

## Mildura flying school allegedly funded with embezzled Chinese loans

[Investigative Unit](#)

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**Photo:** Zhang Wenwei has reportedly spent \$40 million setting up the academy. (Supplied: Caixin)

**An elusive businessman, accused of leaving China with millions of dollars embezzled from a loan deal with the government of Shaanxi province, has emerged as a key investor in a pilot training academy operating out of one of Victoria's busiest airports.**

### Key points:

- A Chinese businessman linked to a company embroiled in complex fraud allegations has invested millions into a pilot training academy in Mildura
- The local mayor has started as group chief executive of the school's operations, raising concerns about potential conflicts of interest
- An academic says it's difficult for councils that lack resources to investigate sources of investment

**Zhang Wenwei's pilot academy was a major beneficiary of a \$2 million Commonwealth grant announced by Deputy Prime Minister Michael McCormack before last year's election.**

Mr Zhang was even hailed by Mr McCormack at a 2019 press conference for investing in Mildura and the future of aviation.

But the ABC has uncovered a complex web of companies in Shaanxi province, linking Mr Zhang, the Mildura academy and its majority shareholder to companies in China alleged to have stolen more than \$100 million from a Chinese bank.

Professor Clive Hamilton of Charles Sturt University said he had seen many examples of foreign investment in regional Australia in which local and federal governments had failed to do due diligence on the source of the funds.



**Photo:** Anne Webster and Simon Clemence (back) attended a funding announcement with Michael McCormack. (Facebook)

## A tangled web

The pilot academy's corporate structure is complex, but its operations come under the umbrella of a company formed in July 2017 called International Aviation Alliance Pty Ltd.

International Aviation Alliance's sole shareholder is a Chinese company called Shaanxi Huichuang Culture and Tourism Development Co Ltd, which is in turn 100 per cent owned by Shaanxi Panshi Financial Holding Group Co.

Until November 2017, Mr Zhang was listed as a senior manager of Shaanxi Panshi Financial — a company embroiled in complex fraud allegations that were exposed by respected Chinese financial journal Caixin in August 2019.

Caixin's investigation centred on a 2016 loan deal that left state-owned conglomerate Shaanxi Financial Holding Group owing hundreds of millions of borrowed yuan as guarantors.

Exim Bank of China, in Shaanxi, extended most of the loans, and was approached by the ABC about the alleged loan defaults but said it had "no further comment".

The Caixin article said Mr Zhang had since gone to Australia, where he had established a flying school.



**Infographic:** The pilot academy's corporate structure is complex. (ABC News)

According to an April 2019 prospectus issued by the state-owned enterprise that guaranteed the loans, Shaanxi Financial Holding Group, a China-based representative of Mr Zhang agreed to provide a counter guarantee for the loans using securities.

Relevant authorities of the Shaanxi provincial government have frozen assets worth about CNY450 million (\$98 million) directly, or indirectly, controlled by Mr Zhang.

Shaanxi Financial Holding Group could not be reached for comment, but it issued a statement the day after the Caixin article was published, thanking the journal for running it.

According to International Aviation Alliance's 2018 financials, which were filed a year late, the auditor queried the liquidity of IAA if loans from Shaanxi Huichuang it existed upon were recalled.

The ABC approached Mr Zhang for comment but he said he was too busy and was flying to New Zealand.

The ABC put written questions to Mr Zhang but did not receive a response in time for publication.



**Photo:** Mr Zhang reportedly made his fortune operating a driving school in Yulin. (Google Maps)

Little information is publicly available about Mr Zhang, although Caixin's 2019 article claimed he was born in Shaanxi in 1975 and was a former officer in the People's Liberation Army who became a self-made businessman and "struck gold" operating a driving school in the city of Yulin.

The ABC attempted to visit a home it believes is Mr Zhang's in the Melbourne suburb of Brighton, but there was no answer.

The sole director and company secretary of International Aviation Alliance, according to the ASIC registry, is Cameron Sutton, the general manager of a Mildura motel and a member of the Murray Regional Tourism Board.

Mr Sutton, former IAA director Jing "Joanna" Zhou, and William Cheng, an intermediary of Mr Zhang, have been repeatedly contacted for comment.

