



No. S197744
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985,
c. C-36, AS AMENDED

BETWEEN:

**MINISO INTERNATIONAL HONG KONG LIMITED, MINISO INTERNATIONAL
(GUANGZHOU) CO. LIMITED, MINISO LIFESTYLE CANADA INC., MIHK
MANAGEMENT INC., MINISO TRADING CANADA INC., MINISO
CORPORATION and GUANGDONG SAIMAN INVESTMENT CO. LIMITED**

PETITIONERS

AND:

**MIGU INVESTMENTS INC., BRAELOCH HOLDING FORTY-ONE INC.,
BRAELOCH HOLDING INC., BRAELOCH HOLDING ONE INC., BRAELOCH
HOLDING TWO INC., BRAELOCH HOLDING THREE INC., BRAELOCH
HOLDING FOUR INC., BRAELOCH HOLDING FIVE INC., BRAELOCH
HOLDING SIX INC., BRAELOCH HOLDING SEVEN INC., BRAELOCH HOLDING
EIGHT INC., BRAELOCH HOLDING NINE INC., BRAELOCH HOLDING TEN
INC., BRAELOCH HOLDING ELEVEN INC., BRAELOCH HOLDING TWELVE
INC., BRAELOCH HOLDING THIRTEEN INC., BRAELOCH HOLDING
FOURTEEN INC., BRAELOCH HOLDING FIFTEEN INC., BRAELOCH HOLDING
SIXTEEN INC., BRAELOCH HOLDING SEVENTEEN INC., BRAELOCH
HOLDING EIGHTEEN INC., BRAELOCH HOLDING NINETEEN INC.,
BRAELOCH HOLDING TWENTY INC., BRAELOCH HOLDING TWENTY-ONE
INC., BRAELOCH HOLDING TWENTY-TWO INC., 1120701 B.C. LTD. and
BRIGHT MIGU INTERNATIONAL LTD.**

RESPONDENTS

THIRTEENTH REPORT OF THE MONITOR

ALVAREZ & MARSAL CANADA INC.

MARCH 24, 2022

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1.0 INTRODUCTION

1.1 On July 12, 2019, on the application of Miniso International Hong Kong Limited, Miniso International (Guangzhou) Co. Limited, Miniso Lifestyle Canada Inc., MIHK Management Inc., Miniso Trading Canada Inc., Miniso Corporation and Guangdong Saiman Investment Co. Limited (collectively, the “**Petitioners**”), the Supreme Court of British Columbia (the “**Court**”) made an Order (the “**Initial Order**”) granting a stay of proceedings (the “**Stay of Proceedings**”) against or in respect of Migu Investments Inc. (“**Migu**”), Miniso Canada Investments Inc. (“**Braeloch Forty-One**”), Miniso (Canada) Store Inc. (“**Braeloch Holding**”), twenty-two (22) entities named sequentially from “Miniso (Canada) Store One Inc.” to “Miniso (Canada) Store Twenty-Two Inc.” (the twenty-two entities collectively, the “**Braeloch Store Subsidiaries**”, and together with Migu, Braeloch Forty-One and Braeloch Holding, “**Braeloch Canada**” or the “**Companies**”), and the JV Affiliates (as defined in the Initial Order) and their assets until July 22, 2019, pursuant to the provisions of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). The proceedings brought by the Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

1.2 Braeloch Forty-One, Braeloch Holding and the Braeloch Store Subsidiaries have changed their legal business names, as follows:

Braeloch Canada	
Name Change - CCAA entities	
Previous Name	New Name
1 Miniso (Canada) Store Inc.	Braeloch Holding Inc.
2 Miniso (Canada) Store One Inc.	Braeloch Holding One Inc.
3 Miniso (Canada) Store Two Inc.	Braeloch Holding Two Inc.
4 Miniso (Canada) Store Three Inc.	Braeloch Holding Three Inc.
5 Miniso (Canada) Store Four Inc.	Braeloch Holding Four Inc.
6 Miniso (Canada) Store Five Inc.	Braeloch Holding Five Inc.
7 Miniso (Canada) Store Six Inc.	Braeloch Holding Six Inc.
8 Miniso (Canada) Store Seven Inc.	Braeloch Holding Seven Inc.
9 Miniso (Canada) Store Eight Inc.	Braeloch Holding Eight Inc.
10 Miniso (Canada) Store Nine Inc.	Braeloch Holding Nine Inc.
11 Miniso (Canada) Store Ten Inc.	Braeloch Holding Ten Inc.
12 Miniso (Canada) Store Eleven Inc.	Braeloch Holding Eleven Inc.
13 Miniso (Canada) Store Twelve Inc.	Braeloch Holding Twelve Inc.
14 Miniso (Canada) Store Thirteen Inc.	Braeloch Holding Thirteen Inc.
15 Miniso (Canada) Store Fourteen Inc.	Braeloch Holding Fourteen Inc.
16 Miniso (Canada) Store Fifteen Inc.	Braeloch Holding Fifteen Inc.
17 Miniso (Canada) Store Sixteen Inc.	Braeloch Holding Sixteen Inc.
18 Miniso (Canada) Store Seventeen Inc.	Braeloch Holding Seventeen Inc.
19 Miniso (Canada) Store Eighteen Inc.	Braeloch Holding Eighteen Inc.
20 Miniso (Canada) Store Nineteen Inc.	Braeloch Holding Nineteen Inc.
21 Miniso (Canada) Twenty Inc.	Braeloch Holding Twenty Inc.
22 Miniso (Canada) Twenty-One Inc.	Braeloch Holding Twenty-One Inc.
23 Miniso (Canada) Twenty-Two Inc.	Braeloch Holding Twenty-Two Inc.
24 Miniso Canada Investments Inc.	Braeloch Holding Forty-One Inc.

