Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

FIFTH REPORT OF THE RECEIVER
July 11, 2017

INTRODUCTION

1. On August 20, 2014, following an application by Hanfeng Evergreen Inc. ("**Hanfeng**" or the "**Company**"), the Ontario Superior Court of Justice (the "**Court**") issued an order (the "**Approval Order**") approving a share transfer agreement (the "**Share Transfer Agreement**") dated August 8, 2014 and the transaction contemplated therein (the "**Share Transfer Transaction**").

2. The Approval Order provided for vesting in HLJ Pengcheng (as defined below) all the shares of Hanfeng Slow-Release Fertilizer Co., Ltd. (the **"Chinese Subsidiary"**), the Company's wholly-owned subsidiary in China, upon the completion of the Share Transfer Transaction. A copy of the Approval Order is attached hereto as **Appendix "A"**.

3. Pursuant to an order (the "**Appointment Order**") issued by this Court on August 20, 2014 (the "**Filing Date**"), Ernst & Young Inc. ("**EY**") was appointed as receiver and manager (the **"Receiver"**) of the assets, undertakings and properties (the **"Properties"**) of the Company, pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended. A copy of the Appointment Order is attached hereto as **Appendix "B"**.

4. The Appointment Order authorized the Receiver to, among other things:

   (a) take any necessary steps required to complete the Share Transfer Transaction;

(b) take possession of and exercise control over the Properties and any and all proceeds, receipts and disbursements arising out of, or from, the Properties;

(c) engage counsel and advisors from time to time to assist with the exercise of the Receiver's powers and duties; and

(d) seek Court approval of, and conduct a procedure for, the solicitation, determination and resolution of claims against the Company.

5. On July 24, 2015 and July 31, 2015, following motions by the Receiver, this Court issued two Orders (collectively, the "**Clarification Orders**"), which, among other things:

(a) confirmed the Receiver's power and authority to exercise the shareholder rights of Hanfeng with respect to the Chinese Subsidiary, including the replacement of Mr. Yu Xinduo ("**Mr. Yu**") with Mr. Hong Rong-Kai ("**Mr. Hong**") as the legal representative and a director of the Chinese Subsidiary;

(b) authorized the Receiver to take any necessary steps to assert its ownership of and effect control over the Chinese Subsidiary;

(c) required Mr. Yu to provide unfettered access for Mr. Hong and his designates to the Chinese Subsidiary's offices and facilities and to the Chinese Subsidiary's books and financial records;

(d) required Mr. Yu to surrender the chop sets (which are company seals required for executing corporate documents and government registrations) and certain other business and legal documents of the Chinese Subsidiary to Mr. Hong and the Receiver;

(e) required Mr. Yu to provide full and timely cooperation to the Receiver with respect to the above tasks; and

(f) prohibited Mr. Yu, without the Receiver's approval, from executing any agreement with respect to the Chinese Subsidiary or causing it to make any payments.

Copies of the Clarification Orders are attached hereto collectively as **Appendix "C"**.

PURPOSE

6. The purpose of this fifth report of the Receiver (the "**Fifth Report**") is to report to the Court in respect of:

   (a) developments with respect to the ongoing Legal Proceedings (as defined below);

   (b) the current financial status of the Company;

   (c) the outstanding fees and disbursements for the Receiver and its counsel; and

   (d) the Receiver's motion for:

      (i) approval of the Supplement to the First Report dated September 22, 2014 (the "**Supplement to the First Report**"), the Fourth Report (defined below), the Fifth Report and the activities described therein; and

      (ii) approval of the fees and disbursements of the Receiver and its counsel.

7. The Fifth Report is organized as follows:

   (a) Terms of Reference;

   (b) General Background;

   (c) Update on the Legal Proceedings;

   (d) Current Financial Status of Company; and

   (e) Fees and Disbursements.

TERMS OF REFERENCE

8. In preparing the Fifth Report and making the comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, prepared from the Company's books and records, discussions with employees of the Company and information from other third-party sources (collectively, the "**Information**"). Except as described in the Fifth Report:

(a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information; and

(b) the Receiver has prepared the Fifth Report in its capacity as a court-appointed officer solely for the use of this Court and the stakeholders in these proceedings and will make a copy of the Fifth Report available on the Receiver's website at www.ey.com/ca/hanfeng.

9. The Receiver has previously filed with the Court its first report dated September 12, 2014 (the "**First Report**"), the Supplement to the First Report, the second report dated July 17, 2015 (the "**Second Report**"), the supplement to the second report dated July 22, 2015 (the "**Supplement to the Second Report**"), its third report dated September 25, 2015 (the "**Third Report**") and its fourth report dated April 4, 2017 (the "**Fourth Report**"). Copies of each of these reports are posted on the Receiver's website. Copies of the First Report, the Supplement to the First Report, the Second Report (without appendices), the Supplement to the Second Report (without appendices), the Third Report (without appendices) and the Fourth Report (without appendices) are attached hereto as **Appendices "D", "E", "F", "G", "H" and "I"**, respectively. The First Report, Second Report and Supplement to the Second Report were approved by the Order of Justice Hainey dated July 31, 2015. The Third Report was approved by the Order of Justice Hainey dated October 5, 2015.

10. All monetary amounts contained herein are expressed in Canadian dollars, unless otherwise stated. Capitalized terms not defined herein have the meaning set out in the Fourth Report.

GENERAL BACKGROUND

Hanfeng and its Chinese Subsidiary

11. Hanfeng, through its wholly-owned subsidiaries, was a developer and producer of value-added fertilizers in China. Hanfeng is incorporated under the laws of Ontario with its registered head office in Toronto.

12. Hanfeng has no independent operations and exists solely as a holding company for certain entities that were incorporated in and, at the relevant times, operating in China. By mid-August 2014, the Company's principal remaining un-monetized asset was all the issued and outstanding shares of the Chinese Subsidiary (the "**Shares**").

13. The Chinese Subsidiary is managed by Mr. Yu and a team of individuals designated by him (collectively, the "**Local Management Team**"). The Local Management Team, by way of Mr. Yu's delegation of authority (as legal representative), controls the Chinese Subsidiary's business licence, chop sets and bank accounts.

14. The board of the Chinese Subsidiary (the "**Board**") currently consists of the three following directors:

- Mr. Yu, chairman of the Board, the founder and former CEO of the Company, who owns and controls approximately 20.4% of Hanfeng's shares;
- Qi Zhida, General Manager of the Chinese Subsidiary; and
- Guan Liu, ("**Mr. Guan**") (a lawyer at Heilongjiang Honghui Law Firm, the Receiver's Chinese counsel).

Share Transfer Transaction

15. As noted above, the Appointment Order authorized the Receiver to sell the Shares.

16. As described in greater detail in the prior reports of the Receiver to the Court, immediately prior to the execution of the Share Transfer Agreement, the name of the counterparty to the Share Transfer Transaction was changed from "Heilongjian Pengcheng Fertilizer Co. Ltd." ("**HLJ Pengcheng**") to the Chinese language translation of "Harbin Pengcheng Fertilizer Co. Ltd." ("**New Pengcheng**").

17. HLJ Pengcheng is a well-established company active in Heilongjiang Province of China. By contrast, New Pengcheng appears to be a shell company with no operations that was only registered on August 4, 2014 (4 days before signing of the Share Transfer Agreement) and in respect of which very limited information is available to the public.

18. The Receiver has attempted to close the Share Transfer Transaction, but has not been successful, in part due to the actions of New Pengcheng and Mr. Yu. In light of New Pengcheng's continued failure to meet its contractual obligations and various other factors set out in the Forth Report, the Receiver no longer believes that New Pengcheng has the financial wherewithal or desire to close the Share Transfer Transaction.

19. During this process, the Receiver uncovered evidence of concealed loans, legal actions and other information that led to mounting concerns over the state of the Chinese Subsidiary, the potential linkage between Mr. Yu and New Pengcheng, as well as Mr. Yu's role in the entire transaction, all as detailed in the Fourth Report.