There is no suggestion that Mr Sutton, Ms Zhou or Mr Cheng are involved in or have any knowledge of the fraud allegations.



**Photo:** Simon Clemence is also group chief executive of the academy's operations in Mildura. (ABC News: Christopher Testa)

## Millions of dollars promised

Even in the pilot academy's infancy, Mildura mayor Simon Clemence described it as "probably the biggest investment in Mildura's future that has been, ever".

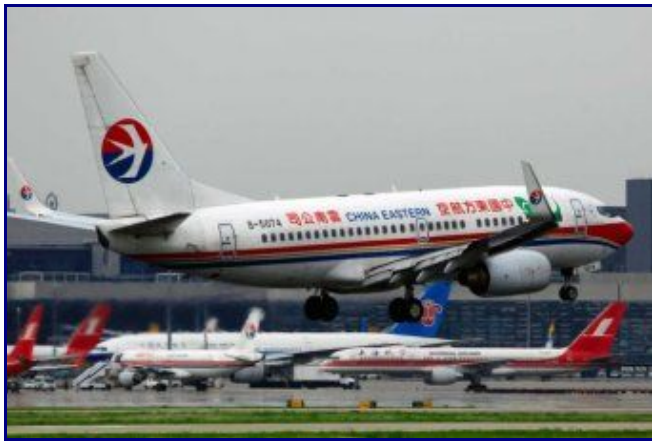
That was in April 2019, when Mr McCormack was joined by then-Nationals candidate for Mallee Anne Webster as the Government announced it would partially fund the installation of an instrument landing system (ILS) at Mildura Airport to the tune of \$2 million.

At the funding announcement, Mr McCormack said Dr Webster had "continually" lobbied for the ILS and that she had told him: "We need it so that pilot training schools can relocate to Mildura."

The funding announcement was not an election promise, but it came the month before voters in Mallee chose from a field of 13 candidates vying to replace departing MP Andrew Broad.

Mr Zhang was present at the announcement, along with a representative of China Eastern Airlines.

Mr McCormack thanked Mr Zhang during the announcement, saying he was "making an investment in young people".



**Photo:** A representative from China Eastern Airlines attended the funding announcement. (Flickr: @byeangel)

At the time, Cr Clemence claimed each pilot the academy trained would be worth up to \$90,000 to the Mildura economy, and that they eventually wanted to have 600 students there.

He said Mr Zhang had spent \$40 million setting up the academy and thanked the businessman and his executive team, saying he had "come to know them very well".

Cr Clemence, a retired Victoria Police inspector who became mayor in 2018, publicly listed "supporting IAA on the concept of a flight attendant school in Mildura" and "around the concept of a university degree in aviation" among the highlights of his first term in the top post.

Then last month, Cr Clemence started as the group chief executive of the flying academy's operations in Mildura.

Cr Clemence declined to comment on his relationship with Mr Zhang, or his knowledge of the businessman's background, when approached by the ABC.

But his decision to take the job raised concerns in the community and among his council colleagues about potential conflicts of interest — the Mildura Rural City Council is the sole shareholder of Mildura Airport, where the school is based.

"It seemed the Chinese pilot school would have the ear of the mayor more regularly than councillors and constituents, which is a huge concern," Councillor Jason Modica said.

Cr Modica outlined his opposition to Cr Clemence taking the job in an email to all councillors, council chief executive Sarah Philpott and another senior manager in late January.

"I was also concerned about the nature of the structures and the governance measures the pilot school had in place in regard to making sure everything was transparent and clear."

Cr Clemence and Ms Philpott both said they had agreed on several protocols with airport management to help manage any perceived, potential or actual conflicts.

"I won't be running [for council] again so it's only for six months, but I'll certainly try to balance and give due difference to both roles, and if I find it too difficult to do that, then I'll have to review my decision," the Mayor said late last month.



**Photo:** Mildura council contributed funding to the proposed landing system. (ABC News: Christopher Testa)

## Expert fears dollar signs blind politicians

Local councils and state and federal governments should be doing more due diligence about investors promising to deliver economic windfalls in their communities, Professor Hamilton said.

He said regional areas were particularly vulnerable because of "naivety and an unwillingness to look closely because what we find might make life difficult".

