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29 November 2019

BY EMAIL

Dear Investor

**Aviation 3030 Pty Ltd (In Liquidation)
ACN 150 720 317**

We write to you in your capacity as an investor in Aviation 3030 Pty Ltd (Aviation) and the entities listed in Annexure A (together, the Aviation Group).

1. Liquidators' obligations and investigations to date

As liquidators, we have been tasked by the Court to independently investigate the affairs of the Aviation Group and to determine the best way to distribute the assets of the Aviation Group according to law.

Before any distribution can be made, we are required to undertake a number of steps and are required by law to conduct independent investigations to form a view as to what should properly occur in relation to actions available to liquidators and the ultimate distributions of funds.

This letter sets out the conclusions that the liquidators have reached as a result of our investigations to date. These conclusions are based on the Federal Court judgment in *Australian Securities and Investments Commission v Aviation 3030 Pty Ltd* [2019] FCA 377 (Judgment), review of a significant number of documents relating to the Aviation Group and the public examinations in the Federal Court of Australia, conducted during October and November 2019 (Examinations).

The aim of carrying out the extensive investigations (including Examinations) that have occurred within the first eight months of the liquidation has been to enable the liquidators to finalise their investigations and aim to agree to a distribution of proceeds, in accordance with law, within 12 months of their appointment.

The extensive work undertaken during the investigation and examination process has resulted in us, our lawyers (Ashurst) and legal Counsel:

- Reviewing over 80,000 documents many of which were complex and legalistic;
- Investigating all transactions and accounting entries entered into by the Aviation Group since its incorporation in 2011 through to the date of our appointment in March 2019;
- Preparation of detailed briefs to Counsel setting out the relevant information requirements for Counsel to undertake the Court examination process;
- Preparation by Counsel of detailed examination running sheets in order for the examinations to be undertaken with specific questions and issues to be explored;
- Conduct of 7 days of Court examinations in relation to 8 individuals associated with the Aviation Group;
- Detailed legal examination of the examination transcripts and other related correspondence in order to form a view in relation to the next steps.

2. Views formed by the Liquidators to date

The most significant matter for our consideration is the 76 million shares issued for \$76,000 to each of Hakly Lao and Khay Suong Taing's nominees, being Khay Suong Taing Aviation3030 Pty Ltd as trustee for the Khay Suong Taing

Aviation3030 No 1 Trust and Lao Holdings Pty Ltd as trustee for the Lao Holdings Trust, in March 2016 (March 2016 share issue).

Based on the information available to us, we have formed the view that the March 2016 share issue is liable to be set aside.

Amongst other things, it would appear to have comprised a breach of the fiduciary duties owed by the directors of Aviation to the company, a breach of statutory duties owed by the directors of Aviation to the company pursuant to ss 180 – 182 of the Corporations Act 2001 (Cth), and an unreasonable director-related transaction, contrary to s 588FDA of the Corporations Act 2001 (Cth).

In particular, we observe that it appears that:

- (a) the share issue was not properly disclosed to (nor ratified by) investors;
- (b) the shares were issued at an undervalue (compared to the prices paid by other, 'arm's length' investors in Aviation for their parcels of shares), and constitute a significant benefit to directors of Aviation (or their close associates); and
- (c) the March 2016 share issue substantially diluted the proportion of shares held by each other Aviation Group investor at the time of issue. Therefore, the amount of any profits distributed by Aviation will be substantially lower than if the March 2016 share issue did not occur, as set out in the following table:

	March 2016 share issue is not set aside	March 2016 share issue is set aside
Estimated return after tax to other investors	\$290,000 to \$370,000 per million shares	\$800,000 to \$1 million per million shares

3. Next steps

Having concluded that the March 2016 share issue was improper, we now have a duty to apply to Court to seek to have it set aside. Our preference is, where possible, to do this consensually (subject to judicial approval). This means that the liquidators are proposing a resolution of matters including the March 2016 share issue by consent, between the company and affected stakeholders.

The principal benefit of a consensual resolution (if successful) would be that such an approach would avoid the time and expense associated with bringing proceedings to (for example) set aside the March 2016 share issue.

However, we are of the view that we have a strong case for the March 2016 share issue to be set aside. Litigation will follow if a consensual resolution cannot be reached.

Such a consensual resolution would require the agreement of all stakeholders, including all investors in the Aviation Group. Accordingly, if all investors in the Aviation Group support a consensual solution, Court declarations will be sought to confirm settlement. However, if any investors in the Aviation Group oppose, or indicate they will oppose, the declarations sought, then litigation will be necessary to set aside the March 2016 share issue.

4. Invitation to affected parties

Following the conclusion of the Examinations, parties detrimentally affected by the proposed resolution of the liquidators, being the legal or beneficial holders of the shares in question, and/or persons otherwise involved in the

March 2016 share issue as a company director involved in the decision-making at the relevant time, have been sent a letter.

This letter has invited those stakeholders to consider the conclusions formed, at this stage, by the liquidators and the proposed resolution by consent, and to provide their views about those matters and additional information if it has not previously been provided.

If those stakeholders do not consent to our proposed course of action, the liquidators propose to give them the opportunity to put forward their views as to why the liquidators should not seek to have the March 2016 share issue set aside, or alternatively, to propose an alternative compromise or settlement which can be put to all other Aviation Group investors for their consideration. Any such communications will be on an 'open' basis.

We have requested that the stakeholders in question respond with their views, and an indication of whether they consent to or oppose the liquidators' proposal, by no later than Friday, 17 January 2020.

We will consider any such position or proposal put forward by any stakeholder carefully.

If this does not lead to a compromise or settlement solution which can be agreed with the other Aviation Group investors, the liquidators propose to commence proceedings early in 2020.

If you have any queries in relation to the matters above, please contact Philip Muscari on (03) 8663 8779.

Yours faithfully
Aviation 3030 Pty Ltd



John Ross Lindholm
Liquidator

Encl.

Annexure A

Company name	ACN
Aviation 3030 Pty Ltd (In Liquidation)	150 720 317
Aviation 3030 Investment Pty Ltd (in its own capacity and as Trustee for the Aviation 3030 Investment Unit Trust) (In Liquidation)	152 478 852
Aviation 3030 Holding Pty Ltd (in its own capacity and as Trustee for the Aviation 3030 Holding Unit Trust) (In Liquidation)	150 974 520
Aviation 3030 Heng Ly Pty Ltd (in its own capacity and as Trustee for the Aviation 3030 Heng Ly Unit Trust) (In Liquidation)	150 766 859
Aviation 3030 HL Pty Ltd (in its own capacity and as Trustee for the Aviation 3030 HL Unit Trust) (In Liquidation)	150 766 868
Point Cook Aviation 3030 Pty Ltd (in its own capacity and as Trustee for the Point Cook Aviation 3030 Unit Trust) (In Liquidation)	153 051 257