Control of the Chinese Subsidiary

20. In light of these concerns, the Receiver, with the assistance of its counsel and advisors, took various steps with a view to preserving the assets of the Chinese Subsidiary. However, the Receiver's efforts have not been successful due to Mr. Yu's failure to surrender control of the Chinese Subsidiary despite the Receiver's demands and the Court's previous orders. Mr. Yu has failed to provide the documents requested by the receiver or cooperate with the Receiver and its representatives in accordance with the Clarification Orders, in particular, Mr. Yu has not:

    (a) executed certain documents necessary for the replacement of the legal representative as further discussed herein;

    (b) granted access to the Chinese Subsidiary's offices and facilities and to its books and financial records; and

    (c) responded to inquiries with respect to the concealed loans of the Chinese Subsidiary, legal actions by its lenders, and other operational and financial information.

21. As a result, the Receiver has been unable to complete an application to the Harbin Administration of Industry and Commerce ("**HAIC**") to register the replacement of the legal representative.

22. As discussed in the Fourth Report, the Receiver attempted to obtain a local court order to assist with enforcing the shareholder rights on behalf of Hanfeng; however, the Harbin Intermediate People's Court (the "**Harbin Court**") advised that it was not prepared to hear the Receiver's submission.

UPDATE ON THE LEGAL PROCEEDINGS

23. As a result of the issues discussed above with respect to the Share Transfer Transaction and control over the Chinese Subsidiary, and as described in the Fourth Report, the Receiver has become involved in two legal proceedings (the "**Legal Proceedings**"), both of which remain ongoing:

(a) the Receiver's action against Mr. Yu and Ms. Lei Li[1] in Canada (the "**Receiver's Action**"); and

(b) the proceeding brought in China by New Pengcheng against Hanfeng, the Chinese Subsidiary, Mr. Yu and EY (the "**New Pengcheng Proceeding**").

<u>*Receiver's Action*</u>

24. On March 22, 2016, the Receiver commenced a claim (the "**Receiver's Action**") in the Ontario Superior Court of Justice against Mr. Yu and Ms. Li. Among other things, the Statement of Claim alleges that Mr. Yu breached his fiduciary duties to Hanfeng and the Chinese Subsidiary by taking out a series of loans on behalf of the Chinese Subsidiary, which proceeds he converted for his own use or otherwise improperly dissipated from the Chinese Subsidiary and/or were received by Ms. Li. In addition, the Statement of Claim alleges that Mr. Yu and Ms. Li fraudulently represented the true identity and corporate history of New Pengcheng. Attached hereto as **Appendix "J"** is the Statement of Claim in the Receiver's Action.

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[1] Ms. Lei Li is the spouse of Mr. Yu and a former director and officer of Hanfeng.

25. In the Receiver's Action, the Receiver claims restitution or damages in the total amount of Canadian currency sufficient to purchase RMB 865,600,000 (approximately $17.3 million[2]) for breach of fiduciary duty, fraud, conversion, unjust enrichment, knowing assistance and knowing receipt and fraudulent misrepresentation and seeks a declaration that all monies belonging to the Chinese Subsidiary and wrongfully obtained by Mr. Yu and/or Ms. Li are subject to a constructive trust in favor of the Receiver. The Receiver also asserts a claim for aggravated, exemplary and punitive damages in the amount of $500,000 and special damages, in an amount to be determined in advance of trial, for costs associated with the Court approval and monitoring of the Share Transfer Agreement, delays to the Share Transfer Transaction and the costs to investigate Mr. Yu and Ms. Li's activities and to try to preserve the Chinese Subsidiary's assets.

26. After the Receiver delivered two responses to the defendants' Demand for Particulars, on January 5, 2017, Mr. Yu and Ms. Li delivered a defence to the action (the "**Statement of Defence**"). The Statement of Defence broadly denies the allegations of the Receiver and claims certain allegations fail to disclose a cause of action against Mr. Yu and Ms. Li. Attached hereto as **Appendix "K"** is the Statement of Defence.

27. Since the Fourth Report was prepared, the Receiver and Mr. Yu, through their counsel, have engaged in extensive correspondence regarding the Receiver's Action and these receivership proceedings. In particular, Mr. Yu's counsel disagreed with statements in the Fourth Report relating to Mr. Yu's failure to cooperate with the Receiver and its representatives in their attempts to investigate the business and financial affairs of the Chinese Subsidiary as well as to exercise control over it.

28. The application to HAIC for the replacement of the legal representative is required to include, among other things, the Board resolution, appointment letter, the Chinese Subsidiary's business license and various other documents that need to be executed by the directors and stamped with the Chinese Subsidiary's business chop. As discussed earlier, many of these documents are within the control of Mr. Yu and/or the Local Management Team by way of Mr. Yu's delegation of authority. In addition,

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[2] Converted based on the exchange rate of CAD$1.00 = RMB5.00

in light of certain lenders' claims and actions against the Chinese Subsidiary, the Receiver believed it was critically important to have immediate unfettered access to the Chinese Subsidiary's corporate and financial information in order to exercise control.

29. To this end, the Receiver and its representatives made repeated requests to Mr. Yu for various documents and information. For over two years, Mr. Yu and various member of the Local Management Team provided numerous responses to these letters, none of which have resulted in any meaningful cooperation or positive action to comply with the Receiver's requests.

30. On May 12, 2017, counsel to Mr. Yu contacted the Receiver's counsel, requesting the documentation that must be executed by Mr. Yu, among others, to register the replacement of a legal representative and/or director of the Chinese Subsidiary (the "**May 12 Letter**"). The May 12 Letter was written without prejudice to Mr. Yu's position, as set out in the Statement of Defence. Attached hereto as **Appendix "L"** is the May 12 Letter.

31. On July 7, 2017, the Receiver, through its counsel, responded to the May 12 Letter (the "**July 7 Letter**"). The Receiver noted that Mr. Yu had a number of obligations under the Clarification Order which he had not complied with and demanded the Mr. Yu provide certain financial information pursuant to the Clarification Orders. The Receiver also provided a list of documents that must be signed and registered to effect a change of legal representative and/or director of the Chinese Subsidiary. Attached hereto as **Appendix "M"** is the July 7 Letter.

32. On May 19, 2017, Receiver's counsel received correspondence from counsel for Mr. Yu with respect to the Fourth Report (the "**May 19 Letter**"), requesting, among other things:

(a) that the Receiver post additional documents relating to the Legal Proceedings on the Receiver's website;

(b) further information regarding the New Pengcheng Proceeding; and

(c) that the Receiver provide further documents and information with respect to the Receiver's allegations of Mr. Yu and Ms. Lei's failure to cooperate.

33. Receiver's counsel responded to these requests in a letter dated June 6, 2017 (the "**June 6 Letter**"). The May 19 Letter and the June 6 Letter are attached hereto as **Appendices "N" and "O"**. Attached to the June 6 Letter is a notice of disallowance in respect of the claim made by Mr. Yu in the Receivership (the "**Notice of Disallowance**").

34. On May 30, 2017, the Receiver served the parties to the Receiver's Action with its Reply to the Statement of Defence.

35. On June 26, 2017, Mr. Yu filed a notice of dispute in respect of the Notice of Disallowance. Attached hereto as **Appendix "P"** is the notice of dispute of Mr. Yu dated June 26, 2017.

36. On June 12, 2017, the defendants in the Receiver's Action served a notice of motion seeking to strike the claims against Ms. Li and certain aspect of the claim against Mr. Yu for failing to disclose a cause of action (the "**Motion to Strike**"). The motion has been scheduled for September 22, 2017. Attached hereto as **Appendix "Q"** is the notice of motion dated June 12, 2017.

37. The next steps in this proceeding are expected to be as follows:

(a) the Motion to Strike will be heard on September 22, 2017; and

(b) once pleadings have closed, a timetable will be established for discovery.

New Pengcheng Proceeding

38. On or about August 3, 2015, New Pengcheng commenced an action against Hanfeng, the Chinese Subsidiary, Mr. Yu and EY in its personal capacity in the Harbin Court, seeking to terminate the Share Transfer Agreement and cause the return of the initial deposit in the amount of RMB 12.4 million (approximately $2.48 million[2]) that New Pengcheng had previously paid (the "**Deposit**").

39. On February 15, 2017, the Harbin Court released its decision (backdated to December 29, 2016). Among other things, the decision included the following:

(a) a finding that the Share Transfer Agreement was terminated;

(b) the requirement for Hanfeng to return the Deposit, plus interest, to the Purchaser; and

(c) a finding that EY, in its personal capacity, was not a party to the Share Transfer Agreement and not personally liable for the return of the Deposit.