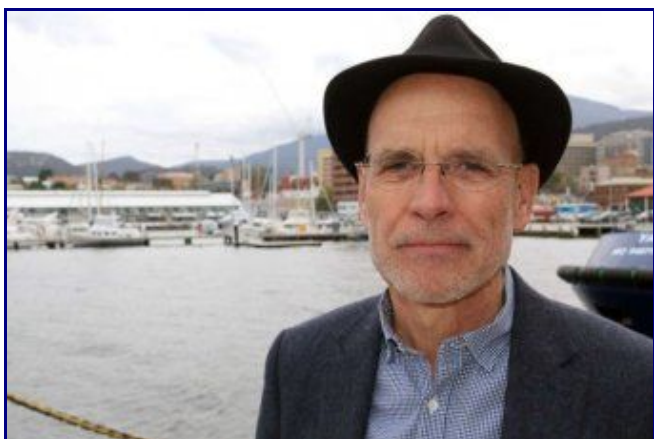
"If these allegations turn out to be true, this is a major scandal," Professor Hamilton said.

"Many people in Mildura will have egg on their faces, the Deputy Prime Minister will have egg on his face and will have questions to answer in parliament."

The professor said he was "quite astonished" Mr McCormack stood with Mr Zhang at a funding announcement.

"If the allegations that this businessman is linked to fraud in China, and that there are some people in China who are very unhappy with him, then he should've known about that," Professor Hamilton said.

"It does seem that dollar signs have the ability to blind federal politicians, local councils, Australian investors to doing what they should do, and that is ask questions — hard questions — about these investors."



**Photo:** Professor Hamilton says a lack of scrutiny makes regional areas attractive for questionable foreign investment. (ABC News: Leon Compton)

## 'Asking the right questions'

Dr Webster said Mr Zhang had "nothing to do with" the Federal Government's funding of the ILS, which is yet to be set up.

She said the grant was arranged with Mildura Airport and the Mildura Rural City Council and that "particularly the airport is continuing to go through that process of due diligence with the department".

Dr Webster said "I will always be very keen to look at investment in Mallee", however, "we don't put people through a grill".

"There are other processes they need to go through, and I would assume now that these allegations have been raised that there will be the appropriate processes take place."

She said she was "sure the right people will be stepping up and asking the right questions".

"They're allegations and all due processes need to take place."

Mr McCormack declined an interview, but a spokeswoman issued a statement saying: "The Deputy Prime Minister meets a wide range of people in the course of his duties every year at various events around Australia.

"He has no knowledge of the allegations made by the ABC."



**Photo:** Mildura Airport is one of the busiest in Victoria. (ABC News: Christopher Testa)

Professor Hamilton said property developments, tourism projects and retirement homes were among projects across Australia that had attracted investment from questionable sources, which typically came under the threshold for scrutiny by the Foreign Investment Review Board.

"And yet once some money is dangled in front of local councils, they tend to forget their obligation to due diligence and grab it, and that seems to be the case with the pilot training school," he said.

To secure federal funding for the ILS, the Mildura council contributed \$1 million of ratepayers' money, as did the council-owned Mildura Airport Pty Ltd.

## 'We could have looked deeper'

Cr Modica said councillors received "a lot of information" about the flight academy when it was proposed.

He said the business case "suggested that the pilot school was a good idea", but that "on reflection, could've been

looked into a lot more".

"I would hope that Mildura Rural City Council and Mildura Airport would go through a very rigorous scenario looking at who owns the pilot school, how it's funded, and making sure it is a secure organisation," he said.

Professor Hamilton acknowledged it was difficult for local councils which lacked resources or the "knowledge of where to go and look" to investigate sources of investment.

"But because local councils in regional areas tend to be cash-strapped and tend to be grateful for any kind of investment that comes into regional areas, they tend to not want to know about any downsides," he said.

**"For Mildura, if these allegations turn out to be true, the likelihood is that the business will collapse, the great hopes and the local dollars that have been invested into it will disappear into thin air, and people will walk away feeling very cynical about it all."**

Extracted from:

<https://www.abc.net.au/news/2020-03-07/mildura-pilot-school-allegedly-funded-with-embezzled-china-loans/12032616>

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