Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)

CIMC Rolling Stock Australia Pty Ltd (In Liquidation)
ACN 083 334 696

The *Corporations Act* and professional standards require the Practitioners appointed to an insolvent entity to make a declaration as to:

A.   their independence generally;

B.   relationships, including

   a)   the circumstances of the appointment;

   b)   any relationships with the company and others within the previous 24 months;

   c)   any prior professional services for the company within the previous 24 months;

   d)   that there are no other relationships to declare; and

C.   any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners, the firm McGrathNicol, which for the purpose of this declaration includes the McGrathNicol Partnership, the McGrathNicol Advisory Partnership and McGrathNicol Services Pty Ltd.

A.   Independence

We, Anthony Norman Connelly and William James (**Jamie**) Harris, of the firm McGrathNicol have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as liquidators of **CIMC Rolling Stock Australia Pty Ltd (In Liquidation) (RSA)** in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B.   Declaration of Relationships

(i)   *Circumstances of appointment*

Our involvement was initiated by Holding Redlich Lawyers, acting on behalf of their client CIMC Vehicles (Group) Co., Ltd (**CIMC**). We were advised that CIMC is RSA's ultimate parent company.

Holding Redlich arranged a discussion with CIMC and McGrathNicol to discuss the restructuring options available with respect to RSA. CIMC is registered in the People's Republic of China and the directors of RSA had no prior knowledge or involvement with restructuring options applicable and the relevant Australian legislative provisions that apply in these circumstances.

McGrathNicol has engaged Holding Redlich from time to time to obtain legal advice in relation to other engagements and Holding Redlich has periodically referred other matters to McGrathNicol on behalf of its clients. We believe this relationship does not result in a conflict of interest or duty because:

▪   McGrathNicol has not undertaken an engagement for Holding Redlich relating to RSA or CIMC.

▪   Each professional engagement referred by Holding Redlich in relation to a particular client of Holding Redlich is conducted on an entirely separate basis which has no bearing on this appointment.

- Referrals between professional advisors are commonplace and in this case the level of professional referrals between McGrathNicol and Holding Redlich have been relatively insubstantial, taking place on one occasion in the last 12 months.

- These engagements are only commenced after full regard is given to potential conflicts of interest between McGrathNicol, Holding Redlich and all relevant stakeholders.

We have had no prior relationship or dealings with, nor have we provided any other information or advice to RSA, CIMC, or the directors and officers of the entities, prior to our appointment beyond the dealings described in this DIRRI.

Anthony Connelly and a senior McGrathNicol staff member met with one of RSA's directors, Raymond Zhan, and Holding Redlich, on 8 March 2018 for the purpose of:

- gaining a high level understanding of the corporate structure and financial position of RSA;

- discussing the historical trading performance of RSA, and the financial support provided by CIMC to RSA;

- ascertaining other issues relating to RSA, including potential litigation associated with a dispute between RSA and one of RSA's customers; and

- outlining the options available to RSA, including potential formal insolvency processes pursuant to the provisions of the Corporations Act.

McGrathNicol did not receive any remuneration for our attendance at the meeting set out above.

CIMC's China based in-housel legal counsel contacted McGrathNicol by email and telephone during the period 8 March 2018 to 3 May 2018, to request further specific information on the procedural requirements associated with the commencement of the potential formal insolvency processes, including procedures to commence a creditors' voluntary liquidation. This included provision of relevant statutory forms and other materials for the consideration of the directors and members of RSA.

Following consideration of the information provided by us regarding the procedures to commence a Creditors' Voluntary Winding Up, RSA requested, and Anthony Connelly and Jamie Harris provided, consent to act as liquidators of RSA.

On 3 May 2018, the directors and members of RSA determined that Anthony Connelly and Jamie Harris be appointed liquidators of RSA.

In our opinion, these dealings do not affect our independence for the following reasons:

- We had very limited communications with the directors and advisors of RSA, which were focused on understanding the current financial position of RSA and explaining potential formal insolvency processes.

- It is recognised by the Courts and the Australian Restructuring, Insolvency and Turnaround Association's (**ARITA**) Code of Professional Conduct that pre-appointment advice on the insolvency process and available options is necessary, and does not amount to an impediment to accepting an appointment; and

- The nature of the advice provided was such that it would not be subject to review and challenge during the course of the liquidation. Nor would the advice influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the liquidation in an objective and impartial manner.

We have provided no other information or advice to RSA, CIMC or any of their directors, shareholders or advisors prior to our appointment beyond that outlined in this DIRRI.

(ii)   *Relevant Relationships (excluding professional services to the Insolvent)*

Neither we, nor our firm, have, or have had, within the preceding 24 months, any relationships with RSA, an associate of RSA, a former insolvency practitioner appointed to RSA or any person or entity that has security over the whole or substantially the whole of RSA's property.

(iii)   *Prior professional services to the Insolvent*

Neither we, nor our firm, have provided any professional services to RSA, in the previous 24 months.

(iv)   *No other relevant relationships to disclose*

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with RSA, an associate of RSA, a former insolvency practitioner appointed to RSA or any person or entity that has security over the whole or substantially the whole of RSA's property that should be disclosed.

C.   Indemnities and Up-front Payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated: 16 May 2018

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Anthony Norman Connelly   **William James Harris**

Note:

1   If the circumstances change or new information is identified, we are required under the Corporations Act 2001 and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication, as well as table a copy of any replacement Declaration at the next meeting of the insolvent's creditors.

2   Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Please note that the presentation of the above information is in accordance with the standard format suggested by ARITA.