40. For reasons set out in greater detail in the Fourth Report, the Receiver does not believe that the Harbin Court reached the appropriate result with respect to the termination of the Share Transfer Agreement and the requirement for Hanfeng to return the Deposit.

41. On March 20, 2017, the Receiver commenced an appeal of the Harbin Court decision by delivering a notice of appeal to the Harbin Court. The Harbin Court then transferred the appeal to the Heilongjiang Province Superior Court (the "**Heilongjiang Court**").

42. The Heilongjiang Court heard the appeal on June 30, 2017. Prior to the hearing, the parties made written submissions to the judges. The Heilongjiang Court may request further written submissions.

THE COMPANY'S CURRENT FINANCIAL POSITION

43. As described in the Fourth Report, the Receiver has received 17 non-equity claims with a total face value of CA$4,307,663 (including two claims filed by Mr. Yu and a company controlled by him for a total amount of $2,451,613.83) and two late claims in a total amount of CA$17,863 in the Claims Process. The claims have not yet been fully adjudicated by the Receiver due to the pending Legal Proceedings as well as the state of the Share Transfer Transaction and the Chinese Subsidiary.

44. A summary of the Receiver's receipts and disbursements for the period from the Filing Date to September 20, 2015 is set out in Appendix I to the Third Report. Attached hereto as **Appendix "R"** is the Receiver's statement of receipts and disbursements from September 21, 2015 to May 31, 2017. The Receiver currently holds funds in the

amount of CA$2,015,925.29 and US$9,945.62 in respect of the receivership of Hanfeng. These funds effectively include the remaining balance of the Deposit.

45. As described further below, at the time of this Fifth Report, outstanding professional fees and disbursements are estimated at approximately $361,062 before Harmonized Sales Tax ("**HST**").

46. It is the Receiver's intention to continue to utilize the Company funds to administer the receivership, advance the Legal Proceedings, as well as evaluate and pursue other courses of action for the benefit of Hanfeng pursuant to the Appointment Order.

FEES AND DISBURSEMENTS

47. The Receiver, and its counsel, Stikeman Elliott LLP ("**Stikeman**"), Mayer Brown JSM ("**Mayer Brown**") and Heilongjiang Honghui Law Firm ("**Honghui**") maintained records of their professional time and costs.

48. The Receiver seeks approval of:

(a) its fees and disbursements for the period of August 2, 2014 to April 28, 2017;

(b) the fees and disbursements for Stikeman for the period of April 12, 2014 to May 5, 2017;

(c) the fees and disbursements for Mayer Brown for the period of November 10, 2014 to August 27, 2015; and

(d) the fees and disbursements for Honghui for the period of May 4, 2015 to May 31, 2017 as summarized in the table below:

In $CAD	Fees			Disbursements			Tax			Total
	Paid	Outstanding	Total	Paid	Outstanding	Total	Paid	Outstanding	Total	
Receiver	439,543	201,524	641,067	8,917	6,415	15,332	58,190	27,141	85,332	741,730
Stikeman	256,342	151,609	407,952	7,613	1,514	9,127	34,265	19,880	54,145	471,224
Mayer Brown (1)	214,210	-	214,210	61	-	61	14,502	-	14,502	228,774
Honghui (1)	80,011	-	80,011	24,673	-	24,673	2,400		2,400	107,085
Total	990,107	353,133	1,343,240	41,265	7,929	49,193	92,455	47,021	139,476	1,548,812

*Additions may not sum to total due to rounding.

(1) U.S. dollar payments were converted based on the exchange rate of CAD$1.30 = US$1.00

49. The fees and disbursements of the Receiver for the period of August 2, 2014 to April 28, 2017 total $741,729.82, including fees in the amount of $641,066.50, disbursements in the amount of $15,331.57, and HST in the amount of $85,331.75, as more particularly described in the Affidavit of Brent Beekenkamp sworn June 30, 2017 (the "**Beekenkamp Affidavit**"), a copy of which is attached hereto as **Appendix "S".**

50. The fees and disbursements of Stikeman from August 1, 2014 to May 5, 2017 total $471,223.57, including fees in the amount of $407,951.80**,** disbursements in the amount of $9,127.12**,** and HST in the amount of $54,144.65**,** as more particularly described in the Affidavit of Brian Pukier sworn July 6, 2017 (the "**Pukier Affidavit**"), a copy of which is attached hereto as **Appendix "T"**.

51. The fees and disbursements of Mayer Brown from November 10, 2014 to August 27, 2015 total RMB 1,078,387.55 ($228,773.52), including fees in the amount of RMB 1,009,740.00 (approximately $214,210.35), disbursements in the amount of 288.80 (approximately $61.27), and Value Added Tax ("**VAT**") in the amount of RMB 68,358.75 (approximately $14,501.90), as more particularly described in the Affidavit of Robert Terence Kwong Shien Tung sworn June 29, 2017 (the "**Tung Affidavit**"), a copy of which is attached hereto as **Appendix "U"**.

52. The fees and disbursements of Honghui from May 4, 2015 to May 31, 2017 total RMB 526,254.21 (approximately $107,085), including fees in the amount of RMB 393,203.87 (approximately $80,011.04), disbursements in the amount of RMB 121,254.21 (approximately $24,673.40) and VAT in the amount of RMB 11,796.13 (approximately $2,400.33), as more particularly described in the Affidavit of Mr. Guan sworn June 23**,** 2017 (the "**Guan Affidavit**", and together with the Beekenkamp Affidavit, Pukier Affidavit and Guan Affidavit, the "**Fee Affidavits**"), a copy of which is attached hereto as **Appendix "V".**

53. The Receiver respectfully submits that the fees and disbursements incurred by the Receiver, Mayer Brown, Honghui and Stikeman, as set out in the Fee Affidavits, are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Orders issued in these receivership proceedings. Accordingly,

the Receiver respectfully requests the approval of the fees and disbursements of the Receiver, Stikeman, Mayer Brown and Honghui, as set out in the Fee Affidavits.

54. The activities undertaken and services provided by the Receiver in connection with these receivership proceedings:

(a) described in the Supplement to the First Report; and

(b) since the filing of the Third Report and described in the Fourth Report and in this Fifth Report

were prudent, reasonable and not arbitrary. Accordingly, the Receiver is requesting approval of (a) the Supplement to the First Report and the activities of the Receiver described herein (b) the Fourth Report and the activities of the Receiver described therein and (c) this Fifth Report and the activities of the Receiver described herein.

All of which is respectfully submitted this 11th day of July, 2017.

ERNST & YOUNG INC.
In its capacity as Receiver of
Hanfeng and not in its personal or corporate capacity

Per:

Murray A. McDonald
President

Per:

Brent Beekenkamp
Senior Vice President

This is **Appendix “A”**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE MADAM	)	WEDNESDAY, THE 20TH
	)	
JUSTICE MATHESON	)	DAY OF AUGUST, 2014

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

APPROVAL AND VESTING ORDER

THIS APPLICATION, made by Hanfeng Evergreen Inc. (the "**Applicant**") for an order approving the sale transaction (the "**Transaction**") contemplated by a share transfer agreement (the "**Share Transfer Agreement**") between the Applicant and Heilongjiang Pengcheng Fertilizer Co., Ltd. (the "**Purchaser**") dated August 8, 2014 and appended to the Affidavit of Jonathan Pollack dated August 13, 2014 (the "**Pollack Affidavit**"), and vesting in the Purchaser the Applicant's right, title and interest in and to the shares described in the Share Transfer Agreement (the "**Purchased Shares**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Pollack Affidavit and on hearing the submissions of counsel for the Applicant and for Harris Christopoulos, no one appearing for any other person on the service list, although properly served as appears from the affidavits of service sworn August 14, 2014 and the affidavit of Sheila van Spronsen dated August 20, 2014, filed:

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the Share Transfer Agreement by the Applicant is hereby authorized and approved *nunc pro tunc*. Ernst & Young Inc., in its capacity as the Court-appointed receiver and manager (the "**Receiver**") of the undertaking, property and assets of the Applicant, is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Shares to the Purchaser.

2. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "**Receiver's Certificate**"), all of the Applicant's right, title and interest in and to the Purchased Shares described in the Share Transfer Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order dated August 15, 2014; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Shares are hereby expunged and discharged as against the Purchased Shares.

3. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Shares shall stand in the place and stead of the Purchased Shares, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Shares with the same priority as they had with respect to the Purchased Shares immediately prior to the sale, as if the Purchased Shares had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

4. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

5. THIS COURT ORDERS that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Applicant;

the vesting of the Purchased Shares in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct by the Purchaser pursuant to any applicable federal or provincial legislation.

6. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the People's Republic of China to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

AUG 2 1 2014

MB

Natasha Brown
Registrar

6281392 v7

Schedule "A" – Form of Receiver's Certificate

Court File No. __________

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

RECEIVER'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable [NAME OF JUDGE] of the Ontario Superior Court of Justice (the "**Court**") dated August 15, 2014, Ernst & Young Inc. was appointed as the receiver (the "**Receiver**") of the undertaking, property and assets of Hanfeng Evergreen Inc. (the "**Applicant**").

B. Pursuant to an Order of the Court dated August 15, 2014, the Court approved the agreement of purchase and sale made as of August 8, 2014 (the "**Share Transfer Agreement**") between the Applicant and Heilongjiang Pengcheng Fertilizer Co., Ltd. (the "**Purchaser**") and provided for the vesting in the Purchaser of the Applicant's right, title and interest in and to the Purchased Shares, which vesting is to be effective with respect to the Purchased Shares upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Shares; (ii) that the conditions to Closing as set out in the Share Transfer Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Share Transfer Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Shares payable on the Closing Date pursuant to the Share Transfer Agreement;

2. The conditions to Closing as set out in the Share Transfer Agreement have been satisfied or waived by the Receiver and the Purchaser; and

3. The Transaction has been completed to the satisfaction of the Receiver.

4. This Certificate was delivered by the Receiver at _______ [TIME] on ______ [DATE].

ERNST & YOUNG INC., in its capacity as Receiver of the undertaking, property and assets of Hanfeng Evergreen Inc., and not in its personal capacity

Per: ________________________________

Name: Murray A. McDonald

Title: President, Ernst & Young Inc.

Court File No. CV-14-10667-00CL

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at Toronto

APPROVAL AND VESTING ORDER

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Lawyers for the Applicant

This is **Appendix "B"**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM	)	WEDNESDAY, THE 20TH
	)	
JUSTICE MATHESON	)	DAY OF AUGUST, 2014

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

ORDER
(Appointment Order)

THIS APPLICATION made by the Applicant Hanfeng Evergreen Inc. (the "**Applicant**") for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing Ernst & Young Inc. ("**E&Y**") as receiver and manager (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of the Applicant acquired for, or used in relation to a business carried on by the Applicant, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Jonathan Pollack sworn August 13, 2014 and the Exhibits thereto and on hearing the submissions of counsel for Hanfeng and for Harris Christopoulos, no one appearing for anyone else although duly served as appears from the affidavits of service sworn August 14, 2014 and the affidavit of Sheila van Spronsen dated August 20, 2014, filed, and on reading the consent of E&Y to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA, E&Y is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Applicant acquired for, or used in relation to a business carried on by the Applicant, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

(a) to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transaction contemplated by the share transfer agreement with Heilongjiang Pengcheng Fertilizer Co., Ltd. dated August 8, 2014;

(b) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

(c) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(d) to manage, operate, and carry on the business of the Applicant, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Applicant;

(e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

(f) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Applicant or any part or parts thereof;

(g) to receive and collect all monies and accounts now owed or hereafter owing to the Applicant and to exercise all remedies of the Applicant in collecting such monies, including, without limitation, to enforce any security held by the Applicant;

(h) to settle, extend or compromise any indebtedness owing to the Applicant;

(i) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Applicant, for any purpose pursuant to this Order;

(j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Applicant, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding $100,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Applicant;

(q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Applicant, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Applicant;

(r) to exercise any shareholder, partnership, joint venture or other rights which the Applicant may have;

(s) to seek Court approval of and conduct a procedure for the solicitation, determination and resolution of claims against the Applicant;

(t) to seek Court approval to distribute any proceeds of any sale of the Property to the stakeholders of the Applicant in accordance with their relative priorities pursuant to further Order of the Court;

(u) to take such steps and execute such documents as may be necessary or desirable to purchase tail director and officer liability insurance coverage; and

(v) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Applicant, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Applicant, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the

Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Applicant, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least

seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Applicant or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Applicant or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Applicant, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided that nothing in this paragraph shall (i) empower the Receiver or the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) exempt the Receiver or the Applicant from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Applicant are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Applicant's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Applicant shall remain the employees of the Applicant until such time as the Receiver, on the Applicant's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**"), other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act (Canada).*

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Applicant, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the

Canadian Environmental Protection Act, the *Environmental Protection Act* (Ontario), the *Water Resources Act* (Ontario), or the *Occupational Health and Safety Act* (Ontario) and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act* (Canada).

RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates

and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

SERVICE AND NOTICE

21. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL 'http://www.ey.com/ca/hanfeng'.

22. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

23. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

24. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Applicant.

25. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the People's Republic of China to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

26. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

27. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

Natasha Brown
Registrar

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ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 2 0 2014

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This is **Appendix “C”**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 24th
	)	
JUSTICE CONWAY	)	DAY OF JULY, 2015

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. c. C.43 (as amended)

SUPERIOR COURT OF JUSTICE COUR SUPÉRIEURE DE JUSTICE

AND IN THE MATTER OF HANFENG EVERGREEN INC.

ORDER

THIS MOTION, made by Ernst & Young Inc., in its capacity as the receiver (the "**Receiver**") of Hanfeng Evergreen Inc. ("**Hanfeng**"), for an order clarifying and expanding the Receiver's powers was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report of the Receiver dated July 17, 2015 (the "**Second Report**") and the Supplement to the Second Report of the Receiver dated July 22, 2015 (the "**Supplement**"), and on hearing the submissions of counsel to the Receiver, no one appearing for any other person on the Service List, although properly served as appears from the affidavit of service, filed:

1. **THIS COURT ORDERS** that the time for service of the motion record in respect of this Motion is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Second Report.

3. **THIS COURT ORDERS** that the Receiver is empowered and authorized to exercise any shareholder rights that Hanfeng has, including Hanfeng's rights as sole shareholder of Hanfeng Slow-Release Fertilizer Co., Ltd. (the "**Chinese Subsidiary**").

4. **THIS COURT ORDERS** Mr. Yu Xinduo to provide full and timely cooperation to the Receiver, including, but not limited to the following:

   (a) providing unfettered access for Mr. Rong-Kai Hong and his company Formosa Supply Services Co., Ltd. and his designates to the Chinese Subsidiary's offices and facilities and books and financial records.

5. **THIS COURT ORDERS** that Mr. Yu Xinduo is forthwith prohibited from executing any document or entering into any agreement with respect to the Chinese Subsidiary without the Receiver's prior written consent thereto.

6. **THIS COURT ORDERS** that Mr. Yu Xinduo is forthwith prohibited from causing the Chinese Subsidiary to make any payments (including with respect to the Settlements, as defined in the Supplement) or any transfers out of any bank accounts in the name of the Chinese Subsidiary, including but not limited to, the bank account no. 23001866251050505638 with the China Construction Bank without the Receiver's prior written consent thereto.

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the People's Republic of China to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUL 2 4 2015

Giuseppe Dip...
Registrar

Court File No. CV-14-10667-00CL

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at Toronto

ORDER

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Lawyers for the Applicant

6433388 v5

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 31st
	)	
JUSTICE Hainey	)	DAY OF JULY, 2015

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

ORDER

THIS MOTION, made by Ernst & Young Inc., in its capacity as the receiver (the "**Receiver**") of Hanfeng Evergreen Inc. ("**Hanfeng**"), for an order clarifying and expanding the Receiver's powers was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report of the Receiver dated July 17, 2015 (the "**Second Report**") and the Supplement to the Second Report of the Receiver dated July 22, 2015 (the "**Supplement**"), and on hearing the submissions of counsel to the Receiver and Yu Xinduo, no one appearing for any other person on the Service List, although properly served as appears from the affidavit of service, filed:

1. **THIS COURT ORDERS** that the time for service of the motion record in respect of this Motion is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Second Report.

3. **THIS COURT ORDERS** that the Receiver is empowered and authorized to exercise any shareholder rights that Hanfeng has, including Hanfeng's rights as sole shareholder of Hanfeng Slow-Release Fertilizer Co., Ltd. (the "**Chinese Subsidiary**"), including but not limited to, to change the legal representative and directors of the Chinese Subsidiary.

