

**LIQUIDATORS' SIX MONTHLY REPORT**

**TO ALL CREDITORS AND SHAREHOLDERS OF**

**MAINZEAL PROPERTY AND CONSTRUCTION LIMITED (IN RECEIVERSHIP) ("MPCL")**  
**MAINZEAL LIVING LIMITED (IN RECEIVERSHIP) ("MLL")**  
**200 VIC LIMITED (IN RECEIVERSHIP) ("200VL")**  
**MAINZEAL GROUP LIMITED ("MGL")**  
**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")**

**KING FACADE LIMITED ("KFL")**  
**(ALL IN LIQUIDATION)**

Reporting Period: 28 August 2013 - 27 February 2014

**1. INTRODUCTION**

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

MPCL and MLL, the two principal trading entities, were placed in receivership on 6 February 2013 and 200VL followed on 13 February 2013. Colin McCloy and David Bridgman ("the Receivers") of PricewaterhouseCoopers were appointed receivers at the request of the remaining director. At the date of this report the Receivers remain in control of a limited number of specific assets of MPCL, MLL and 200VL, with the remainder transferred to the Liquidators.

In accordance with Section 255 of the Act I am obliged to report to all creditors and shareholders on the conduct of the liquidation during the preceding six month period. On

25 June 2013, an order was granted by Keane J, among others, that the liquidations of the Companies and KFL be conducted as if those Companies and KFL were one company (together with the remaining orders granted on that date, the “Pooling Orders”). 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**

### **3.1 Receivership of MPCL, MLL and 200VL**

As previously reported, we understand from the Receivers that apart from a performance bond exposure, for which funds are being held by the Receivers, their appointer is fully repaid.

Since the date of our last report the Liquidators have liaised with the Receivers regarding the handover of the physical records, IT and residual assets of the Companies. The residual assets include:

- outstanding payment claims in respect of projects active at the date of receivership;
- final progress and retention claims in respect of the inactive projects;
- related party claims; and
- other residual assets and potential claims.

The Receivers' third report on MPCL, MLL and 200VL is due on or around 5 April 2014 which we understand will cover details regarding various issues and realisations during the receivership.

Attached as **Appendix 1** is a schedule of receipts and payments for the reporting period for MPCL. 200VL and MLL have no receipts and payments for the liquidations.

### **3.2 KFL**

As previously reported, the primary business of KFL from 1 January 2012 onwards was supplying and installing building facades as a subcontractor for MPCL. The Liquidators negotiated the sale of the materials required for KFL's three active projects and sold the fixed and residual assets by auction.

Since the date of our last report, actions carried out by the Liquidators include:

- paying a 70% distribution to employee preferential creditors. Any further funds available for distribution is reliant on the outcome of the application to set aside the Pooling Orders and litigation against related parties including Isola Vineyards Limited ("IVL") and Richina Global Real Estate Limited (In Liquidation) ("RGREL");
- an investigation into a restructure of the business that occurred within the two years prior to liquidation; and
- general actions to comply with our statutory obligations.

Attached as **Appendix 2** is a schedule of receipts and payments for KFL for the reporting period.

### **3.3 Liquidation Proceedings Against IVL and RGREL**

MPCL and KFL applied to court for the liquidation of RGREL and IVL. The objectives included recovering intercompany balances owing by RGREL and IVL to the Companies and to fully investigate the restructures that occurred just prior to the receiverships and liquidations of the Companies and KFL. The High Court appointed us as Liquidators of RGREL on 27 February 2014.

Richard Yan has appealed the above decision. Richard Yan also applied to the High Court for a stay of the RGREL liquidation and following the High Court decision rejecting the stay application, applied to the Court of Appeal for the same order. The Court of Appeal also

declined a stay after an urgent hearing but the challenges have caused delays and increased the costs of the liquidation.

Although it was found that IVL had not discharged the burden of proving that it is able to pay its debts, the High Court judge exercised his discretion and declined to appoint liquidators to IVL at that time. We have appealed this decision.

Richard Yan is the sole director of RGREL. Richard Yan and Tina Wang (Richard's wife) are the only Directors of IVL.

Richard Yan's appeal of the RGREL liquidation is set for 16 April 2014. The Liquidators have attempted to have the IVL appeal heard at the same time but this approach is opposed by Richard Yan.

### **3.4 Pooling Orders**

As previously reported, on 3 September 2013, IVL and RGREL filed an application to set aside the Pooling Orders ("Set Aside Application"). A hearing date has yet to be set down for the Set Aside Application and awaits the outcome of the appeal regarding the liquidations of RGREL and IVL.

### **3.5 Contract Receivables and Retentions**

At the date of appointment of receivers the Companies' records indicated potential receivables in respect of 42 active and 76 inactive (i.e. completed) construction contracts.

The Liquidators have now received handover from the Receivers of the remaining contract receivables (38 active and 60 inactive contracts). We agreed that it would be more efficient for the Receivers to complete two projects for which contract works were continued and remedial works are in progress.

