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STATUTORY REPORT TO CREDITORS

Stobie Developments Pty Limited (In Liquidation)
ACN 141 267 021 (Company)

I refer to my initial information for creditors dated 10 December 2018 in which I advised you of my appointment as liquidator and your rights as a creditor in the liquidation.

The purpose of this report is to:

- provide you with an update on the progress of the liquidation; and
- advise you of the likelihood of a dividend being paid in the liquidation.

1.0 UPDATE ON THE PROGRESS OF THE LIQUIDATION

1.1 Company Background

The Company was a sole purpose entity, incorporated on 23 December 2009, for the purpose of providing funds to a related entity, Tangcheng Group Pty Ltd (**Tangcheng**), a developer engaged in a residential and commercial development located on Gouger Street, Adelaide (**Development**).

Tangcheng required funding to undertake the Development and following an advance of $455,000 from Advanced Energy Systems Limited (**AES**) to the Company, the Company and Tangcheng entered into a Loan Agreement (**Agreement**) dated 23 December 2009 whereby the $455,000 was on lent to Tangcheng payable on demand. The demand was not to be made until the earlier of four (4) years from the Agreement or practical completion of the Development. In addition, in lieu of technology provided to Tangcheng for the Development, the Company received a 7% equity interest in Tangcheng.

On 8 May 2012, the Company's sole director resigned and no one was appointed to replace him. Due to unpaid annual fees owed to the Australian Securities and Investments Commission (**ASIC**), the Company was deregistered by ASIC on 18 May 2014, at which time, its only assets were the loan to Tangcheng and a minority shareholding in the debtor. No demand for the repayment of the loan had been made on Tangcheng prior to the Company's deregistration.

On 15 November 2017, I was appointed as the liquidator of AES and in my capacity as liquidator, I conducted a review of AES's books and records with a view to collect and realise AES's assets and distribute the proceeds of realisation to creditors. From my investigations, I identified that AES advanced an interest free loan of $455,000 to the Company for the purpose of on-lending to Tangcheng which would have been due for repayment in 2014.

Given AES's unsecured loan to the Company is an asset in the liquidation of AES, on 22 October 2018, I lodged an application in the Supreme Court of South Australia (**Court**) for the reinstatement and winding up of the Company.

Following an Order from Justice Dart made on 27 November 2018, the Company was reinstated by ASIC on 30 November 2018 and I was appointed as the liquidator of the Company.

1.2 Financial Position

I summarise below the Company's financial position based on information available to me at the date of writing this report.

Stobie Development	Ref	Liquidator's Estimate ($)
Assets		
Loan - Tangcheng		455,000
Total Assets	1.2.1	455,000
Liabilities		
Loan - AES		455,000
ASIC		Unknown
Total Liabilities	1.2.2	Unknown
Net surplus/Deficiency		**Unknown**

I comment further on the financial position as follows:

1.2.1 Loan - Tangcheng

The Agreement confirms that the Company lent $455,000 to Tangcheng (**Debt**), which is repayable on demand. Following my appointment, on 7 December 2018, I instructed HWL Ebsworth Lawyers to demand from Tangcheng the repayment of the Debt in accordance with the terms of the Agreement.

Subsequently, Tangcheng acknowledged receipt of the demand and requested an extension until 31 January 2019 to consider their position.

The Debt remains unpaid and on 12 February 2019 I instructed my solicitors to issue a statutory demand on the debtor.

1.2.2 Liabilities

AES lent funds to the Company totalling $455,000 for the purpose of on lending to Tangcheng pursuant to the Agreement. At the time of the Company's deregistration, its only other creditor was ASIC (in respect of annual review fees).

2.0 INQUIRIES UNDERTAKEN AND TO BE UNDERTAKEN

One of my key responsibilities as liquidator is to investigate the past trading of the Company with a particular focus on identifying offences that may have been committed by officers of the Company.

2.1 Offences

Under the Act, I am required to investigate and report on the Company's past transactions. Section 533 of the Act obliges a liquidator to report possible offences to ASIC.

I intend to lodge my report with ASIC in the near future. ASIC will then advise if any further action is required in this regard.

2.2 Unfair Preferences

The Act provides that certain payments made by a company in the "relation-back period" prior to the liquidation may be recoverable by a liquidator. For an unfair preference to exist, a liquidator must show that the payments resulted in the creditor receiving more than they would in the liquidation of the Company.

It is a defence to such a claim if the creditor can establish:-

- the payment was made in good faith; and
- the creditor had no reasonable grounds for suspecting the Company's insolvency; or
- a reasonable person in the creditor's circumstances would not have had grounds for suspecting the Company's insolvency.

The Company made no payments in the 6 month period prior to the liquidation and no unfair preference claims are available for the benefit of creditors.

3.0 RECEIPTS AND PAYMENT TO DATE

There have not been any receipts or payments in the liquidation to date.

4.0 LIKELIHOOD OF A DIVIDEND

The quantum and timing of a dividend return to the Company's creditors is entirely reliant on the recovery of the Debt as outlined in section 1.2.1 of this report.

If a dividend is going to be paid, you will be contacted before that happens and, if you have not already done so, you will be asked to lodge a proof of debt. This formalises your claim in the liquidation and is used to determine all claims against the company.

5.0 COST OF THE LIQUIDATION

I refer creditors to my initial circular that provided an estimate of the likely costs of the liquidation. At this stage, there have been no matters identified that would alter my view of my earlier assessment of these costs.

6.0 WHAT HAPPENS NEXT?

I will proceed with the liquidation, including:

- ongoing efforts to recover the Tangcheng loan;
- completing my investigations into the Company's affairs;
- completing my reporting to the corporate insolvency regulator, ASIC; and
- attend to the administrative and statutory tasks associated with the finalisation of the liquidation.

If I receive a request for a meeting that complies with the guidelines set out in the initial information provided to you, I will hold a meeting of creditors.

I may write to you again with further information on the progress of the liquidation.

I expect to have completed this liquidation within twelve months (12).

7.0 WHERE CAN YOU GET MORE INFORMATION?

You can 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").

Please feel free to contact my office should you have any queries in this regard. There is also information about this liquidation on my firm's website: www.heardphillips.com.au (password: ***STOB04***).

Dated this 14th day of February 2019

Anthony Phillips
Liquidator

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