

**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 February 2013 - 28 August 2013

**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 the business and assets of MPCL, MLL and 200VL.

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. Pooling orders were granted by the High Court of Auckland on 25 June 2013 in relation to



the Companies and KFL. Accordingly, we report on all the Companies 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**

We have communicated with the Receivers during the reporting period on the progress of the receivership.

We understand from the Receivers that apart from a performance bond exposure their appointer will be fully repaid following the settlement of the property located at 200 Victoria Street West ("Settlement"), which is owned by 200VL. Subsequent to Settlement the Receivers will address payment of preferential creditors and the fulfilment of their statutory duties, whilst working with the Liquidators to facilitate a staged handover of the residual assets, surplus funds and any remaining workstreams, which is anticipated to be substantially completed prior to December 2013.

The Receivers' second report on MPCL, 200VL and MLL is due on or around 12 October 2013 which we understand will cover details regarding various issues and realisations during the receivership.

The Liquidators have not received any funds during the reporting period from the liquidation of the Companies and therefore no receipts and payments for the period have

been included in this report. We do present a summary receipts and payments for KFL, as **Appendix 1**, over which receivers were not appointed.

### **3.2 King Facade Limited (In Liquidation)**

As previously reported the primary business of KFL from 1 January 2012 onwards was providing and installing building façades as a subcontractor for MPCL. At the date of our appointment KFL had three projects that had been suspended whilst MPCL, its receivers and other stakeholders assessed how best to complete the projects. The Liquidators subsequently negotiated the sale of the materials required for these projects to the respective parties with whom MPCL had previously contracted with.

In addition to the above, actions carried out by the Liquidators include:

- count of inventory and assets;
- assessment of strategies for and the actual realisation of assets;
- communication with employee preferential creditors regarding their preferential claims;
- an onsite auction for the sale of KFL's fixed and residual assets;
- investigation into a restructure of the business that occurred within the two years prior to liquidation; and
- complied with our statutory obligations.

Attached as **Appendix 1** is a schedule of receipts and payments for the reporting period.

### **3.3 Pooling Orders**

Our initial investigations into the affairs of the Companies and KFL revealed the following:

- the trading activities and funding structure of the Companies and KFL and the wider Mainzeal / Richina group of companies were heavily intermingled including their business arrangements, management functions and financing;
- there were two business restructures that occurred within the two years prior to liquidation which had a significant impact on related party positions and potential recoveries;
- MPCL and KFL provided cash funding and paid for some of the expenses of other entities in the Mainzeal / Richina group of companies; and
- there are a large number of creditors of the Companies and KFL and some confusion regarding which company they had traded with.

For the reasons explained above an application to the High Court was made on 29 May 2013 under Section 271 of the Act for the following orders:

- that the liquidation of the Companies and KFL should be pooled and proceed as one liquidation;
- that the requirement of service of the application for pooling orders on creditors be dispensed with;
- that Richina Global Real Estate Limited (“RGREL”) contribute \$20.9m to the liquidation relating to a debt of \$15.2m owed to MPCL and a debt of \$5.8m owed to KFL; and
- that Isola Vineyards Limited (“IVL”) (previously known as Waiheke Vineyards Limited) contribute \$2.5m to the liquidation relating to a debt of \$2.5m owed to MPCL.

The orders were granted on 25 June 2013.

The impact of the pooling orders is that all thirteen companies in liquidation are treated as a single company subject to the following:

- the rights of secured creditors are unaffected;
- the rights of preferential creditors of the companies in receivership (MPCL, MLL and 200VL) are unaffected;
- preferential creditor claims of the companies not in receivership (KFL) are pooled but retain their priority under clause 1 of the Seventh Schedule to the Act; and
- unsecured creditor claims accepted in the liquidation of each respondent will rank equally.

An application to set aside the orders granted has been filed in the High Court by RGREL and IVL. The application was filed ‘out of time’. This application is supported by inter alia affirmations from Richard Yan as sole director of RGREL and director of IVL. Mr Yan challenges the pooling orders in reliance on purported transactions that are inconsistent with the intercompany balances per the Companies and KFL’s records. The application is set down for mention on the duty judge’s list in late October 2013.

