



B-180261

No. Estate No.: 11-254119 VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL ON This is Exhibit "A" referred to in the

Wiston International Trade Co. Ltd.

affidavit of Jeffrey Ayre

Proposal Trustee's First Report

sworn before me this 6th day of

June A.D. 2018.

[Signature]

PURPOSE OF THIS REPORT

Pursuant to Section 50.4(9) of the Bankruptcy and Insolvency Act, Wiston International Trade Co. Ltd. ("Wiston" or the "Company") is seeking an extension of 45 days to file its proposal.

The purpose of this report is to provide the Court and other stakeholders with information on Wiston's current financial affairs and conduct since it filed its Notice of Intention to Make a Proposal ("NOI") on March 26, 2018, and G. Powroznik Group Inc. consented to act as Trustee (the "Proposal Trustee"). An automatic stay of proceedings arose as a result of filing the NOI with respect to all claims that existed against Wiston as of March 26, 2018.

According to Wiston's financial records, at March 26, 2018, Wiston's liabilities exceed its assets by approximately \$8.0 million. While Wiston is insolvent, it is not bankrupt nor is it in receivership. The Director of Wiston believes there are sufficient potential opportunities to refinance the Company such that a viable proposal can be made to its creditors.

If the extension sought is not allowed, Wiston will be deemed to have made an assignment in bankruptcy.

BACKGROUND

Wiston was registered as a company in British Columbia on January 6, 2009. Wiston's sole shareholder and director is Huigang (Andrew) Sun. Wiston has been actively engaged in the business of importing hard wood flooring product from China and selling into the wholesale market in the Lower Mainland and the Toronto area since inception.

The Company's corporate offices are located in Richmond, B.C.

The Company has a lease for the premises located in Richmond, B.C. The lease for the Ontario location is entered into with a related party of the Company.

Wiston has 9 full time employees. 3 are located in the Richmond, B.C. office and 5 are located in the Markham, Ontario warehouse facility. Wiston has one sales person in Calgary, Alberta. Employees are engaged in sales, warehouse operations and administrative functions.

Wiston's assets consist of accounts receivable, inventory, vehicles and equipment and investments/loans in related companies. A preliminary review indicates that all the assets are encumbered by either a registered financing agreement or by a General Security Agreement.

Wiston is currently using existing sales people to sell inventory. Wiston has indicated they have paid the arrears owing these employees for payroll related items, to ensure sales and operations can continue without interruption.

FINANCIAL POSITION AND CAUSE OF FINANCIAL DIFFICULTIES

Internal financial records of the Company for the most recent years ending October 31, 2016 and October 31, 2017 indicate a loss of \$2.057 million and a profit of \$11,500, respectively, on gross revenues of \$4.16 million and \$3.86 million, respectively. For the period November 2017 through January 2018, Wiston's records indicate a loss of approximately \$250,000 on total net revenue of \$237,000.

Wiston has relied on a single source manufacturer in China for supply of its hard wood-flooring product. The supplier, Heilongjiang Far East Wood Co. ("HFEWC"), is located in Harbin, China, and we are advised it is related to and controlled by the Company's principal. The Company indicates that in early 2016 it overpurchased product from HFEWC that was not suitable for Wiston's Canadian markets. The Company further states that this purchase caused future supply problems from China, in turn leading to an incremental reduction in supply of inventory from HFEWC, until it ceased in late 2017. The Company has not received any new inventory since November of 2017. Wiston's financial records as at March 26, 2018 indicate it owes more than \$21.0 million to this supplier.

Wiston has made several investments and/or loans in and to related parties. As of March 26, 2018, Wiston's records indicate they were owed approximately \$14.19 million from these investments/loans and it is unknown if these amounts are collectible at this point.

FUTURE BUSINESS OPERATIONS

As indicated, Wiston is currently selling hard wood flooring and plans to continue this in its current format. We attach as "Appendix A" a copy of the cash flow and accompanying notes for the period covered under the extension, setting out the expected results of operations over the seven (7) week period from April 23 to June 10, 2018.

The Company's management advises that HFEWC is now beginning a production run to re-supply Wiston with inventory suitable for their Canadian markets and that product will begin to flow again.

The Company is currently undercapitalized. Counsel for the Company advises that it expects an agreement this week for a financing that will provide sufficient funds to complete its restructuring plan. The financing is expected to produce an initial portion with the balance coming over time. The Proposal Trustee is monitoring the shareholder's progress in finalizing this financing.

FINANCIAL POSITION

The trustee has relied to date on the internal financial information provided by the Company and has not attended to third party verification of asset values at this point.

Assets

Accounts receivable

Wiston's receivables arise from the sale of inventory and investments/loans made in and to related third parties. Wiston advises that they are selling on a cash-on-delivery basis while under the NOI. The Company's records indicate that total accounts receivable from operations at March 26, 2018 was \$360,038. Of the total accounts receivable of \$360,038, approximately \$200,000 is aged over ninety (90) days. The Proposal Trustee has requested an analysis of the collectability of the accounts receivable and will report on that once the information is received and reviewed.

