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Last-gasp bid to revive U2 with buyers in wings

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OFFSHORE, local and interstate groups are circling the site of a stalled apartment project in Adelaide's CBD as its former developer enters a race against time to regain control of the project.

While several parties are in due diligence for the Waymouth St site, the directors of Runtong Investment and Development are in talks with major creditors and builder Built Environs in a bid to avoid liquidation and complete construction of the \$60 million project.

After falling into administration last month, Runtong's directors Jin Liang and Yong Liu have put forward a deed of company arrangement (DOCA) proposal, vowing to repay most creditors by June 30 this year and to enter a payment plan with mortgagee CEG Securities, which is owed almost \$30 million.

The proposal requires the approval of major creditors and relies on the proceeds from a sale of land in China – the details of which remain confidential until settlement next month, the directors say.

However, as negotiations around the sale of the Waymouth St site enter their final stages, it appears their last-ditch effort may have come too late.

CEG director Jim Ventrice said he was open to the proposal but believed a sale of the Waymouth St property would result first, effectively ending the directors' hopes of reclaiming ownership.

"They're in China continuing the sale of the Chinese property to complete the U2 project but we can't wait any longer and so we've gone to market," he said.

"I have agreed to accept what the directors have offered, however it's whoever comes first. Either way the money will come in, either from the directors or another source.

"I believe the site will be sold prior to them achieving what they have proposed." Colliers International director Oliver Totani, who is leading the sale campaign, said inquiries had been fielded by local, interstate and offshore developers, with a short-list entering the final stages of negotiations.

"It's a complicated deal, with many moving parts," he said. "However, the site's location, its value proposition and de-risking nature of the development approval and pre-sales is likely to see us enter into an exclusive arrangement very shortly. We're pretty confident that we'll get a result." Runtong – an offshoot of Datong Australia – called in administrator Worrells after failing to pay creditors including Built Environs, which walked off the U2 site in December.

In his latest report to creditors, Worrells' Nick Cooper suggested the company may have been trading while insolvent since June 30, 2017.

An investigation into claims from creditors that the company's directors had misappropriated company funds had not commenced, he said, due to a lack of available records.

Mr Liang has previously denied using Datong funds "for anything other than Datong business".

Speaking after last week's second meeting of creditors, which was adjourned for 45 business days, Mr Cooper said he was preparing a report for ASIC regarding the company's failure to maintain basic books and records.

"What is unusual was there wasn't any creditors ledger at all, there were certain records but they're obviously not in English, they're in Chinese, and there are some financial statements but they're historical – 30 June 2016 was the last external financial statements prepared," he said.

"At the moment we're not supporting it (DOCA) because we haven't seen the evidence that they (Runtong directors) can meet the preconditions and reach agreements with all these parties, but we don't know what can happen over the next 45 days.

"If they can convince us they do have agreements with all the parties and can raise the necessary funds to pay unsecured creditors in full then we would likely change our opinion."According to Mr Cooper's report, Built Environs is owed \$5.2 million and secured creditor NAB is owed more than \$2 million. Unsecured creditors are unlikely to receive any dividend in the event Runtong enters liquidation. Built Environs did not return calls.

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