- 1.3 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Monitor**") was appointed as Monitor of the Companies in the CCAA Proceedings.
- 1.4 The Petitioners are part of a group of related corporations that, together, manufacture lifestyle products under the "Miniso" brand name and operate or licence an international group of retail outlets selling "Miniso" branded inventory. The Petitioners hold security from the parent companies within Braeloch Canada, specifically Migu, Braeloch Forty-One and Braeloch Holding. The Petitioners and Braeloch Canada are not related parties as defined in the CCAA or through any common ownership.
- 1.5 On July 19, 2019, the Monitor filed the First Report of the Monitor that described the Monitor's activities to date, the ongoing review of store leases, and potential lease and JV Interest disclaimers, and the proposed claims process (the "**Claims Process**").
- 1.6 On July 22, 2019, this Honourable Court granted Orders which extended the Stay of Proceedings to September 16, 2019 and approved the commencement of the Claims Process (the "**Claims Process Order**").
- 1.7 On August 19, 2019, the Monitor filed the Second Report of the Monitor which described the Monitor's activities to date and provided updates regarding the ongoing review of store operations and leases, the Claims Process and Braeloch Canada's interest in rights to use the Miniso brand and sell products in Chile.
- 1.8 On August 22, 2019, this Honourable Court granted an Order to add 1120701 B.C. Ltd. ("**1120**") as a Respondent to the CCAA Proceedings and authorized the Monitor to act as required in relation to the closing of the Amended and Restated Asset Purchase Agreement (the "**SA Purchase Agreement**"). The SA Purchase Agreement provided for, among other things, a sale of certain assets in Chile owned by Miniso Holding Chile SpA, Miniso 1 Tienda SpA and Dora 1293 Trading SpA (collectively, the "**Chilean Vendor Entities**"), to Miniso BF Holding S.A.P.I de C.V. (the "**SA Purchaser**"). The Chilean Vendor Entities are wholly owned subsidiaries of 1120, and the SA Purchase Agreement provided that the net proceeds derived from the sale of the assets by the Chilean Vendor Entities would be held by the Monitor, in its capacity as Monitor of 1120, pending further order of this Court.
- 1.9 On September 12, 2019, the Monitor filed the Third Report of the Monitor which, amongst other things, provided updates in respect of the JV Investors, the proposed Supplier's Charge in favour of Miniso Trading Canada Inc. and the extension of the Stay of Proceedings.

- 1.10 On September 16, 2019, this Honourable Court granted an Order that extended the Stay of Proceedings to November 18, 2019, granted a Supplier's Charge of up to \$4 million, and authorized the Monitor to execute real property lease amendments on behalf of the Respondents. This Honourable Court also granted the 1120 Claims Process Order.
- 1.11 On September 27, 2019, the Monitor filed the Fourth Report of the Monitor which provided an update on the Claims Process in respect of the JV Investors, the proposed plan of compromise and arrangement, the asset sale transactions in Peru and Argentina, and the proposed claim adjudication process (the "**Adjudication Process**").
- 1.12 On October 1, 2019, this Honourable Court granted an Order approving the Adjudication Process.
- 1.13 On October 11, 2019, the Monitor filed the Fifth Report of the Monitor which provided an update on the Claims Process and the receipt of certain late filed claims, the proposed transaction (the "**Acquisition Agreement**") pursuant to which the Petitioners, and a related entity, would acquire substantially all of the assets of Braeloch Canada by way of a credit bid and a cash payment, which cash payment would fund distributions under a Plan of Compromise, Arrangement and Reorganization (the "**Plan**") that certain of the Braeloch Store Subsidiaries (the "**Migu Plan Companies**") proposed to their creditors, information regarding the proposed meeting of creditors on November 1, 2019 (the "**Meeting**"), and the Monitor's observations regarding the Plan and the Meeting.
- 1.14 On October 15, 2019, this Honourable Court granted an Order approving the acceptance of certain late filed claims and an Order approving the Meeting.
- 1.15 On November 1, 2019, the Meeting was held and the Plan (amended on November 1, 2019) was approved by the Required Majority in accordance to the CCAA. On the same day, the Monitor filed the Sixth Report to the Court detailing the results of the Meeting, the terms of the finalized Acquisition Agreement and the leases and contracts to be acquired by the purchasers pursuant to the respective acquisitions.
- 1.16 On November 6, 2019, this Honourable Court granted various orders, including an Order sanctioning the Plan, an Approval and Vesting Order for the Acquisition Agreement between the Migu Vendor Companies and Miniso Lifestyle Canada Inc. ("**Lifestyle**"), an Approval and Vesting Order for the Acquisition Agreement (the "**QC Acquisition Agreement**") between Braeloch Forty-One and 9360-3876 Quebec Inc. ("**QC Purchaser**"), an Order assigning the leases and contracts to Lifestyle and the QC Purchaser respectively, and an Order extending the Stay until January 31, 2020, allowing the Monitor to execute agreements on behalf of the JV Affiliates in relation to the