4. **THIS COURT ORDERS** that the Receiver is authorized to take any necessary steps to assert its ownership of and effect control over the Chinese Subsidiary and the Heilongjiang Assets, including but not limited to, the bank account no. 23001866251050505638 opened with the China Construction Bank in the name of the Chinese Subsidiary.

5. **THIS COURT ORDERS** that the Receiver is authorized and directed to engage Mr. Rong-kai Hong ("**Mr. Hong**") and his company, Formosa Supply Services Co., Ltd, ("**FSS**"), to provide interim management services in connection with the Chinese Subsidiary, including appointment of Mr. Hong as the legal representative (the "**New Legal Representative**") and a director of the Chinese Subsidiary.

6. **THIS COURT ORDERS** Mr. Yu Xinduo to provide full and timely cooperation to the Receiver, including, but not limited to the following:

   (a) attending at Harbin Administration of Industry and Commerce ("**HAIC**") in order to facilitate the change of legal representative of the Chinese Subsidiary;

(b) taking any steps within Mr. Yu's control and permitted by law to effect the surrender of all chops, including the company chop and finance chops relating to the Chinese Subsidiary and any of its subsidiaries to the New Legal Representative;

(c) taking any steps within Mr. Yu's control and permitted by law to effect the surrender of all online banking tokens of the Chinese Subsidiary to the New Legal Representative; and

(d) taking any steps within Mr. Yu's control and permitted by law to effect the surrender to the New Legal Representative all corporate licenses, certificates and registrations of the Chinese Subsidiary and any of its subsidiaries, including the original business license, replicate business license, organizational code certificate, tax certificate and safe registration.

7. **THIS COURT ORDERS** that the First Report, the Second Report and the Supplement and the conduct and activities of the Receiver as described in each of the reports are hereby approved.

THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the People's Republic of China to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

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A. Anissimova
Registrar

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Court File No. CV-14-10667-00CL

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at Toronto

ORDER

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Lawyers for the Applicant

This is **Appendix "D"**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

FIRST REPORT OF THE RECEIVER DATED SEPTEMBER 12, 2014

INTRODUCTION

1. On August 20, 2014, pursuant to an order issued by the Ontario Superior Court of Justice, Ernst & Young Inc. was appointed as receiver and manager (the "Receiver") of the assets, undertakings and properties of the Hanfeng Evergreen Inc. ("Hanfeng" or the "Company"), pursuant to section 101 of the Courts of Justice Act (Ontario).

PURPOSE

2. The purpose of this first report of the Receiver (the "First Report") is to provide this Court with information in respect of the following:

    - status of the sale of the Company`s wholly owned subsidiary, Hanfeng Slow-Release Fertilizer Co., Ltd.; and

    - the Receiver's request for an order establishing a process to resolve any claims against Hanfeng and establishing a claims bar date by which such claims must be filed.

TERMS OF REFERENCE

3. In preparing this First Report and making the comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, prepared by the Company's books and records, discussions with employees of the Company and information from other third-party sources (collectively, the "Information"). Except as described in this First Report:

    (a) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information; and

    (b) The Receiver has prepared this First Report in its capacity as a court-appointed officer solely for the use of this Court and the stakeholders in these proceedings and will make a copy of this First Report available on the Receiver's website at www.ey.com/ca/hanfeng.

4. All monetary amounts contained herein are expressed in Canadian dollars, unless otherwise stated.

GENERAL BACKGROUND

5. The Company, through its wholly-owned subsidiaries, was a developer and producer of value-added fertilizers in the People's Republic of China ("China"). The Company is incorporated under the laws of Ontario with its registered head office in Toronto.

6. The Company has no independent operations and exists solely as a holding company for certain operating entities located in China. By mid-August 2014, the Company's principal remaining un-monetized asset was all the issued and outstanding shares of

Hanfeng Slow-Release Fertilizer Co., Ltd., a company legally registered and established in China (the "Chinese Subsidiary").

7. On August 20, 2014, following an application by the Company, this Court:

- issued an order appointing Ernst & Young Inc. as the receiver and manager of the Company (the "Receivership Order"); and

- approved a share transfer agreement between the Company and Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd. (the "Purchaser") dated August 8, 2014 (the "Share Transfer Agreement") in respect of the shares of the Chinese Subsidiary (the "Shares") and the transaction contemplated therein (the "Share Transfer Transaction") and provided for the vesting of all of the Shares in the Purchaser free and clear of any encumbrances upon the completion of the Share Transfer Transaction (the "Vesting Order").

8. The Receiver has made various materials relating to the receivership available on its website at www.ey.com/ca/hanfeng.

SHARE TRANSFER TRANSACTION UPDATE

9. The Receivership Order provides, among other things, for the Receiver to close the Share Transfer Transaction and collect the purchase price payable thereunder.

10. The Receiver is proceeding to complete any necessary steps required for the closing of the Share Transfer Transaction, including coordinating with the Company's Chinese counsel as needed.

11. Pursuant to the terms of the Share Transfer Agreement, RMB 12,400,000 (approximately $2.2 million) has already been received from the Purchaser.

12. A further RMB 37,200,000 (approximately $6.6 million) was due ten business days after the date of approval of the Share Transfer Transaction by this Court. The

Receiver understands that the payment was delayed on account of regulatory clearance from China`s State Administration of Foreign Exchange ("SAFE"). The Receiver further understands that SAFE clearance has now been obtained and expects receipt of the payment in the week ending September 19, 2014.

HANFENG CLAIMS PROCESS

General

13. The Receiver seeks an order for the establishment and resolution of any claims against the Company (the "Claims Procedure Order").

14. The purpose of the proposed Claims Procedure Order is to:

- establish a process to ensure that all parties with a claim or an alleged claim be called upon to advance their claim expeditiously;
- to permit such claims to be processed and adjudicated efficiently; and
- to analyze and consider the effect of any such alleged claims prior to any distribution of the remaining assets to Hanfeng's shareholders.

15. The Claims Procedure Order establishes a Claims Bar Date (as defined below) and sets out the procedures for the calling of proofs of claims and a process to lead to the final determination of the Claims (as defined in the Claims Procedure Order).

Claims Bar Date

16. The Receiver proposes that any Person (as defined in the Claims Procedure Order) asserting a Claim be required to file a proof of claim with the Receiver prior to 5:00 pm (prevailing Eastern time) on November 10, 2014 (the "Claims Bar Date").

17. Any Person that fails to file a Proof of Claim (as defined in the Claims Procedure Order) with the Receiver on or before the Claims Bar Date shall:

- be forever barred from making or enforcing any Claim against the Company; and
- not be entitled to any further notice in these proceedings, and shall not be entitled to participate as a Claimant (as defined the Claims Procedure Order) in these proceedings.

18. The Receiver submits that the Claims Bar Date is reasonable. It provides parties with a claim or an alleged claim with 45 calendar days from the date of the proposed Claims Procedure Order to evaluate their Claims against Hanfeng and submit the necessary Proofs of Claim.

Notice of Claims Procedure

19. The Receiver will publish a Notice of Claims Procedure and Claims Bar Date (as defined in the Claims Procedure Order) in the Globe and Mail (National Edition), the National Post (National Edition) and a local newspaper in Heilongjiang province in China no later than September 30, 2014. A copy of the Notice of Claims Procedure and Claims Bar Date is attached as Schedule A to the Claims Procedure Order.

20. The Receiver will post an electronic copy of the Notice of Claims Procedure and Claims Bar Date on its website www.ey.com/ca/hanfeng as soon as practicable but by no later than September 30, 2014.

21. The Receiver will send a copy of the Claims Package (as defined in the Claims Procedure Order), which includes among other things, a Proof of Claim to each Known Creditor (as defined in the Claims Procedure Order) by regular mail, courier, facsimile, or electronic mail as soon as practicable but by no later than September 30, 2014. A copy of the Proof of Claim is attached as Schedule B to the Claims Procedure Order.

22. In addition, provided that such request is received by the Receiver prior to the Claims Bar Date, the Receiver will send a copy of the Claims Package to any Claimant as soon as reasonably possible after receipt of such a request for a package.

