the external administrators.

Part 8: Disbursements

Disbursements are divided into three types:

- Externally provided professional services - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees - these are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such

as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We have undertaken a proper assessment of disbursements claimed in the administration, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper. To date no disbursements have been paid in the administration.

Disbursements provided by our firm will be charged to the administration on the following basis:

Disbursements	Rate ex GST (\$)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements:	
Advertising	At cost
Search fees	At cost
Courier	At cost
Printing, Faxes & Photocopies	\$0.20 per page
Postage	At cost
Stationary and other incidental disbursements	At cost
Travel - Staff by own vehicle	\$0.72 per km
Travel - other	At cost

Rates applicable for financial year ending 30 June 2021.

We will be seeking approval of the following resolutions to approve our internal disbursements.

Resolution 9 - Joint and Several Administrators' disbursements

"That the internal disbursements of the Administrators for the period 26 July 2022 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 22 August 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Administrators as required."

Resolution 10 - Deed Administrators' disbursements

"That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the Remuneration Approval Report dated 22 August 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Deed Administrators as required."

Resolution 11 - Liquidators' disbursements

"That the internal disbursements of the Liquidators for the period from the commencement of the liquidation to the conclusion of the liquidation at the rates outlined in the Remuneration Approval Report dated 22 August 2022 be capped at the amount of \$2,000 plus GST and can be drawn by the Liquidators as required."

Part 9: Report on Progress of the Administration

Please see the Administrators' Report to Creditors dated 22 August 2022.

Part 10: Summary of Receipts and Payments

Please see the Administrators' Report to Creditors dated 22 August 2022.

Part 11: Queries

If you have any queries in relation to the information in this report, please contact Anny Ngo on (02) 8020 5853 or by email on anny@hogansprowles.com.au. You can also access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors; and
- ASIC at www.asic.gov.au (search for "insolvency information sheets").

Part 12: Information Sheet

The ASIC information sheet, Approving fees: A guide for creditors can be found at http://download.asic.gov.au/media/1310767/Approving_fees_guide_for_creditors.pdf

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Schedule of rates as @ 1 July 2021

Private & Confidential

Title	Description	Hourly rate (Excl. GST) (\$)
Partner	Registered liquidator, Chartered Accountant, degree qualified with more than fifteen years of extensive experience in insolvency, restructuring and business advisory matters. experience. Leads engagements with full accountability for strategy and execution.	595
Director	Generally Chartered Accountant and degree qualified with more than ten years of experience. Extensive experience in managing large, complex engagements at a senior level. Autonomously leads complex insolvency appointments reporting to Partner.	550
Senior Manager	Generally Chartered Accountant and degree qualified with more than seven years of experience. Significant experience across all types of engagements. Self-sufficiently conducts small to medium insolvency appointments.	500
Manager	Generally Chartered Accountant and degree qualified with more than five years of experience. Experience in complex matters, day to day conduct of small to medium engagements. Assists senior staff on complex matters.	450
Supervisor	Generally Chartered Accountant and degree qualified with more than three years of experience. Assists senior staff in planning and conduct of small to large engagements. Supervise a small team and control small engagements.	420
Senior Analyst 1	Generally degree qualified and undertaking Chartered Accountant's qualification. Controls certain tasks on small engagements and assists staff with completing tasks on medium to large engagements.	370
Senior Analyst 2	Experienced graduate controlling certain tasks on small engagements. Assists senior staff in completing tasks on small to large engagements.	360
Analyst 1	Experienced graduate. Required to assists senior staff in completing tasks on small to large engagements.	310
Analyst 2	Generally a university graduate with appropriate qualifications. Assists with day to day tasks under the supervision of senior staff.	240
Graduate	Generally degree qualified and undertaking or about to undertake Chartered Accountant's qualification with less than one year of experience. Assists with day to day tasks under the supervision of senior staff.	215
Undergraduate	Undertaking relevant degree. Assists with tasks within workstreams and appointments under supervision.	190
Senior Bookkeeper	Experienced bookkeeper with more than 18 months experience. Assist senior staff with accounting functions of engagement.	190
Bookkeeper	Assist senior staff with accounting functions of engagement.	170
PA	Appropriate skills and experience to support professional staff in an administrative capacity.	150
Administration	Appropriate skills and experience to support professional staff in an administrative capacity.	120