

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 ("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 2014 - 27 August 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.

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

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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.

The Receivers concluded the receivership of 200VL on 16 April 2014 and handed over the company to the Liquidators.

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

3.2 Investigations of the Affairs of the Companies and KFL

Since the date of our last report the Liquidators have continued our investigations of the affairs of the Companies and KFL including:

- investigations into restructures of their business that occurred within the two years prior to liquidation;
- related party transactions; and
- investigations into the solvency of the Companies and KFL at various times prior to the liquidation.

3.3 Liquidation Proceedings Against Isola Vineyards Limited (“IVL”) and Richina Global Real Estate Limited (“RGREL”)

As previously reported, 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 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, the sole director of RGREL, appealed this decision and the Liquidators appealed the decision not to place IVL into liquidation.

The appeals were heard on 16 April 2014. As at the time of the hearing, various undisputed intercompany debts had been settled by RGREL and IVL. The Court of Appeal reversed the decision of the High Court in respect of RGREL and upheld the decision for IVL. Consequently, the Liquidators are considering whether other recovery options are available.

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”). The Pooling Orders proceeding and the Set Aside Application were discontinued by consent on the basis that:

- the liquidation of the Companies and KFL continue to be conducted as if they are one Company;
- the IVL Contribution Order remains in place (note it has been paid);
- the RGREL Contribution Order be set aside; and
- the discontinuance was effected without prejudice to the parties’ respective positions on the Pooling Orders and the facts underlying them.

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 where the defect liability period has now expired;
- 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 Insolvent Transaction Review

The Liquidators have conducted a review of transactions of the Companies and KFL within two years of the date of liquidation to identify those creditors who may have received payments amounting to voidable preferences at a time when the Companies or KFL were insolvent. We will be pursuing all recovery options available to us where we consider there is a benefit to creditors in doing so.

3.7 Receipts and Payments

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

3.8 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 remaining 30% payment to KFL employee preferential creditors will be made during October 2014.

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 \$151.3m for the Companies and KFL. We are currently reviewing and reconciling claims submitted by creditors and admitting such claims where appropriate.

3.9 Liquidation Committee

A liquidation committee (“Committee”) was appointed by creditors at the creditors’ meeting on 3 April 2013. There have been nine meetings with the Committee to date to discuss the conduct and strategy of the liquidation. The Liquidators will continue to meet with the Committee when appropriate. 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;
- complete our investigations into the Companies’ and KFL’s affairs;
- pursue the recovery of related party debts where appropriate;
- complete the review and admission of unsecured creditor claims;
- complete the 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 potential actions that may be available to the Liquidators. As indicated in our last report, if the Liquidators are not successful with such actions, 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 23th day of September 2014

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

Andrew Bethell
Liquidator



Appendix A - Receipts and Payments

Receipts and Payments		
28 February - 27 August 2014	Note	\$000
Opening Balance		2,801
Receipts		
Accounts receivable and retentions		165
Inter-company and related party debts	1	290
Net GST		4
Net interest		33
Fixed assets		33
Surplus from Receivers		200
		725
Payments		
Administrative expenses		4
Auctioneer Commission & Costs		4
IT hosting		14
Legal fees		404
Liquidators' remuneration		255
Other		1
Records storage		24
Wages and salaries		33
		740
Funds on hand		2,786

Notes:

1. Funds received from related parties relate to the recovery of a debt payable by RGREL.