23. In the Receiver's view, the identification of Known Creditors, the mailing of the Claims Package, the publication of the Notice of Claims Procedure and Claims Bar Date described above will provide sufficient and timely notification to allow parties with a claim or an alleged claim to submit their Proofs of Claim prior to the Claims Bar Date.

Adjudication of Claims

24. The Receiver will review each Proof of Claim filed and at any time may:
    a) request additional information from a Claimant;
    b) attempt to consensually resolve the amount of the Proof of Claim with the Claimant;
    c) accept (in whole or in part) the amount and/or status of the Claim;
    d) by notice in writing, no later than 20 calendar days after receipt of the Proof of Claim, revise or disallow (in whole or in part) the amount and/or status of any Claim by delivering to the Claimant a notice of revision or disallowance (the "Notice of Revision or Disallowance"). A copy of the Notice of Revision or Disallowance is attached as Schedule C to the Claims Procedure Order; and/or
    e) refer the Claim to a Claims Officer (as defined in the Claims Procedure Order) or to this Court for resolution;

25. Any Claimant who intends to dispute the amount of its Claim as set out in the Notice of Revision or Disallowance must file a Dispute Notice with the Receiver no later than 20 calendar days after the date of the Notice of Revision or Disallowance. A copy of the Dispute Notice is attached as Schedule D to the Claims Procedure Order.

26. The Receiver submits that the period of time to file a Dispute Notice is reasonable as most Claimants will have performed an evaluation of their Claim prior to submitting a Proof of Claim and therefore should be in a position to respond within the time period established.

27. The Receiver believes the appointment of Claims Officers (as defined in the Claims Procedure Order) to the extent necessary will greatly assist with the administration of the provisions of the Claims Procedure Order and provide an efficient and timely means of determining those claims that are disputed and which the Receiver is unable to resolve.

28. Upon receipt of a Dispute Notice, the Receiver may
    a) attempt to consensually resolve the amount of the Claim with the Claimant;
    b) refer the dispute to a Claims Officer for determination; and / or
    c) bring the dispute before this Court for determination

29. If the Receiver refers the dispute to a Claims Officer for determination, the Claims Officer will determine the manner, if any, in which evidence may be brought before the Claims Officer by the parties as well as any other procedural or substantive manners.

30. The Claims Officer shall schedule and conduct a hearing to determine the validity, amount and/or classification of the Claim and as soon as practicable thereafter notify the Receiver and Claimant of his or her determination.

31. The Claimant and the Receiver each have the ability to appeal a determination of the Claims Officer by way of motion to this Court filed within 15 calendar days of delivery of such determination. If an appeal is not filed within such 15-day period, then the Claims Officer's determination shall, subject to a further order of this

Court, be deemed to be final and binding and shall be a Proven Claim (as defined in the Claim Procedure Order).

Conclusion

32. The Receiver believes that the Claim Procedure Order establishes a robust overall procedural framework that provides for an efficient mechanism for claims to be processed and adjudicated.

All of which is respectfully submitted this 12th day of September 2014.

ERNST & YOUNG INC.
In its capacity as Receiver of
Hanfeng and not in its personal or corporate capacity

Per:

Murray A. McDonald
President

This is **Appendix “E”**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

SUPPLEMENT TO FIRST REPORT OF THE RECEIVER DATED SEPTEMBER 22, 2014

PURPOSE

1. This supplement to the First Report of the Receiver (the "Supplemental First Report") is provided in reference to the Receiver's First Report dated September 12, 2014 (the "First Report"). The purpose of the Supplemental First Report is to provide this Court with information in respect of the status of the sale of Hanfeng Evergreen Inc.'s (or the "Company") wholly owned subsidiary, Hanfeng Slow-Release Fertilizer Co., Ltd (the "Chinese Subsidiary").

TERMS OF REFERENCE

2. In preparing this Supplemental First Report and making the comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, prepared by the Company's books and records, discussions with employees of the Company and information from other third-party sources (collectively, the "Information"). Except as described in this Supplemental First Report:

    (a) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants

Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information; and

(b) The Receiver has prepared this Supplemental First Report in its capacity as a court-appointed officer solely for the use of this Court and the stakeholders in these proceedings and will make a copy of this First Report available on the Receiver's website at www.ey.com/ca/hanfeng.

3. All monetary amounts contained herein are expressed in Canadian dollars, unless otherwise stated.

GENERAL BACKGROUND

4. On August 20, 2014, following an application by the Company, this Court approved a share transfer agreement between the Company and Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd. (the "Purchaser") dated August 8, 2014 (the "Share Transfer Agreement") in respect of the shares of the Chinese Subsidiary (the "Shares") and the transaction contemplated therein (the "Share Transfer Transaction") and provided for the vesting of all of the Shares in the Purchaser free and clear of any encumbrances upon the completion of the Share Transfer Transaction (the "Vesting Order").

SHARE TRANSFER TRANSACTION UPDATE

5. On September 12, 2014, the Receiver provided the following update in the First Report in respect of the payments contemplated in the Share Transfer Transaction:

- Pursuant to the terms of the Share Transfer Agreement, RMB 12,400,000 (approximately $2.2 million) has already been received from the Purchaser; and

- A further RMB 37,200,000 (approximately $6.6 million) due ten business days after the date of approval of the Share Transfer Transaction by this Court was delayed on account of regulatory clearance from China`s State

Administration of Foreign Exchange ("SAFE"). The Receiver understood that as of September 12, 2014, SAFE clearance had been obtained and that the payment would be processed and released. The Receiver expected receipt of the payment in the week ending September 19, 2014.

6. Subsequently, on September 15, 2014 the Purchaser advised the Receiver, that notwithstanding that SAFE clearance had been obtained, the bank handling this remittance (the "Bank") informed the purchaser that after the Bank's review of the supporting documentation, the Bank would not initiate the RMB 37,200,000 payment unless it received a notarized copy of the Vesting Order which had been appropriately authenticated by Official Documents Services, Ontario and the Consulate of the People's Republic of China (the "Authenticated Court Order"). Therefore, the Receiver proceeded to undertake the requisite steps and has dispatched a copy of the Authenticated Court Order to the Purchaser. The Receiver understands that payment will be initiated forthwith after receipt of the Authenticated Court Order by the Purchaser and the Bank.

7. The Receiver understands that the Authenticated Court Order has arrived in Harbin, China (where the Purchaser is located) and that delivery to the Purchaser is pending. The Receiver also understands that the Purchaser will deliver the Authenticated Court Order to the Bank forthwith upon receipt.

All of which is respectfully submitted this 22nd day of September 2014.

ERNST & YOUNG INC.
In its capacity as Receiver of
Hanfeng and not in its personal or corporate capacity

Per:

Murray A. McDonald
President

This is **Appendix “F”**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

SECOND REPORT OF THE RECEIVER DATED JULY 17, 2015

INTRODUCTION

1. On August 20, 2014, following an application by Hanfeng Evergreen Inc. ("**Hanfeng**" or the "**Company**"), the Ontario Superior Court of Justice (the "**Court**") issued an order (the "**Approval Order**") approving a share transfer agreement (the "**Share Transfer Agreement**") dated August 8, 2014 and the transaction contemplated therein (the "**Share Transfer Transaction**").

2. The Approval Order provides for vesting in HLJ Pengcheng (as defined below) all the shares of Hanfeng Slow-Release Fertilizer Co., Ltd., the Company's fully owned subsidiary in China (the "**Chinese Subsidiary**") upon the completion of the Share Transfer Transaction. A copy of the Approval Order is attached hereto as **Appendix "A"**.

3. Pursuant to an order issued by this Court on August 20, 2014 (the "**Appointment Order**"), Ernst & Young Inc. was appointed as receiver and manager (the "**Receiver**") of the assets, undertakings and properties (the "**Properties**") of the Company, pursuant to section 101 of the Courts of Justice Act (Ontario). A copy of the Appointment Order is attached hereto as **Appendix "B"**.

4. The Appointment Order authorized the Receiver, among other things, to:

   a. take any necessary steps required to complete the Share Transfer Transaction;
   b. take possession of and exercise control of the Properties and any and all proceeds, receipts, and disbursements arising out of, or from, the Properties;
   c. engage counsel and advisors from time to time to assist with the excise of the Receiver's powers and duties; and
   d. seek Court approval of and conduct a procedure for the solicitation, determination and resolution of claims against the Company.

