



McDonald
Vague

business recovery partners

Sinorama Holidays Limited (In Liquidation)

Liquidators' Second Report (for the period from 2 October 2018 to 1 April 2019)

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1 INTRODUCTION AND APPOINTMENT

Peri Micaela Finnigan and Iain McLennan, Accredited Insolvency Practitioners, of Auckland, were appointed jointly and severally as liquidators of Sinorama Holidays Limited ("the company") on 2 October 2018.

Pursuant to Section 255(2)(d) of the Companies Act 1993 ("the Act"), the liquidators herewith report on the progress of the liquidation. This second report should be read in conjunction with the liquidators' previous report. This report is being sent to all shareholders and all creditors who have filed a claim in the liquidation.

A Statement of Realisations and Distributions is **attached**.

2 RESTRICTIONS

Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

3 CONDUCT OF THE LIQUIDATION DURING THE PRECEDING SIX MONTHS

Asset Realisations

3.1 Client Funds and Term Deposit

(Statement of Affairs: \$Unknown)

The company did not hold client funds in a Trust Account. The company held three term deposits, one of which held \$367,000, and two others held specific bond arrangements, as follows;

Landlord	\$24,788
TAANZ	\$73,000

The funds held for a landlord bond and for the TAANZ bond have been released to them.

The bank was paid the \$367,000 it held by way of set-off, toward the debt it is owed and had secured by way of a GSA. The bank remains a creditor of the company.

The liquidators had no ability to recover funds from the Australian bank account that was in the name of an Australian registered company, Sinorama Holidays Pty Limited.

3.2 Landlord and TAANZ

The landlord has been paid its entitlement under the bond funds held as at the date of liquidation.

The entitlement to the benefit of the TAANZ bond is being worked through with TAANZ.

3.3 *Vacance Sinorama Inc "VSI"*

(Statement of Affairs: \$Unknown)

On 7 August 2018, the Office de la protection du consommateur ("OPC") withdrew the licence of the Vacances Sinorama Inc. agency. The OPC found that the company had failed to comply with the requirements of the Travel Agents Act in Canada and had concerns with the way it handled clients' payments.

On July 24, 2018, the OPC appointed PricewaterhouseCoopers as the provisional administrator to manage the VSI agency.

On 12 October 2018 the company was placed into formal bankruptcy administration. The bankruptcy trustee voluntarily appointed by the directors was subsequently replaced following a creditors meeting. PWC in Canada are the replacement bankruptcy trustees.

The liquidators have lodged a claim in the bankruptcy of CDN \$1,559,606.10. The claim has been admitted. The prospect of any recovery is however unknown. The bankruptcy trustee has advised that total claims admitted in the bankruptcy of VSI amount to CDN\$55,027,931. The Administrators/Bankruptcy Trustee have commissioned a forensic accounting report which is due in May 2019. We expect the recommendation(s) of that report will be considered before any actions are taken.

3.4 *Furniture and Computers*

(Statement of Affairs: \$1,500)

The company held some modest furniture, equipment and computers. These were sold at auction and realised \$3,800.

4 INVESTIGATIONS

The liquidators have advanced their investigations into the books, records and affairs of the company. There are matters that require formal reporting to the Registrar of Companies. To date the liquidators have considered the following matters:

- Insolvent transactions – payments to the director after knowledge of the insolvency of Vacance Sinorama Inc
- An overdrawn shareholder current account (including insolvent payments made above)– demand has been made
- Inadequate books and records
- Breaches of directors’ duties
- Incorrect accounting and handling of receipts leading to client shortfalls

The liquidators have sought a statement of financial position from the director. She has advised that she has no assets and lives in rental accommodation and is supported by a friend. She has not provided a sworn statement of position despite many requests to do so.

5. CREDITORS’ CLAIMS

5.1 *Secured Creditor*

The ANZ bank held a GSA against the company assets. The bank is a significant creditor and as such has provided some funding to allow the liquidators to engage a Canadian lawyer and advance an investigation. Further funding is subject to the legal advice.

5.2 *Preferential Creditors*

Total preferential claims for wages or salary, holiday pay and redundancy amount to \$9,166.

The Inland Revenue Department has submitted a preferential claim for \$3,025. This has been paid in full.

5.3 *Unsecured Creditors*

The liquidators are maintaining separate registers for customers who have claims in the liquidation and suppliers/trade creditors who also have claims.