- acquisitions and amending the Claims Process Order in order to remove the deadline for the Monitor to issue Notices of Revision or Disallowance in respect of the claims against Non-Migu Plan Companies.
- 1.17 On January 29, 2020, the Monitor filed the Seventh Report of the Monitor providing updates on the implementation of the Plan, the closing of the Acquisition Agreement and the QC Acquisition Agreement, an update on the Claims Process, the inclusion of Bright Migu International Ltd. (formerly known as Miniso International Ltd., herein “**Bright Migu**”) as a respondent and a proposed claims process for Bright Migu (the “**Bright Migu Claims Process**”).
- 1.18 On January 31, 2020, this Honourable Court granted various orders including an order to change the names of any of the Respondents or the JV affiliates (as defined in the Initial Order), an order authorizing the Monitor to distribute Plan funds that were withheld (the “**Withheld Funds**”) for a potential claim from the Canada Revenue Agency (the “**CRA**”), an order adding Bright Migu as a respondent, and a subsequent claims process order for the newly added respondent. Additionally, this Honourable Court granted an extension to the stay of proceedings through to May 6, 2020.
- 1.19 On May 1, 2020, the Monitor filed the Eighth Report of the Monitor providing updates in respect of the Monitor’s various activities, including the distribution of the Withheld Funds to the creditors of the Migu Plan Companies, the Acquisition Agreement, certain post-closing matters with Lifestyle, the Bright Migu Claims Process, and the status of the asset sale transactions in Chile, Peru, and Argentina.
- 1.20 On May 6, 2020, this Honourable Court granted an extension to the Stay of Proceedings through to September 4, 2020.
- 1.21 On August 19, 2020 the Monitor filed the Ninth Report of the Monitor providing updates in respect of the Monitor’s various activities, including the Acquisition Agreement and certain post-closing matters with Lifestyle, the Monitor’s communications with the CRA, an update on a potential claim against the Companies arising from the asset sale transactions in Chile, Peru, and Argentina (the “**SA Claim**”) and the extended cash flow forecast for the period August 1 to November 30, 2020.
- 1.22 On August 21, 2020, this Honourable Court granted an extension to the Stay of Proceedings through to November 27, 2020.
- 1.23 On November 19, 2020 the Monitor filed the Tenth Report of the Monitor (the “**Tenth Report**”) providing updates in respect of the Monitor’s various activities, including the Acquisition Agreement, a post-closing matter in respect of the QC Acquisition Agreement, an update on the SA Claim and the extended cash flow forecast for the period November 1, 2020 to March 31, 2021.

- 1.24 On November 24, 2020, this Honourable Court granted an extension to the Stay of Proceedings through to March 26, 2021.
- 1.25 On March 19, 2021, the Monitor filed the Eleventh Report of the Monitor providing updates in respect of the Monitor's various activities, including the name changes for certain Braeloch Canada entities pursuant to the Acquisition Agreement, the forbearance agreement executed in connection with the QC Acquisition Agreement, the proposed treatment on the SA Claim (the "**Proposed Adjudication Process**"), and the extended cash flow forecast for the period March 1 to September 30, 2021.
- 1.26 On March 25, 2021, this Honourable Court granted an extension to the Stay of Proceedings through to September 30, 2021 and granted the Monitor the power assign certain Braeloch Canada entities into bankruptcy as appropriate. The matter in relation to the Proposed Adjudication Process was adjourned generally prior to the court hearing, which was agreed by the Petitioners, the SA Purchaser and certain creditors of Braeloch Canada and Bright Migu.
- 1.27 On September 22, 2021, the Monitor filed the Twelfth Report of the Monitor (the "**Twelfth Report**") providing updates in respect of the Monitor's various activities, and extended cash flow forecast for the period September 1, 2021 to March 31, 2022 (the "**March 2022 CCAA Cash Flow Forecast**").
- 1.28 On September 28, 2021 this Honourable Court granted an extension to the Stay of Proceedings through to March 31, 2022.
- 1.29 The Initial Order along with select application materials and other documents filed in the CCAA Proceedings are posted on the Monitor's website at www.alvarezandmarsal.com/minisocanada.

