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BBBEE Certificate: 418/02/2012
Bureau Trust is a level 4 (100%)
BBBEE contributor

Ons verw: **Wilanda Prinsloo**
Our ref:
U verw: **QSG circular number 5**
Your ref:
Datum: **5 March 2020**
Date:

CIRCULAR TO ALL KNOWN CREDITORS – Number 5

Sir / Madam

Re: **QSG INVESTMENT SCHEME IN TERMS OF SECTION 20(9)**
MASTERS REF: T3422/2019

1. Following the liquidation of QSG Consult International (Pty) Ltd ("QSG"), the Master of the High Court authorized an insolvency enquiry into the trade, dealings and affairs of QSG (*"the enquiry"*).
2. Retired Judge Bertelsmann is the appointed commissioner of the enquiry.
3. The enquiry commenced on 5 August 2019 and is ongoing.
4. We are currently busy with the fifth round of the enquiry, which has been scheduled for 2, 3, 4 and 5 March 2020.
5. The enquiry has proved to be extremely successful to date, as will be noted from what follows herein after.
6. The enquiry has undoubtedly proved that Mr Johan Smit (possibly assisted by his son, Riaan Smit and a number of other individuals) operated a fraudulent Ponzi-scheme (*"the Ponzi-scheme"*).
7. The Ponzi-scheme involved not only QSG, but also related companies and in the particular Johan A. Smit & Associates (Pty) Ltd (*"JASA"*), Rialis Consultants (Pty) Ltd (*"Rialis"*) in South Africa and QSG Consult Middle East Limited (*"QSG Dubai"*) in the United Arab Emirates.
8. The problems facing the investors who lost money in the Ponzi-scheme are essentially two-fold:
 - 8.1 the money flow involved all of the said companies; and
 - 8.2 the contracts on which the investors must rely for purposes of any claim were entered into between the investors and JASA and/or QSG and/or QSG Dubai.

9. With the aforesaid in mind, the corporate veil in respect of QSG, JASA and Rialis were lifted in terms of the provisions of Section 20(9) of the Companies Act, 2008, resulting therein that the said three companies are now deemed to be a single entity, being the QSG Investment Scheme, in liquidation.
10. Under the circumstances, it is now irrelevant with which South African company investors contracted, deposited money and/or received money from.
11. Unfortunately, as far as QSG Dubai is concerned, this company – although it forms part of the same Ponzi-scheme – **could not be covered by the section 20(9) order aforesaid, as a result of its foreign jurisdiction.**
12. To make matters worse has QSG Dubai been deregistered in the United Arab Emirates.
13. We are doing everything within our powers to ensure the re-registration of QSG Dubai and to gain legal entitlement of QSG Dubai and its assets, so as to make it part and parcel of the QSG Investment Scheme.
14. All investors who received less than they have invested in the Ponzi-scheme, have a claim for such shortfall. By the same token, would all investors who received more from the Ponzi-scheme than they have invested, be liable for repayment of such excess.
15. **PLEASE NOTE that the promised returns cannot be brought into consideration with any claims as the only way to wind up and liquidate a Ponzi-scheme is to place investors in the same position as they were before they got involved in the Ponzi-scheme.** Unfortunately, this is very seldom possible, as the perpetrators of Ponzi-schemes, like the Smits *in casu*, syphon off money for their own advantage.
16. With the aforesaid in mind, the investors who contracted and invested with the SA companies, would have claims against the QSG Investment Scheme. However, at least for now, the investors who contracted and invested with QSG Dubai would not have claims against the QSG Investment Scheme.
17. We are hopeful that this scenario will ultimately be restored so that the QSG Investment Scheme would cover all claims of all investors, including the claims against QSG Dubai.
18. On the assumption that QSG Dubai will successfully be restored to form part of the QSG Investment Scheme, we are hopeful that all creditors (i.e. investors who received less than what they invested) will receive decent dividends.
19. With the information at our disposal:
 - 19.1 an amount of R381,316,393.57 (R195,676,921.01 in South Africa + R185,639,472.56 in Dubai) was invested in total;
 - 19.2 an amount of R173,088,905.00 (R137,668,800.17 in South Africa + R35,420,104.83 in Dubai) was repaid to investors;
 - 19.3 the gross shortfall is therefore R208,227,488.57.
20. The aforesaid is, however, only indicative as we emphasize that these matters are complicated as a result of the money flow between the relevant entities, and in the particular between South Africa and Dubai and also the “returns” paid to certain investors.



21. We have, to date, been relatively successful in recovering from the investors who have received more than they have invested and an amount of approximately R3 million has been recovered in this regard to date.
22. The main recovery, as we see it, should come from frozen bank accounts in South Africa and the UK.
23. The National Prosecuting Authority and/or the South African Reserve Bank have frozen three bank accounts (two of QSG and one of Rialis), which at the relevant time held a total of R70,809,309.89 (*"the SA frozen accounts"*).
24. Scotland Yard has frozen a UK bank account in the name of Perazim Holdings Limited (*"Perazim"*) with an amount of GBP 3,287,404.04 (roughly R64 Million – *"the UK frozen account"*).
25. Our investigation indicates that the money in the SA frozen as well as in the UK frozen account originate from the investors in the Ponzi-scheme and that this money should, accordingly, fall to the QSG Investment Scheme to the benefit of you, the creditors.
26. If we are successful in recovering such money, the dividends that the creditors can expect would roughly be 50 cents in the Rand.
27. **We emphasize that it will not be an easy task to achieve this as it would involve *inter alia* the re-registration of QSG Dubai, control of QSG Dubai so as to ensure that it forms part of the QSG Investment Scheme and litigation both in South Africa and the UK, to have the frozen money released to the QSG Investment Scheme.**
28. To this end, we have made significant progress with the necessary South African High Court Application to release the money in the SA frozen accounts, which we expect to issue during March 2020. We have also done an enormous amount of work with regard to the required actions in respect of the QSG Dubai and the UK frozen account.
29. The required litigation is, needless to say, complex and therefore both time consuming and costly. To make matters worse, as far as the required actions in Dubai and the UK are concerned, we are obliged to appoint local attorneys and counsel with resulting cost implications.
30. We are, nevertheless, advised (and we are confident) that we will achieve ultimate success to the benefit of creditors.
31. Sadly, a quick and cheap solution is not possible and if the required legal processes are opposed – for which there is every possibility – the entire process will take a least another 24 months, after which the winding up of the QSG Investment Scheme can happen.
32. Creditors should, accordingly, not expect dividends for another two to three years.
33. We have, in the meantime, been contacted by a third-party company, which conducts business in the acquisition of claims. This company indicated that it may be interested in acquiring creditors' claims for as much as a dividend equivalent to 30 cents in the Rand.

34. In order to avoid any conflict of interest, we cannot deal with this third-party company, but should you be interested in selling your claim/s, you are invited to contact writer *via* email within 7 days from date hereof, where after we will put the third-party company in contact with yourself.
35. We trust that the aforesaid report is clear and is of assistance to you. Kindly address any queries to writer by email.

Yours faithfully

A handwritten signature in black ink, appearing to read 'WILANDA PRINSLOO', written in a cursive style.

WILANDA PRINSLOO
JOINT LIQUIDATOR