

Estate No. 11-2687622

Court No.

District 03 - Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY

IN THE MATTER OF THE BANKRUPTCY OF

FRONTIER IMPORTERS GROUP INCORPORATED

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

DATED NOVEMBER 30, 2020

Estate No. 11-2687622
Court No.
District 03 – Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY**

**IN THE MATTER OF THE BANKRUPTCY OF
FRONTIER IMPORTERS GROUP INCORPORATE**

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

Introduction

1. Frontier Importers Group Incorporated (“Frontier” or the “Company”) was incorporated on 6th March 2001 as a distribution centre for garment importing from Hong Kong. The Company distributed garments to customers throughout North America.
2. According to management, the Company started to experience cash flow issues during the past four years because of the significant drop in sales from its major customer. Frontier tried lowering its margins to maintain the sales volumes with some success.
3. Management also advises that as sales volumes were decreasing the manufacturing costs were rising in China which was in US dollars. Since the major sales were in Canadian dollars, profits were also negatively affected by the appreciation of US dollars since 2015.
4. The losses being incurred, coupled with the COVID-19 global pandemic, forced the Company to cease operations in March 2020.
5. As it became apparent that the global pandemic was not going to end soon, the Company, being unable to pay its liabilities, made an Assignment in Bankruptcy on November 9, 2020 and McEown and Associates Ltd. was appointed as Trustee.
6. The purpose of the Trustee’s preliminary report to creditors is to provide information relating to the following:
 - a) Conservatory Measures taken by Trustee;
 - b) The Company’s assets;
 - c) The Company’s liabilities;

- d) Preferential payments and transfers at undervalue; and
- e) Estimated Realization

Disclaimer and Terms of Reference

Except as specified, in preparing this report the Trustee has obtained and relied upon unaudited, draft and/or internal information which the Company advises has been compiled from the Company's books and records. Where available, the Trustee has reviewed external records and documentation including banking records, corporate searches and financial statements.

Except as otherwise described in this report:

- a. the Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information which has been provided in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountant Canada Handbook; and
- b. the Trustee has not conducted an examination or review of any financial forecast and projections in a manner that would comply with the procedures described in the Chartered Professional Accountant Canada Handbook.

This report has been prepared solely for the purpose described and readers are cautioned that it may not be appropriate for other purposes.

Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

Conservatory Measures

- 7. At the time of filing for bankruptcy the only assets the Company had were the cash in the bank, accounts receivable and office furniture and equipment with nominal value.
- 8. The Trustee upon being appointed immediately advised the Company's bank, HSBC, of the bankruptcy and requested that the Company's bank accounts be closed and any funds in the account paid to the Trustee.
- 9. The Trustee has also made arrangements to secure the Company's books and records.

The Company's Assets

10. The assets of the Company as shown on the Statement of Affairs are as follows:

Cash in Company's Bank Account	\$ 50,826
Account Receivables (estimated to produce)	-
Trade Fixtures	100
Other Asset	<u>4,310</u>
Total Assets	<u>\$ 55,236</u>

11. The Trustee has received the cash in the Company's bank account which was \$51,071.61.
12. The Account Receivables are in respect of one American customer, Lord & Taylor, which the Trustee has contacted. This customer has filed bankruptcy under Chapter 11 of the United States Code. The Trustee is not expecting any recovery from this account receivable.
13. The trade fixtures which consist of office furniture and a computer were recorded on the Company's balance sheet at a cost of \$ 4,674 and have been fully depreciated. The cost of realizing on the trade fixtures will exceed the recovery and, therefore, the Trustee will not be taking any steps to realize on these asset.
14. The other asset is a GST refund that the Trustee expects to receive.
15. Prior to the filing of the bankruptcy, the Director of the Company purchased the two vehicles owned by the Company a 2011 BMW X3 and a 2012 Honda Odyssey, for \$9,800 and \$17,000, respectively, based on the average black book values that the Trustee has confirmed. The funds were deposited into the Company's bank account prior to the bankruptcy. The Trustee is satisfied that the vehicles were sold at fair market value and that the proceeds were deposited to the Company's bank account.

The Company's Liabilities

16. The liabilities of the Company as shown on the Statement of Affairs are as follows:

Unsecured Creditors	
HTSU Industries Limited (formerly Sunan)	\$2,929,348
Top Leaders Industrial Limited	<u>271,456</u>
Total Liabilities	<u>\$3,200,804</u>

17. The creditor HTSU Industries Limited (formerly Sunan Industries Limited) is currently undergoing a Creditors' Voluntary Liquidation in Hong Kong. The Liquidator, Alan Cheung Hok Hin, has filed a claim on behalf of HTSU in the amount of CAD\$ 2,745,277.64 (HK\$16,409,310.45).

18. Top Leaders Industrial Limited has not filed a claim with the Trustee.

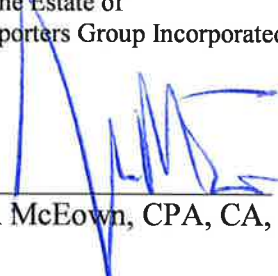
Preferential Payments and Transfers at Undervalue

19. At the date of this report the Trustee has not completed its review of the books and records to determine if there have been any preferential payments and/or transfers at undervalue.

Estimated Realization

20. We attach as Schedule A hereto, a Statement of Estimated Realization. Based on the estimated realization schedule, the Trustee estimates a distribution to the unsecured creditors of between 1.04% and 1.54% of their liability based on the amounts owing to the creditors as shown on the Statement of Affairs of the Company.

McEown and Associates Ltd.
Trustee of the Estate of
Frontier Importers Group Incorporated



Per: John McEown, CPA, CA, CIRP, LIT

**In the Matter of the Bankruptcy of
FRONTIER IMPORTERS GROUP INCORPORATED**

Schedule A

Statement of Estimated Realization

	Low	High
Estimated Receipts		
Cash in Bank	\$ 51,000	\$ 51,000
Office Furniture & Equipment	-	-
Accounts Receivable	-	10,000
Estimated GST Refund	4,300	4,300
	<u>55,300</u>	<u>65,300</u>
 Estimated Fees & Disbursements		
Trustee Fees	20,000	15,000
Trustee Disbursements	2,000	1,000
	<u>22,000</u>	<u>16,000</u>
 Estimated Funds Available for Distribution	<u>33,300</u>	<u>49,300</u>
 Unsecured Claims (as per Statement of Affairs)	<u>3,200,804</u>	<u>3,200,804</u>
 Estimated Dividend Percentage	<u>1.04%</u>	<u>1.54%</u>