2.0 PURPOSE OF THE THIRTEENTH REPORT

- 2.1 This is the thirteenth report of the Monitor (the "**Thirteenth Report**") and has been prepared to provide this Honourable Court with information regarding the following:
- a) A comparison of actual cash receipts and disbursements to the September 30 CCAA Cash Flow Forecast for the period from September 1, 2021 to March 15, 2022;
 - b) The cash flow forecast for the period from March 16 to September 30, 2022 (the "**September 2022 CCAA Cash Flow Forecast**");
 - c) The Proposed Adjudication Process and updates on the SA Claim;
 - d) The proposed distribution of the US\$1.43 million received from the SA Purchaser (the "**1120 Funds**");

- e) The proposed treatment of the remaining entities that are not Migu Plan Companies, 1120 or Bright Migu;
 - f) The proposed discharge of the Monitor, or alternatively, the extension of the Stay of Proceedings to September 30, 2022 (the “**Ninth Stay Extension**”), if required; and
 - g) The recommendation of the Monitor.
- 2.2 The Thirteenth Report should be read in conjunction with the Monitor’s application materials dated March 23, 2022, and other materials filed in the CCAA Proceedings (collectively, the “**Filed Materials**”), as background information contained in the Filed Materials has not been included herein to avoid unnecessary duplication. Capitalized terms which are not defined herein have meaning given to them in the Filed Materials and the Plan.

3.0 TERMS OF REFERENCE

- 3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain former senior management of the Companies (“**Management**”) and the Petitioners. Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management, the Petitioners or otherwise provided by the Companies. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.
- 3.2 Certain of the information referred to in this report consists of financial forecasts and/or projections prepared by Management, the Monitor and/or the Petitioners. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projections and the variations could be significant.
- 3.3 Unless otherwise stated, all monetary amounts contained in this Thirteenth Report are expressed in Canadian dollars.

4.0 ACTIVITIES OF THE MONITOR SINCE THE TWELFTH REPORT

- 4.1 Since the Twelfth Report and up to and including the date of this Thirteenth Report, the Monitor’s activities have included the following:

- a) Attended to developments in the SA Claim (subsequently discussed);
- b) Processed disbursements and prepared cash flow reporting; and
- c) Considered the treatment of the 1120 Funds, and other trust funds, and engaged in discussions with the Monitor's counsel, the Petitioner's counsel, counsel to certain JV Investors, and counsel to the SA Purchaser regarding same.

5.0 CASH FLOW VARIANCES FOR THE PERIOD ENDED MARCH 15, 2022

- 5.1 Subsequent to the Closing Date of the Acquisition Agreement (i.e. November 15, 2019), all the active employees at the Companies were transferred to either Lifestyle or the QC Purchaser. Accordingly, the Monitor assumed control of the Companies' funds for the settlement of any pre-closing expenses on behalf of the Companies.
- 5.2 The Companies' actual cash receipts and disbursements as compared to the March 2022 CCAA Cash Flow Forecast for the period from September 1, 2021 to March 15, 2022 are summarized below:

Braeloch Canada March 2022 CCAA Cash Flow Forecast For the period September 1, 2021 to March 15, 2022 (C\$000s)			
	Budget 31-Mar	Actual 15-Mar	Variance 15-Mar
Receipts			
Sales	\$ -	\$ -	\$ -
GST Refunds	11	-	(11)
Total Receipts	11	-	(11)
Disbursements			
Statutory Obligations	\$ 43	\$ 25	\$ (18)
Professional fees	150	39	(111)
Total Disbursements	193	64	(129)
Net Cash Flow	(182)	(64)	118
Cash Position			
Opening Cash Position	252	252	-
Closing Cash Position	<u>\$ 70</u>	<u>\$ 187</u>	<u>\$ 118</u>

- 5.3 The Companies experienced a net favorable cash flow variance of \$118,000 over the period ended March 15, 2022, mainly driven by lower professional fees during the period due to lower activity levels.

6.0 THE SEPTEMBER 2022 CCAA CASH FLOW FORECAST

- 6.1 Subject to the direction of this Honourable Court, the Monitor may be in a position to be discharged in the CCAA Proceedings following the upcoming application (subsequently discussed). However, in the event that this Honourable Court determines that the CCAA Proceedings should continue and the Ninth Stay Extension is granted, the Monitor has prepared an extension of the cash flow forecast for the period from March 16 to September 30, 2022, using the probable and hypothetical assumptions set out in the notes to the September 2022 CCAA Cash Flow Forecast.
- 6.2 A copy of the September 2022 CCAA Cash Flow Forecast along with its notes and assumptions are attached hereto as **Appendix A** and is summarized below.

Braeloch Canada September 2022 CCAA Cash Flow Forecast For the period from March 16, 2022 to September 30, 2022 (C\$000s)								
Period Ending	31-Mar-22	30-Apr-22	31-May-22	30-Jun-22	31-Jul-22	31-Aug-22	30-Sep-22	Total
Receipts								
Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GST Refund	-	-	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-	-	-
Disbursements								
Statutory Obligations	-	-	-	-	-	-	-	-
Professional fees	10	25	10	10	10	10	10	85
Total Disbursements	10	25	10	10	10	10	10	85
Net Cash Flow	(10)	(25)	(10)	(10)	(10)	(10)	(10)	(85)
Cash Position								
Opening Cash Position	187	177	152	142	132	122	112	187
Closing Cash Position	\$ 177	\$ 152	\$ 142	\$ 132	\$ 122	\$ 112	\$ 102	\$ 102

