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MAINZEAL GROUP LIQUIDATION

Liquidators' Six Monthly Report to Creditors and Shareholders

Pursuant to Section 255 of the Companies Act 1993

Reporting Period: 28 February 2018 - 28 August 2018

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1. Introduction

Brian Mayo-Smith and Andrew James Bethell, of BDO Auckland and Stephen John Tubbs, of BDO Christchurch, all Chartered Accountants (“the Liquidators”), were appointed joint and several liquidators of the below Companies on 28 February 2013 by special resolution of the shareholders in accordance with Section 241(2)(a) of the Companies Act 1993 (“the Act”) with approval of the High Court.

- Mainzeal Property and Construction Limited (“MPCL”)
 - Mainzeal Living Limited (“MLL”)
 - 200 Vic Limited
 - Mainzeal Group Limited
 - Building Futures Group Holdings Limited
 - Building Futures Group Limited
 - Mainzeal Residential Limited
 - Mainzeal Construction Limited
 - Mainzeal Limited
 - Mainzeal Construction SI Limited
 - MPC NZ Limited
 - RGRE Limited
- (together “the Companies”)

Stephen Tubbs retired as liquidator on 8 December 2016 prior to his retirement from BDO Christchurch. Andrew Bethell and Brian Mayo-Smith remain in office.

The Liquidators were earlier appointed liquidators of King Facade Limited (“KFL”) on 12 February 2013 also by special resolution of the shareholders in accordance with Section 241(2)(a) of the Act.

In accordance with Section 255 of the Act we are obliged to report to all creditors and shareholders on the conduct of the liquidation during the preceding six-month period. On 25 June 2013, Keane J granted an order, among others, that the liquidations of the Companies and KFL be conducted as if those Companies and KFL were one company. Accordingly, we report on all the Companies and KFL together using 28 February 2013 as the liquidation commencement date.

This report should be read in conjunction with our previous reports for the Companies and KFL pursuant to Section 255(2)(c) of the Act.

2. Restrictions

This report is not intended for general circulation, nor is it to be reproduced or used for any purpose other than that outlined above without our written permission in each specific instance.

We do not assume any responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

We reserve the right (but will be under no obligation) to review this report and if we consider it necessary to revise the report in the light of any information existing at the date of this report which becomes known to us after that date.

3. Conduct of the liquidation within the reporting period

Investigations into the affairs of the Companies and KFL

As previously advised, the Liquidators concluded that there are a number of claims available under the Act and at common law relating to the manner in which the business of the Companies and KFL has been conducted. The defendants are related companies Richina Global Real Estate Limited and Isola Vineyards Limited and current or former Directors Richard Ciliang Yan, Peter Gomm, Rt Hon Dame Jennifer Mary Shipley, Clive William Charles Tilby, Sir Paul David Collins, Siew May Kwan.

Subsequent to our last report, two of the defendant companies, Richina Global Real Estate Limited (“RGREL”) and Isola Vineyards Limited (“IVL”), were placed into liquidation by their respective shareholders. The RGREL and IVL liquidators have consented to the proceedings continuing.

Proceedings have been filed with the High Court alleging:

- Breaches of directors’ duties in relation to restructures of the business that occurred within the two years prior to liquidation;
- Reckless trading; and
- Claims against related parties.

As previously advised, the Liquidators have secured third-party funding enabling them to pursue the litigation.

The trial commenced on 17 September 2018 with a six week fixture having been allocated and an additional two weeks will be made available if required.

Contract receivables and retentions

Consideration of residual debtor claims is continuing but the outcome of these is unlikely to have a material impact on the outcome to creditors.

Receipts and payments

Attached as Appendix 1 is a Statement of Receipts and Payments for the reporting period.

Creditor claims

Preferential creditors

Preferential creditors have been paid in full.

Unsecured Creditors

We have received approximately 1,400 claims from creditors totaling \$157.7m (incl. GST where applicable) for the Companies and KFL. At the date of this report we have admitted 1,386 claims either in full or in part totaling \$117m.

Any additional claims which have not yet been filed will be processed in the usual manner.

Liquidation Committee

A liquidation committee (“Committee”) was appointed by creditors at the creditors’ meeting on 3 April 2013. There have been ongoing meetings with the Committee to discuss the conduct and strategy of the liquidation and the Liquidators will continue to meet with the Committee when appropriate.

4. Further proposals for completing the liquidation

The Liquidators propose at this stage to take the following further actions:

- Pursue any residual contract receivables where appropriate;
- Collect any GST recoveries;
- Pursue recovery from the related parties and the current and former Directors of the Companies and KFL; and
- Distribute available funds (if any) to unsecured creditors.

The Liquidators will take further action as appropriate should additional information regarding the Companies’ and KFL’s affairs come to the Liquidators’ attention. Further actions will be subject to the availability of funding and an assessment of the benefits of pursuing recoveries.

Likely distribution to unsecured creditors

We expect that there will be some funds available for distribution to unsecured creditors. The quantum of any ultimate distribution to unsecured creditors will depend on the Liquidators being able to achieve significant recovery from actions available to the Liquidators, the Companies and KFL. At this stage the Liquidators are not in a position to consider an interim distribution given the pending litigation.

Estimated Date of Completion

It is not practical to estimate the date of the completion of the liquidation at this stage. Our subsequent reports to creditors and shareholders will, when appropriate, advise of an estimated completion date.

5. Contact Information

If you require any further information, please direct enquiries to:

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Dated this  day of September 2018


Andrew Bethell
Liquidator

APPENDICES

Appendix 1 - Receipts and Payments

Receipts and Payments

28 February 2018 - 28 August 2018 \$000

Opening Balance 4,847

Receipts

Sundry Receipts 2

Litigation funding 1,119

Net interest 35

GST Receivable 51

Suspense Account 3

1,211

Payments

Administrative expenses 31

Contractors & Consultants 317

IT hosting 5

Legal fees 690

Liquidators' fees & costs 334

Records storage 32

1,409

Funds on hand 4,648