5. On September 23, 2014, this Court issued an Order (the "**Claims Procedure Order**") approving a claims process (the "**Claims Process**"). A copy of the Claims Procedure Order is attached hereto as **Appendix "C"**.

PURPOSE

6. The purpose of this second report of the Receiver (the "**Second Report**") is to report to this Court with respect to the following:

   (a) the status of the Share Transfer Transaction;
   (b) new information in respect of the purchaser in the Share Transfer Transaction;
   (c) a summary of the Receiver's other activities;
   (d) a summary of receipts and disbursements; and
   (e) the Receiver's motion for Orders:
      i. clarifying and expanding the Receiver's power and authority to exercise the shareholder rights that the Company has, including but not limited to, change the legal representative and directors of the Chinese Subsidiary;
      ii. authorizing and empowering the Receiver to renegotiate and, if necessary, terminate the Share Transfer Agreement as the Receiver in its discretion deems appropriate in the circumstances;

iii. authorizing the Receiver to take any necessary actions and steps to safeguard the assets, complete its ongoing investigation and to consider alternatives to realize on the assets of the Chinese Subsidiary (the "**Heilongjiang Assets**"), in whole or in part, for the benefit of the Company's creditors and shareholders, if the Receiver in its discretion sees no reasonable prospect in closing the Share Transfer Transaction;

iv. authorizing the Receiver to take any necessary actions and steps to effect control over the Chinese Subsidiary;

v. authorizing the Receiver to engage Mr. Hong Rong-Kai and his company, Formosa Supply Services Co., Ltd (FSS), to provide interim management services in connection with the Chinese Subsidiary, including appointment of Mr. Hong as the legal representative (the "**New Legal Representative**") and a director of the Chinese Subsidiary and Mr. Hong's associate as a director of the Chinese subsidiary;

vi. requiring Mr. Yu Xinduo, the current legal representative of the Chinese Subsidiary, to provide full and timely cooperation to the Receiver in carrying out the actions described above including but not limited to the following:

   (a) obtaining the Receiver's written approval prior to executing any document or entering into any agreement in his capacity as the legal representative of the Chinese Subsidiary;

   (b) attending at Harbin Administration of Industry and Commerce ("**HAIC**") in order to facilitate the change of legal representative of the Chinese Subsidiary;

   (c) surrendering all chop sets, including the company chop and finance chops (which are described in greater detail below) relating to the Chinese Subsidiary and any of its subsidiaries as described below to the New Legal Representative;

(d) surrendering all online banking tokens of the Chinese Subsidiary to the New Legal Representative;

(e) surrendering to the New Legal Representative all corporate licenses, certificates and registrations of the Chinese Subsidiary and any of its subsidiaries, including the original business license, replicate business license, organizational code certificate, tax certificate and safe registration; and

(f) providing unfettered access for the New Legal Representative to the Chinese Subsidiary's offices and facilities; and

vii. approving the First Report (as defined below) and the Second Report and the conduct and activities of the Receiver as described in each of the reports.

7. This Second Report is organized as follows:

(a) Terms of Reference;
(b) General Background;
(c) Share Transfer Transaction Update;
(d) New Information Concerning the purchaser;
(e) Current Status of the Chinese Subsidiary;
(f) Control Over the Chinese Subsidiary;
(g) Summary of the Receiver's Other Activities;
(h) Summary of Receipts and Disbursements; and
(i) Recommendations.

TERMS OF REFERENCE

8. In preparing this Second Report and making the comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, prepared by the books and records of the Company and the Chinese Subsidiary, discussions with employees of the Company and the Chinese

Subsidiary and information from other third-party sources (collectively, the "**Information**"). Except as described in this Second Report:

(a) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the *Generally Accepted Assurance Standards* pursuant to the *Canadian Institute of Chartered Accountants Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information; and

(b) The Receiver has prepared this Second Report in its capacity as a court-appointed officer solely for the use of this Court and the stakeholders in these proceedings.

9. The Receiver has previously filed with this Court its first report dated September 12, 2014 and supplement to the first report dated September 22, 2014 (together referred to as the "**First Report**"), a copy of which is attached hereto as **Appendix "D"**. The Receiver will make a copy of the Second Report available on the Receiver's website at www.ey.com/ca/hanfeng. A copy of the First Report has also been posted on the Receiver's website.

10. All monetary amounts contained herein are expressed in Canadian dollars, unless otherwise stated.

GENERAL BACKGROUND

Hanfeng and its Chinese Subsidiary

11. Hanfeng, through its wholly-owned subsidiaries, was a developer and producer of value-added fertilizers in the People's Republic of China ("China"). The Company is incorporated under the laws of Ontario with its registered head office in Toronto.

12. The Company has no independent operations and exists solely as a holding company for certain operating entities located in China. By mid-August 2014, the

Company's principal remaining un-monetized asset was all the issued and outstanding shares of the Chinese Subsidiary (the "Shares"). The Chinese Subsidiary is a Wholly Foreign-Owned Enterprise ("WFOE") that was established and is registered in China.

13. In accordance with its articles of association, the board of the Chinese Subsidiary is required to have three directors. The board composition currently consists of the following:

- Mr. Yu Xinduo, founder and former CEO of the Company, who owns and controls approximately 20.4% of the Company's Shares;
- Qi Zhida, General Manager of the Chinese Subsidiarity; and
- a vacancy due to the third director having passed away.

14. Mr. Yu is also currently the legal representative of the Chinese Subsidiary, a position that is responsible for the overall activities of the Chinese Subsidiary. The Chinese Subsidiary is managed by Mr. Yu and a team of individuals designated by him (collectively, the "Local Management Team"). The Local Management Team controls the Chinese Subsidiary's business license, chop sets (which are company seals required for executing documents and government registrations) and bank accounts.

15. Pursuant to a guarantee agreement by Mr. Yu in favour of the purchaser dated August 8, 2014 (the "Yu Guarantee"), Mr. Yu has agreed to: a) remain with the Chinese Subsidiary for a transition period of 12 months; ii) act as the legal representative of the Chinese Subsidiary; and iii) take all commercially reasonable efforts during the transition period to safeguard the interests of the Chinese Subsidiary and to protect it from certain risks. Copies of the Share Transfer Agreement and the Yu Guarantee are attached hereto as **Appendix "E".**

16. The Receiver also engaged Mr. Yu to, among other things, facilitate communication with the purchaser primarily due to his involvement in dealing with the purchaser prior to the Receivership proceedings.

Share Transfer Transaction

17. The Share Transfer Agreement provides that the total purchase price for all of the Shares is RMB 248 million (approximately $49.6 million), of which cash consideration is RMB 198.4 million. Set out in the table below is a summary of the timing and amount of the payments and consideration provided for in the agreement.

Description	Amount (RMB)	Time
5% of the total purchase price (the "**5% Deposit**")	12,400,000	Within 7 business days of the date of the Share Transfer Agreement
15% of the total purchase price (the "**15% Interim Payment**")	37,200,000	Within 10 business days of the Court approval of the Share Transfer Transaction
60% of the total purchase price (the "**Final Payment**")	148,800,000	Within 10 days upon closing of the Share Transfer Transaction
Total Cash Consideration	**198,400,000**	
20% of the total purchase price in promissory note ("**the Promissory Note**") to be assigned to Mr. Yu Xinduo on account of approximately 20.4% of the Company's shares owned or controlled by Mr. Yu	49,600,000	Within 10 days upon closing of the Share Transfer Transaction
Total Purchase Price	**248,000,000**	

China's Regulatory Approvals

18. The regulatory framework in China governing a share transfer transaction in connection with a WFOE is complex. Further, the Receiver understands there is uncertainty in how laws and regulations in China may be applied in a particular instance, which leads to a lack of certainty in the documentation requirements and review criteria of the local authorities.

19. It is the Receiver's understanding the Share Transfer Transaction is subject to multiple regulatory approvals in China, which include the two following milestones:

(a) approval by Harbin Economic Cooperation Promotion Bureau ("**HECPB**") (the "**HECPB Approval**"); and

(b) updating of the business license of the Chinese Subsidiary by HAIC upon registration of the purchaser as the shareholder of the Chinese Subsidiary (the "**Business License Registration**"). Under Chinese law, the registration of a new business license marks the completion of transfer of ownership and in this case also represents the closing of the Share Transfer Transaction (the "**Closing**").