- 6.3 Subject to the distribution of the 1120 Funds, the Monitor expects that CCAA Proceedings are largely complete.
- 6.4 Pursuant to the Acquisition Agreement, funds remaining with the Companies after settling all the pre-closing expenses and payment of all CCAA Completion Costs are considered "Remaining Cash" and are to be returned to Lifestyle. The Acquisition Agreement stipulated that the Remaining Cash was to be returned to Lifestyle upon the earlier of the completion of the CCAA Proceedings and March 31, 2020. However, due to the extension of the CCAA Proceedings and ongoing matters being undertaken to wind down the Estate, the Monitor is still in possession of the Remaining Cash. The treatment of the Remaining Cash will be subsequently discussed in this report.

6.5 Excluded from the September 2022 CCAA Cash Flow Forecast are the 1120 Funds of US\$1.43 million, which were received from the SA Purchaser, \$265,000 from the QC Purchaser (with the remainder due and payable since November 2021, the “**QC Cash Payment**”) and \$25,000 from Lifestyle pursuant to the Acquisition Agreement, all of which are held in trust by the Monitor.

7.0 SA PURCHASER’S CLAIM AGAINST THE 1120 FUNDS

7.1 As noted in previous reports, the Monitor has been considering the treatment of the 1120 Funds and an alleged priority claim of at least US\$408,000 plus unquantified damages by the SA Purchaser. The Monitor proposed an adjudication process (and a corresponding litigation charge) for the SA Purchaser to substantiate its claim to this Honourable Court in the Eleventh Report for this Honourable Court’s consideration.

7.2 Subsequent to the issuance of the Eleventh Report and prior to the court hearing on March 25, 2021, the SA Purchaser, the Petitioners and certain creditors of Bright Migu and Braeloch Canada (collectively, the “**Parties**”) reached an agreement to adjourn the application regarding the Proposed Adjudication Process to April 29, 2021, and this matter was ultimately adjourned generally upon consensus between the Parties.

7.3 The Monitor is advised by the Parties that negotiations amongst those stakeholders has resulted in a settlement between the two parties, which is currently being documented. As a result of the settlement, it is expected the SA Purchaser will withdraw its claim against the 1120 Funds and will not oppose the Monitor’s proposed distribution of the 1120 Funds as outlined below.

7.4 Accordingly, the Proposed Adjudication Process is no longer required, and the Monitor believes it is now in a position to proceed with the distribution of the 1120 Funds.

8.0 PROPOSED DISTRIBUTION OF THE 1120 FUNDS

8.1 As noted in the Sixth Report, as at the claims bar date of the claims process of 1120 (the “**1120 Claims Bar Date**”), the Monitor has received one unsecured creditor claim from Braeloch Forty-One (as submitted by the Monitor) for \$9,496 and an equity claim from Migu (as submitted by the Monitor) asserting a 100% ownership interest in 1120.

8.2 Subsequent to the 1120 Claims Bar Date and the addition of Bright Migu to the CCAA Proceedings, the Monitor, on behalf of Bright Migu, has submitted a proof of claim against 1120 for \$2,315,847.17, representing intercompany advances made by Bright Migu, using funds that appeared to be received from certain JV Investors’ investments for Braeloch Canada stores, to 1120

between September 2017 and May 2018, to potentially fund the Chilean and/or South American Miniso operations.

- 8.3 Based on the results on the claims process, the Monitor concluded that in the event of a distribution by 1120, 99.6% of 1120's funds (approximately US\$1.42 million) will be distributed to Bright Migu, and 0.4% will be distributed to Braeloch Forty-One.

Braeloch Canada 1120 Admitted Claims		
\$'000	Admitted Claim	%
Braeloch Forty-One	\$ 9	0.4%
Bright Migu	2,316	99.6%
Total	\$ 2,325	100.0%

- 8.4 As noted above, it is believed that one of the potential sources of funds for Bright Migu was from Braeloch Canada's JV Investors, and a claims process (the "**Bright Migu Claims Process**") was conducted by the Monitor in early 2020.
- 8.5 As a result of the Bright Migu Claims Process, the Monitor allowed claims totaling \$6.8 million from 43 creditors. Of the 43 creditors, 42 were JV Investors in Braeloch Canada's, and one invested in South America (Peru).
- 8.6 Among the creditors with admitted claims against Bright Migu is the QC Purchaser with an admitted claim of \$1.6 million. As noted in previous reports, the Monitor and the QC Purchaser executed a forbearance agreement (the "**Forbearance Agreement**") in relation to the QC Cash Payment, in the amount of \$263,835.62, issued pursuant to the QC Acquisition Agreement.
- 8.7 Under the Forbearance Agreement:
- The QC Purchaser assigned any dividends or payment receivable by the QC Purchaser in relation to the CCAA Proceedings, up to the amount of the Promissory Note (the "**CCAA Distribution**"), to Braeloch Forty-One; and
 - The QC Purchaser granted a hypothec to Braeloch Forty-One in all of the QC Purchaser's right, title and interest in and to any CCAA Distribution as security for the QC Purchaser's obligations to Braeloch Forty-One, pursuant to a Hypothec on Movable Property dated as of February 28, 2021. The Monitor has registered notice of the foregoing hypothec in the Registre des droits personnels et reels mobiliers against the QC Purchaser accordingly.
- 8.8 The Forbearance Period under the Forbearance Agreement expired on November 15, 2021, and the QC Purchaser has not remitted the QC Cash Payment to the Monitor. As the QC Purchaser is a creditor to Bright Migu, it will be receiving a distribution from Bright Migu should there be a