To date, NZ customers have lodged claims for \$976K.

Australian customers have lodged claims for a further AUD\$474k, however the liquidators have not yet accepted that these are creditors of the company in liquidation.

There are also 30 trade creditors and suppliers who have lodged claims in the liquidation. This includes three preferential employee claims which amount to \$9,164 for unpaid holiday pay and employee entitlements. Inland Revenue have lodged a claim for \$3,025 however this claim may increase for the PAYE returns that were not lodged by the company for October and November (which we have submitted).

Trade creditors and suppliers and agencies who contracted to Sinorama Holidays Ltd claim to be owed \$634,153. We have not completed our investigations into how funds may be recovered to pay the non-customer unsecured trade creditors.

The total claims of customers and creditors to current date are \$2.12 million.

	AUD	NZD
Preferential Creditors		12,190.83
Unsecured Trade Creditors		634,153.00
NZ Customers		976,592.00
AUS Customers	\$474,485	499,234.00
Total Claims		<u>\$2,122,169.83</u>

The customer claims in the liquidation could increase by about another \$275K if all customers lodge claims. There are potentially further non-customer suppliers who have not lodged claims to date. We are aware of a creditor that has a claim of about \$45,000 for costs incurred honouring the service.

To date, the liquidators have considered travel customer claims received but not those of unsecured trade creditors. The liquidators will consider the claims of unsecured trade creditors if and when we are in a position to pay a distribution.

6 FUNDS / LIKELY OUTCOME

At this stage the liquidators do not know whether a distribution to creditors is likely. Any distribution is likely to rely on recoveries from VSI or the director.

7 MATTERS DELAYING THE COMPLETION OF THE LIQUIDATION

The following matters are outstanding:

- Resolve entitlement to TAANZ funds
- Update from the bankruptcy trustee of Vacances Sinorama Inc and likelihood of any distribution to creditors

- Update from the liquidators' Canadian appointed law firm, on prospects of recovery against a Canadian held bond.
- Complete investigation into the position of the director and whether there is any financial gain to be made from further pursuit of the current account or breach of director duties claims.
- Reporting to relevant authorities on liquidators' investigations.

8 ESTIMATED DATE OF COMPLETION

Based on the information contained in this report the liquidators cannot predict when they propose to complete all outstanding matters with a view to retiring as liquidators.

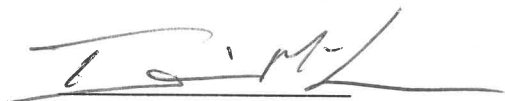
9 CONTACT DETAILS

Enquiries should be directed to Peri Finnigan or Yvonne Wei by email to pfinnigan@mvp.co.nz or ywei@mvp.co.nz.

The Liquidators can be contacted at:

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IAIN MCLENNAN
LIQUIDATOR

DATED this 29th day of April 2019

Realisations and Distributions

Sinorama Holidays Limited (In Liquidation)

2 October 2018 to 1 April 2019

Realisations	As Per Statement of Affairs \$	Cash Received \$
Client Funds and Term Deposit	367,000	367,000
Landlord – Bond	24,788	22,487
Sale of Assets - Furniture and Computers	1,500	3,804
Sale of 2017 BMW	60,000	55,000
Bank Account Closure	-	4,000
Interest	-	10
Pre liquidation GST Refund	-	17,572
Advances from GSA Holder		117,280
Total Realisations	\$453,288	\$587,153
Payments		
Liquidators Fees		
Liquidators Fees		120,394
Disbursements		742
Total Liquidators Fees		\$121,136
Other Costs of Liquidation		
Commission Charges		919
Freight Charges		814
Legal Fees		14,668
NZ Post Redirection		113
Total Costs of Liquidation		\$16,514
Distributions		
Secured Creditor – Landlord		22,487
Preferential GST and PAYE		3,054
Secured Creditor -BMW Group (Personal Property Securities Register)		55,000
GSA Holder		367,000
Total Distributions to Secured and Preferential Creditor		\$447,541
Total Payments		\$585,191
BALANCE HELD		\$1,962

Notes:

1. the above figures are GST exclusive
2. The ANZ bank holds a General Security Agreement (GSA) over the company assets
3. The GSA Holder's claim is unknown at the date of this report
4. TAANZ hold in trust \$73,000