The records indicate that amounts owed from investments/loans is approximately \$14.19 million. The trustee has not yet conducted an analysis of the investments to determine the likelihood and quantum of any recovery from them. Since these amounts are significant and can change the recovery to creditors by a large margin if collectible, an analysis of recoveries for Wiston under a liquidation scenario is premature. The Proposal Trustee has sought further information on these investments and will report on them once the information is received and reviewed.

Inventory

Wiston's financial records indicate that as at March 26, 2018 the book value of inventory for the Richmond location was \$645,000 and for the Ontario location was \$854,500, for a total of \$1.5 million. Wiston estimates that the inventory will sell through regular channels at \$2.5 million with a liquidation value of between \$550,000 and \$916,000.

Vehicles and Equipment

Wiston's vehicles and equipment are used primarily to move, store and deliver product and consist of one (1) van, two (2) pickup trucks and three (3) forklifts. The van, pickup trucks and one of the forklifts are subject to a security agreement via registered financing agreements. Two of the forklifts appear to be unencumbered and there are further two automobiles registered in Wiston that are for the personal use of the principal. Neither of these appears to be encumbered.

Liabilities

Secured Creditors

Canada Revenue Agency ("CRA") advised by way of proof of claim that they are owed \$176,599 for unremitted payroll withholdings and \$28,780 for unremitted Goods and Services Tax. The Proposal Trustee, based on information provided by CRA and Wiston, estimates that \$37,250 of this amount is subject to a deemed trust. The Company's financial records as at March 26, 2018 indicate that CRA is owed approximately \$198,961 for unremitted payroll withholdings and \$39,540 for GST.

Bank of Montreal was given a general security agreement ("GSA") over all the assets of Wiston by the Company. As at March 26, 2018 Wiston's records indicate they owed approximately \$2.4 million to Bank of Montreal. Wiston has advised that they intend to continue to make payments against this secured debt while they are under the NOI.

We further understand that the Company's principal has provided a personal guarantee and an indemnity to BMO as collateral security against any shortfall on the secured amounts owing by Wiston. The personal guarantee is substantially secured against residential real estate in the city of Vancouver. Accordingly, the principal of the Company bears the risk on the Bank of Montreal facility.

As indicated, certain vehicles and equipment are subject to financing agreements registered in the Personal Property Registry of British Columbia. We have not completed an analysis of these units and the amounts owed against them to determine if there is equity in these assets.

Preferred Creditors

We understand that pre-filing amounts (including remittances) totalling \$27,243 was paid to employees Wiston deemed critical to its continued operations. Certain other amounts to employees no longer employed will be dealt with in the proposal. Total unpaid obligations to past employees is estimated at \$23,129.71

Unsecured Creditors

Wiston's financial records indicate that the Company owes unsecured creditors approximately \$23.831 million, of which \$22.67 million is owed to related parties of Wiston.

CONDUCT OF DEBTOR

We have made an examination of the banking records of the Company and we are not aware of any potential preference payments, settlements or reviewable transactions involving Wiston. We inquired as to the nature of several transactions and are awaiting a response from the Company.

Pursuant to subsection 50.4(7) the Proposal Trustee is monitoring the Company's business and financial affairs. The Proposal Trustee reports that the principal has repaid pre-filing shareholder loans in the amount of \$24,800. The principal has advised that these funds are being used as a deposit on inventory ordered from the plant in Harbin, China.

REMUNERATION OF THE PROPOSAL TRUSTEE

G. Powroznik Group Inc. has received, to date, a retainer in the amount of \$25,000 from the Company's principal, both directly and through Wiston. Amounts received are for payment of the Proposal Trustee's fees and expenses.

QUALIFICATIONS OF THIS REPORT

The Proposal Trustee has not provided previous services to the debtor.

In preparing this report, the Proposal Trustee has relied upon Wiston's books and records, unaudited financial information prepared by Wiston and discussions with management and legal counsel of Wiston. The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to the information contained in this report.

The cash flow statement and other future oriented financial information relied upon in this report are based upon management's assumptions regarding future events. Actual results will vary from the information presented even if the assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The Proposal Trustee reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to this report.

CASH FLOW

The cash flow prepared by the company (Attached as "Appendix A") indicates that the company will be able to fund its operations from sales, during the 45-day extension sought.

RECOMMENDATION OF THE PROPOSAL TRUSTEE

The Proposal Trustee is continuing to monitor the Company's financial affairs and we are not aware of any material adverse change in its financial position.

In the Proposal Trustee's opinion, Wiston has acted and is acting in good faith and with due diligence and further that no creditor will be materially prejudiced if the extension is granted,

Pursuant to the above, the Proposal Trustee supports a forty-five (45) day extension to the filing of the proposal.

All of which is respectfully submitted the 24th day of April, 2018.

G. Powroznik Group Inc.
In its capacity as Trustee under the Proposal of
Wiston International Trade Co. Ltd.

Per: _____