distribution from Bright Migu to its creditors. Based on the admitted claims and the funds that would be available, the distribution available to the QC Purchaser would cover the QC Cash Payment. Accordingly, the Monitor plans to divert the assigned amount of the QC Cash Payment from the QC Purchaser's entitled distribution and remitting that to Braeloch Forty-One to satisfy the Promissory Note.

- 8.9 After taking into account claims from Braeloch Forty-One and Bright Migu against 1120, the admitted claims against Bright Migu, and the Promissory Note, the Monitor has prepared a proposed distribution (the "**Proposed Distribution**") to Braeloch Forty-One and Bright Migu's proven creditors, summarized below:

Braeloch Canada Proposed Distribution - 1120 Funds Re: 1120 and Bright Migu Claims						
CA\$'000						
1120 Funds	CAD converted ¹					\$ 1,830
Proposed Distribution						
Claim entity	Creditor	# of claims	Admitted claims	%	Proposed Distribution	
1120	Braeloch Forty-One	1	\$ 9	0.4%	\$	7
Bright Migu	10287881 Canada Inc.	2	184	2.7%		49
Bright Migu	10306541 Canada inc.	2	240	3.5%		64
Bright Migu	10725951 Canada Ltd	1	277	4.0%		74
Bright Migu	1162138 BC Ltd	3	454	6.6%		122
Bright Migu	1182193 BC Ltd	3	454	6.6%		122
Bright Migu	1994993 Ontario Ltd.	1	444	6.5%		119
Bright Migu	2592256 Ontario Incorporated	2	176	2.6%		47
Bright Migu	2623211 Ontario inc.	1	432	6.3%		116
Bright Migu	2633772 Ontario Inc.	1	636	9.3%		170
Bright Migu	9360-3876 Quebec Inc.	1	1,574	23.0%		157
Bright Migu	9361-2208 Quebec Inc.	5	331	4.8%		89
Bright Migu	9374-8762 Quebec Inc.	3	154	2.3%		41
Bright Migu	9375-0883 Quebec Inc.	3	71	1.0%		19
Bright Migu	9375-1642 Quebec Inc.	2	127	1.9%		34
Bright Migu	9376-6319 Quebec Inc.	3	145	2.1%		39
Bright Migu	Enlight Max Enterprise Inc.	3	381	5.6%		102
Bright Migu	KHY & SPS	1	260	3.8%		70
Bright Migu	Morfly Invesments Inc.	1	171	2.5%		46
Bright Migu	Qian Peng	3	50	0.7%		13
Bright Migu	SAMHF005	1	121	1.8%		32
Bright Migu	9374-9828 Quebec Inc.	1	128	1.9%		34
N/A	Braeloch Forty-One ²	N/A	N/A	N/A		264
Subtotal - Bright Migu		43	\$ 6,810	99.6%	\$	1,823
Total		44	\$ 6,819	100.0%	\$	1,830

Note 1: Exchange rate as of March 10, 2022. Actual amounts to be determined at the time of exchange.

Note 2: Represents assigned amount from 9360-3876 Quebec Inc. re: Promissory Note.

8.10 When developing the Proposed Distribution, the Monitor considered several alternatives, including through a plan of arrangement or a bankruptcy. The Monitor concluded that the Proposed Distribution would be made most efficiently in the form of a distribution order, due to the following factors:

- a) 1120 and Bright Migu were entities with no operations. There are no restructuring or going concern plans for these entities, and therefore, a plan of arrangement is not necessary or the most cost-effective approach in distributing the funds;
- b) Court-approved claims processes have been completed for 1120 and Bright Migu during the CCAA Proceedings; and
- c) Should the 1120 Funds be distributed under bankruptcies of 1120 and Bright Migu, additional statutory requirements (including but not limited to the preparation of statutory documents and the holding of first meetings of creditors) will need to be administered, which will incur additional costs that would ultimately reduce the amounts available to the creditors. In addition, dividend payments would be paid net of the levy payable to the Office of the Superintendent of Bankruptcy, thus reducing net recoveries to creditors.

8.11 While developing the Proposed Distribution, the Monitor has been in discussions with the Petitioners and certain creditors of Bright Migu and Braeloch Canada. The Monitor is aware that certain creditors of Bright Migu may wish to dispute the Monitor's adjudication of certain Bright Migu claims. As of the date of this report, the Monitor has not received any formal unresolved disputes raised by Bright Migu creditors.