### **3.4 Related Party Investigations**

As discussed above the affairs of the Companies, KFL and other companies within the wider Mainzeal / Richina group were highly intermingled and there are significant intercompany and related party debts. We have taken certain actions against related parties to recover debts owed to the Companies, each of these is discussed below.

- There was a restructure that occurred in December 2012. The effect of this transaction was that a debt owed by RGREL to MPCL of \$15.2m was purportedly assigned to MGL (a company with no assets other than shares in MPCL and MLL). The Liquidators consider that this transaction was not valid and have served a statutory demand on RGREL. The Receivers have also served statutory demands on RGREL for other debts. An application to place RGREL into liquidation was initiated by the Receivers and the Liquidators have filed an appearance in support of this application. The liquidation application is opposed by RGREL. The next hearing is scheduled for early October 2013.
- The Receivers served a statutory demand on IVL for the debt of \$2.4m owed to MPCL. The Liquidators have sent a demand to IVL for a debt of \$4.4m owed to KFL. The demand from KFL is being disputed by IVL. An application to place IVL into liquidation was initiated by the Receivers and the Liquidators have filed an appearance in support of this application. The liquidation application is opposed by IVL. The next hearing is scheduled for early October 2013.
- A debt of \$27.0m owed by Richina China Pacific Investments Limited (“CHC”) (a company registered in China) to MPCL was recorded at the date of liquidation. This relates to a prepaid goods arrangement under a Forward Purchase Agreement between MPCL and CHC. This debt arose from a restructure within the two years prior to the liquidation, whereby the nature of this debt changed from a receivable from another related company, MLG Trading Limited, to an obligation to provide certain goods. This debt is disputed by CHC. The Liquidators had entered into settlement negotiations with CHC, however, these settlement discussions have now ceased. Any further comments on further action against CHC may prejudice the Liquidators’ position.

### **3.5 Creditor Claims**

#### **Preferential Creditors**

Employee preferential creditors total \$5.6m of which \$5.3m relates to MPCL and \$0.3m relates to KFL. We understand there are likely to be funds available for a full distribution to employee preferential creditors. The receivers will report on the quantum and timing of a distribution for MPCL.

The Inland Revenue may have a preferential claim in relation to PAYE totaling \$0.6m. The final amount of its claim is yet to be determined.



### **Unsecured Creditors**

We have received claims from creditors totaling \$106,255,423 for the Companies and KFL. It is likely that creditor claims will be reviewed and admitted where considered appropriate over the next six months.

We believe that there are a number of creditors that are yet to submit a claim form to the Liquidators in the prescribed form. If you have previously submitted a claim to the Receivers you are also required to complete a claim form for the Liquidators. 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**

### **3.6 Liquidation Committee**

A liquidation committee ("Committee") was appointed by creditors at the creditors' meeting on 3 April 2013. There have been four meetings with the Committee to date to discuss the conduct and strategy of the liquidation. The liquidators will continue to report to the Committee.

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

The Liquidators propose the take the following further actions:

- liaise with the receivers regarding the handover of residual funds, assets and records;
- realise any residual assets subsequent to the retirement of the receivers;
- review potential voidable transactions;
- continue to 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;
- defend the application to set aside the pooling orders; 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 the quantum of a dividend (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 24<sup>th</sup> day of September 2013

A handwritten signature in black ink, appearing to read 'Andrew Bethell', written over a light grey horizontal line.

**Andrew Bethell**

Liquidator



## Appendix 1

KFL	
Summary Receipts and Payments	
12 February 2013 to 28 August 2013	\$000
<b>Opening balance</b>	-
<b>Receipts</b>	
Stock	439
Plant & Equipment	54
Other Assets	1
Bank Interest	1
Sundry Income	14
GST (Net)	1
	<hr/>
	510
<b>Payments</b>	
Electricity	2
Insurance	16
Auctioneer Commission & Costs	9
Legal Fees	56
Liquidators' Remuneration	131
Liquidators' Expenses	2
Wages & Salaries	21
Security Costs	3
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	240
<b>Funds on hand</b>	<hr/> <hr/>
	270