We are working with a number of parties in order to progress negotiations and recoveries in respect of both active and inactive contracts, including:

- outstanding pre-receivership invoices;
- final claims for completed (inactive) contracts which were in the defect liability period;
- retentions held by principals due, representing amounts deducted under contracts during the course of projects; and

- certified and uncertified project claims for active contracts.

The resolution of outstanding contract receivables is a complex exercise due to the nature and stage of the contract works, availability of documentation, defect liability periods and guarantee / warranty issues. The Liquidators are assessing each contract on an individual basis to determine the most appropriate recovery action. We expect that the recovery from contract receivables will be significantly lower than the book value due to the reasons explained above. However, we will be pursuing all recovery options available to us where we consider debts to be due and payable.

### **3.6 Creditor Claims**

#### **Preferential Creditors**

Employee preferential creditors totaled \$5.6m of which \$5.3m relates to MPCL and \$0.3m relates to KFL. Employee preferential creditors of MPCL have received a full distribution from the Receivers and KFL employee preferential creditors have received a 70% distribution. The timing and quantum of any further distributions to KFL employee creditors is dependent on the Pooling Orders remaining in place and any recovery that is able to be achieved from related parties.

We understand from the Receivers that the Inland Revenue has a preferential claim for a total of \$2.0m of which \$1.5m relates to GST and \$0.5m relates to PAYE. The final amount of its claim is yet to be determined.

#### **Unsecured Creditors**

We have received claims from creditors totaling \$139.3m for the Companies and KFL. We are currently reviewing and reconciling claims submitted by creditors and admitting such claims where appropriate.

We believe that there are a number of creditors that are yet to submit a claim form to the Liquidators in the prescribed form. We will be writing to creditors who:

- have previously submitted a claim to the Receivers; and
- the Companies' and KFL's records indicate are creditors, but who have not submitted a claim in the prescribed form,

and requesting them to submit their claims by a certain date. Please contact the Liquidators if you have not received an unsecured creditors' claim form at the address below as soon as possible.

**The Liquidators  
BDO Auckland  
PO Box 2219  
Auckland**

**Email: [bri.akl@bdo.co.nz](mailto:bri.akl@bdo.co.nz)  
Fax: 09 303 2830**

### **3.7 Liquidation Committee**

A liquidation committee (“Committee”) was appointed by creditors at the creditors’ meeting on 3 April 2013. There have been seven meetings with the Committee to date to discuss the conduct and strategy of the liquidation. The Liquidators will continue to report to the Committee. We refer you to our website regarding the identities of the Committee members.

## **4. FURTHER PROPOSALS FOR COMPLETING THE LIQUIDATION**

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

- realise residual contract receivables;
- review the actions of management, directors, officers and advisers of the Companies and KFL and any potential claim against them;
- pursue the recovery of related party debts including unperformed contractual obligations owed by entities in foreign jurisdictions;
- review and admit unsecured creditor claims (where appropriate);
- oppose the application to set aside the Pooling Orders (as appropriate);
- appeal the decision not to place IVL into liquidation;
- oppose the appeal of RGREL’s liquidation;
- review potential voidable transactions; and
- distribute available funds (if any) to unsecured creditors.

The Liquidators will take further action should 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**

The quantum of any distribution to unsecured creditors will depend on the Liquidators being able to achieve significant recovery from RGREL, IVL and CHC as well as other causes of action available to the Liquidators. If the Liquidators are not successful with the above, the quantum of a distribution (if any) is not likely to be substantial.

**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.

Dated this 27<sup>th</sup> day of March 2014

A handwritten signature in black ink, appearing to read 'Andrew Bethell'.

**Andrew Bethell**

Liquidator



## Appendix 1

Mainzeal Property and Construction Limited (in Receivership and in Liquidation)		
Receipts and Payments		
28 August 2013 to 27 February 2014	Note	\$000
<b>Opening Balance</b>		-
<b>Receipts</b>		
GST (net)		35
Inter-company and related party debts	1	2,478
Net interest		7
Sale of fixed assets		134
Surplus from Receivers		1,100
		<u>3,754</u>
<b>Payments</b>		
Administrative expenses		6
Creditors' meeting costs		22
Insurance	2	18
Legal fees		536
Liquidators' expenses		3
Liquidators' remuneration		492
Wages and salaries		2
		<u>1,078</u>
<b>Funds on hand</b>		<u>2,676</u>

### Notes:

1. Funds received from related parties relate to the recovery of a debt payable by IVL.
2. Insurance relates to an extension of the reporting period for the directors and officers insurance policy





## Appendix 2

King Façade Limited (In Liquidation)		
Summary Receipts and Payments		
28 August 2013 to 27 February 2014	Note	\$000
Opening balance		270
<b>Receipts</b>		
Net interest		3
		<u>3</u>
<b>Payments</b>		
Liquidators' Remuneration		6
Liquidators' Expenses		0
Distribution to Employee Preferential Creditors	1	141
GST (Net)		0
		<u>148</u>
Funds on hand		<u>125</u>

### Notes:

1. 70% distribution to employee preferential creditors