9.0 TREATMENT OF THE REMAINING ENTITIES

9.1 Subject to the approval of the Proposed Distribution by this Honourable Court, 14 of the 27 Braeloch Canada entities will have paid a distribution to creditors with accepted claims, either under the Plan or the Proposed Distribution.

9.2 Tabled below is the status of the remaining 13 Braeloch Canada entities that are not subject to the Plan or the Proposed Distribution:

Braeloch Canada						
Proposed treatment of entities that are not Migu Plan Companies, 1120 or Bright Migu						
\$'000	Admitted claims	Late / unadjudicated claims	Total	Assets as of March 15, 2022	Proposed treatment	
Migu Investments Inc.	\$ 21,383	\$ 1	\$ 21,384	\$ -	Bankrupt	
Braeloch Holding Forty-One Inc.	26,440	8,400	34,840	265	Bankrupt	
Braeloch Holding Inc.	21,544	3	21,547	-	Bankrupt	
Braeloch Holding Two Inc.	26	-	26	-	Bankrupt	
Braeloch Holding Six Inc.	4	3,049	3,052	-	Bankrupt	
Braeloch Holding Seven Inc.	5	-	5	-	Bankrupt	
Braeloch Holding Fifteen Inc.	0	1,646	1,646	-	Bankrupt	
Braeloch Holding Sixteen Inc.	12	303	315	-	Bankrupt	
Braeloch Holding Seventeen Inc.	250	15,613	15,863	25	Bankrupt	
Braeloch Holding Eighteen Inc.	-	-	-	-	No action	
Braeloch Holding Nineteen Inc.	-	-	-	-	No action	
Braeloch Holding Twenty Inc.	-	-	-	-	No action	
Braeloch Holding Twenty-Two Inc.	-	-	-	-	No action	
Subtotal	\$ 69,664	\$ 29,015	\$ 98,679	\$ 290		

- 9.3 Based on the above, nine Braeloch Canada entities (the “**Remaining Entities**”), out of 27 Braeloch Canada entities, appear to be insolvent (i.e. admitted claims exceed available assets).
- 9.4 Pursuant to the order made on March 25, 2021, the Monitor has obtained the power from this Honourable Court to assign the Braeloch Canada entities, other than the Migu Plan Companies, into bankruptcy.
- 9.5 The Monitor is holding certain funds in trust on behalf of Braeloch Holding Forty-One Inc. and Braeloch Holding Seventeen Inc., which could be utilized and fund the bankruptcies of these two entities.
- 9.6 There are no assets available in the rest of the seven Remaining Entities (the “**No Asset Entities**”), namely:
- a) Migu Investments Inc.;
 - b) Braeloch Holding Inc.;
 - c) Braeloch Holding Two Inc.;
 - d) Braeloch Holding Six Inc.;
 - e) Braeloch Holding Seven Inc.;
 - f) Braeloch Holding Fifteen Inc.; and
 - g) Braeloch Holding Sixteen Inc.
- 9.7 Pursuant to the Acquisition Agreement, the costs to complete all transactions, reorganizations, arrangements or other corporate proceedings necessary to complete the CCAA Proceedings are included in “CCAA Completion Costs”, to be paid prior to distribution of the Remaining Funds.

Based on the discussions between the Monitor and Lifestyle, it was contemplated that this includes bankruptcy costs incidental to winding up the Braeloch Canada entities.

9.8 Upon discussion with Lifestyle (the party entitled to receive the Remaining Cash), it was agreed that the Monitor/Trustee will hold back \$100,000 as a reasonable estimate of the remaining CCAA Completion Costs, to fund the bankruptcies of the No Asset Entities. In the event there are remaining funds available from the amount held back, after the conclusion of the bankruptcies, such funds will be returned to Lifestyle.

9.9 The Claims Process also revealed that four of the Braeloch Canada entities (Braeloch Holding Eighteen Inc., Braeloch Holding Nineteen Inc., Braeloch Holding Twenty Inc. and Braeloch Holding Twenty-Two Inc., as noted in the table above) have no claims against them. These entities also do not have any assets retained in them. As such, the Monitor proposes that no further effort be undertaken on these four entities so they will be eventually be struck off upon exiting the CCAA Proceedings.

10.0 FEES AND DISBURSEMENTS OF THE MONITOR AND ITS COUNSEL

10.1 The professional fees and disbursements (inclusive of taxes) of the Monitor for the period July 12, 2019 to February 28, 2022 totaled \$1,546,259.46.

10.2 Detailed statements of account of the Monitor are filed under the First Affidavit of Anthony Tillman. Total Monitor's fees of approximately \$1.55 million include out of pocket disbursements of \$36,000 and GST of approximately \$74,000.

10.3 The legal fees (inclusive of taxes) of the Monitor's counsel, Dentons Canada LLP ("**Dentons**"), for the period July 12, 2019 to February 28, 2022 totaled \$786,872.21.

10.4 Summaries of the legal fees for Dentons and detailed statements of account of the legal fees were filed under the First Affidavit of John Sandrelli.

10.5 The Monitor is of the view that the fees incurred are fair and reasonable and were necessary for the effective administration of the CCAA Proceedings, including but not limited to the administration of three claims processes, the SA Purchase Agreement, the Plan, the Acquisition Agreement, the QC Acquisition Agreement, the SA Claim and the treatment of the 1120 Funds, and various administrative matters as reported to this Honourable Court in the Monitor's reports.

11.0 PROPOSED DISCHARGE OR EXTENSION OF STAY OF PROCEEDINGS

11.1 The current Stay of Proceedings will expire on March 31, 2022. In the event the Proposed Distribution is approved by this Honourable Court and the Remaining Entities are assigned into

bankruptcy, the Monitor believes it will be in a position to be discharged as Monitor of the CCAA Proceedings.

11.2 However, if the Proposed Distribution is being challenged, a further extension of the Stay of Proceedings will be required. The Monitor has considered several factors in its application for the Ninth Stay Extension, including:

- a) whether there would be any material financial prejudice to any of Braeloch Canada's creditors;
- b) the time required to resolve any claims in relation to the Proposed Distribution;
- c) whether Braeloch Canada is acting with good faith and due diligence; and
- d) whether Braeloch Canada's prospect of effecting a viable compromise with its creditors would be enhanced by an extension of the Stay of Proceedings.

11.3 The Monitor is of the view that Braeloch Canada is acting in good faith and with due diligence and that there would not be material prejudice to Braeloch Canada's stakeholders should the extension of the Stay of Proceedings of up to September 30, 2022 be granted by this Honourable Court.

12.0 MONITOR'S RECOMMENDATIONS

12.1 The Monitor respectfully recommends that this Honourable Court:

- a) approve the Proposed Distribution;
- b) approve the activities of the Monitor;
- c) approve the fees and disbursements of the Monitor and its counsel;
- d) approve the certificate of discharge to be executed by the Monitor.

All of which is respectfully submitted to this Honourable Court this 24th day of March, 2022.

Alvarez & Marsal Canada Inc.,
in its capacity as Monitor of
Migu Investments Inc., Braeloch Holding Inc., 1120701 B.C. Ltd,
Bright Migu International Ltd., Braeloch Holding Forty-One Inc. and its subsidiaries



Per: Anthony Tillman
Senior Vice President



Per: Pinky Law
Vice President

Appendix A
September 2022 CCAA Cash Flow Forecast for the period
from March 16 to September 30, 2022

Braeloch Canada
September 2022 CCAA Cash Flow Forecast¹
For the period from March 16, 2022 to September 30, 2022
(C\$000s)

Period Ending	Notes	31-Mar-22	30-Apr-22	31-May-22	30-Jun-22	31-Jul-22	31-Aug-22	30-Sep-22	Total
Receipts									
Sales		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GST Refund		-	-	-	-	-	-	-	-
Total Receipts		-	-	-	-	-	-	-	-
Disbursements									
Statutory Obligations		-	-	-	-	-	-	-	-
Professional fees	3	10	25	10	10	10	10	10	85
Total Disbursements		10	25	10	10	10	10	10	85
Net Cash Flow		(10)	(25)	(10)	(10)	(10)	(10)	(10)	(85)
Cash Position									
Opening Cash Position	2	187	177	152	142	132	122	112	187
Closing Cash Position	4	<u>\$ 177</u>	<u>\$ 152</u>	<u>\$ 142</u>	<u>\$ 132</u>	<u>\$ 122</u>	<u>\$ 112</u>	<u>\$ 102</u>	<u>\$ 102</u>

**Migu Investments Inc., Braeloch Holding Inc., 1120701 B.C. Ltd, Bright Migu International Ltd.,
Braeloch Holding Forty-One Inc. and its subsidiaries (collectively "Braeloch Canada")
September 2022 CCAA Cash Flow Forecast
Notes and Assumptions**

1. The September 2022 CCAA Cash Flow Forecast has been prepared by the Monitor to set out the cash flow of Braeloch Canada during the *Companies' Creditors Arrangement Act* proceedings (the "CCAA Proceedings") for the period from March 16 to September 30, 2022. Readers are cautioned that it may not be appropriate for other purposes. Capitalized terms not defined herein has the meaning ascribed to them in the Thirteenth Report of the Monitor.
2. The opening cash position as presented in the September 2022 CCAA Cash Flow Forecast is the actual cash balance at the Monitor's RBC trust account for Braeloch Canada as at March 15, 2022.

Excluded from the September 2022 CCAA Cash Flow Forecast are the 1120 Funds of US\$1.43 million, which were received from the SA Purchaser, \$265,000 from the QC Purchaser (with the remainder now due and owing) and \$25,000 from Lifestyle pursuant to the Acquisition Agreement, all of which are held in trust by the Monitor.

3. Restructuring professional fees have been forecast based on estimated costs of professional service firms relating to the CCAA Proceedings and include the Monitor and its legal counsel.
4. Due to the extension of the CCAA Proceedings and ongoing matters being undertaken to wind down the Estate, the September 2022 CCAA Cash Flow Forecast does not include any repayments of the Remaining Cash (as defined in the Acquisition Agreement between Miniso Canada Lifestyle Inc. and certain entities of Braeloch Canada).