20. The Receiver further understands HECPB Approval is a prerequisite of the review by China's other regulatory bodies, which are generally expected to follow the decision of HECPB. While it is difficult to estimate the time required to clear all necessary regulatory approvals; after the HECPB Approval is issued, it is possible to complete the other regulatory approvals in a relatively short order (as quick as approximately 2 to 3 weeks), assuming all required documentation is in order.

21. Further, remittance of the purchase price proceeds from China to Canada is subject to regulatory clearance by China's State Administration of Foreign Exchange ("**SAFE**").

SHARE TRANSFER TRANSACTION UPDATE

Delayed and Failed Wire Transfers

22. As discussed in the First Report, the Receiver received the 5% Deposit in the amount of RMB 12.4 million (approximately $2.2 million) on August 28, 2014, which was 9 days after the due date pursuant to the Share Transfer Agreement.

23. As further discussed in the First Report, the Receiver was advised by the purchaser that the remittance of the 15% Interim Payment was delayed as the bank handling the remittance (i.e., the Bank of East Asia or "**BEA**") made a request to review an

authenticated copy of the Approval Order, which was couriered by the Receiver in the week of September 15, 2014.

24. In the interim, the Receiver continued to follow up with the purchaser and Mr. Yu on the status of wire transfer, and confirmed with the purchaser and BEA certain information regarding the Canadian depository bank account. However, on November 6, 2014, the purchaser advised that its remittance request for the 15% Interim Payment had been rejected by BEA, as it had been determined that a different category of SAFE clearance should apply to this type of wire transfer (i.e., a capital account foreign exchange transaction). The necessary SAFE clearance (the "**Foreign Exchange Registration**") requires the purchaser to present, *inter alia*, the following:

   - The HECPB Approval; and
   - Tax clearance in respect of the Share Transfer Transaction from the local tax authorities (the "**Tax Clearance**").

25. In October, 2014, the Receiver engaged the Beijing office of MayerBrown JSM ("**MayerBrown**") as counsel in China to assist the Receiver to better understand China's regulatory environment and evaluate options. The Receiver, with the assistance of MayerBrown, took steps to review and discuss the payment issues with the purchaser, Mr. Yu and BEA.

26. Subsequent to its failure to remit the 15% Interim Payment, the purchaser requested the Receiver to provide certain additional authenticated documentation (the "**Additional Documentation**") in order to proceed with the HECPB Approval process (prior to making any interim payment).

27. The purchaser's suggested course of action would result in the Receiver releasing documents to the purchaser, which documents the purchaser may then use to

complete the ownership transfer without having paid 95% of the Cash Purchase Price.

28. In light of the required wire transfer approvals and payment remittance issues encountered to date, as well as the potential short time frame between the HECPB Approval and Closing, the Receiver was concerned with the heightened collection risk associated with the approach suggested by the purchaser, whereby the 15% Interim Payment may not be remitted by the purchaser and received by the Receiver until after Closing. After consultation with MayerBrown and Stikeman Elliott LLP ("**Stikeman**"), the Receiver's Canadian counsel (collectively, "**Counsel**"), the Receiver's view was that it is imperative for the 15% Interim Payment to be made prior to proceeding with the HECPB Approval process. Accordingly, the Receiver has not yet provided the purchaser with the Additional Documentation.

Escrow Account in China

29. The Receiver, with assistance of the Counsel, engaged in extensive discussions with the purchaser and Mr. Yu with a view to finding a practical and acceptable solution within the framework contemplated in the Share Transfer Agreement, while complying with China's regulatory requirements.

30. Starting in or around the week of November 24, 2014, the focus of the discussions with the purchaser and Mr. Yu began to move toward using an escrow account in China to receive the remaining purchase price and to proceed with the Share Transfer Transaction.

31. In December 2014, the purchaser advised it was prepared to use the Harbin branch of China Minsheng Bank ("**Minsheng Bank**") as the escrow agent. The Receiver, with assistance of MayerBrown and Stikeman, then engaged in extensive negotiations with the purchaser and Mingsheng Bank in order to reach escrow arrangements acceptable to all the parties.

32. On February 11, 2015, the Receiver authorized Mr.Yu, on behalf of the Receiver, to enter into an escrow agreement (the "**Escrow Agreement**") with the purchaser and Minsheng Bank on the following terms:

   (a) the purchaser shall deposit the 15% Interim Payment into an escrow account under the purchaser's name with the Minsheng Bank (the "**Escrow Account**") within 5 business days of the date of the Escrow Agreement;

   (b) the 15% Interim Payment to be released to Canada within 1 business day after completing the Tax Clearance;

   (c) within 10 business days after the Business License Registration, the Final Payment is to be deposited into the Escrow Account and then released to Canada; and

   (d) prior to the deposit of the Final Payment, the Chinese Subsidiary's representative shall have custody of original documents including the HECPB Approval and the business license of the Chinese Subsidiary.

33. The Receiver understands the Escrow Account was opened with the Minsheng Bank on or about February 13, 2015, and the deposit of the 15% Interim Payment became due on or about February 16, 2015 pursuant to the Escrow Agreement.

Further Impasse and the Purchaser's Failure to Meet Its Commitments

34. The purchaser has failed to fund the escrow account in accordance with the Escrow Agreement. The Receiver was initially informed by the purchaser that the delay in funding the escrow was caused by its office closure during the Chinese New Year holiday season between February 14 and March 6, 2015. However, on a conference call on March 11, 2015, the purchaser advised it was unable to make the 15% Interim Payment on time due to its tight liquidity related to the seasonality of its business and requested an extension to fund the Escrow Account.

35. After numerous discussions, on March 23, 2015 the purchaser committed to a new timeframe to fund the 15% Interim Payment in 3 installments by April 30, 2015, (the "**March Commitment**"), which commitment the purchaser again failed to meet. The table below summarizes payments received by the Receiver and in the Escrow Account to date.

Description	RMB	Due Date Per Share Transfer Agreement	Due Date Per Esrow Agreement	March Commitment	Received Date	Note
Initial Deposit (5%)	12,400,000	19-Aug-14	N/A	N/A	28-Aug-14	Received by Receiver
Partial payments on the 15% Interim Payment	5,000,000	03-Sep-15	16-Feb-15	03-Apr-15	03-Apr-15	Depoisited into the Escrow Account at Minsheng Bank
	2,000,000	03-Sep-15	16-Feb-15	17-Apr-15	17-Apr-15	
	3,000,000	03-Sep-15	16-Feb-15	17-Apr-15	21-Apr-15	
	27,200,000	03-Sep-15	16-Feb-15	30-Apr-15	Outstanding	
Balance of Cash Purchase Price	148,800,000	10 business days days after Closing			Outstanding	
Total Cash Purchase Price	198,400,000					

36. At the time of preparing this Second Report, the purchaser has yet to fund the majority of the 15% Interim Payment (i.e., 27.2 million RMB or the "**Remaining 15% Interim Payment**") pursuant to its March Commitment. Despite numerous clarifications made and additional documents provided by the Receiver, the purchaser has indicated it has concerns regarding reviewing/handling certain documents required for the HECPB Approval.

37. Further, as a condition to funding the Remaining Interim Payment, the purchaser requested to review certain documents, including an executed board resolution of the Chinese Subsidiary approving the Share Transfer Transaction (the "**Sub Board Resolution**"). The Sub Board Resolution requires unanimous approval and original signatures of all three directors of the board. Due to the vacancy in the board of the Chinese Subsidiary, the Receiver is in the process of filling the vacancy in order for the Board of the Chinese Subsidiary to be able to execute any required board resolutions.

Receiver's Continued Efforts to Close the Share Transfer Transaction

38. In the past several months, the Receiver, with assistance of its Counsel, has made continued efforts to move forward the Share Transfer Transaction, including:

    (a) engaging in extensive discussions with the purchaser and Mr. Yu by phone and email in order to break through the impasse;

    (b) meeting with Mr. Yu in person in Toronto on December 22, 2014 and May 4, 2015;

    (c) the Receiver requesting an in-person meeting with the purchaser (the purchaser requested to meet in Toronto, but subsequently advised that its representatives' visa applications were rejected by the Canadian Embassy in Beijing); and

    (d) sending a letter dated May 22 on to the purchaser (the "**May 22 Letter**" demanding the purchaser to fulfill its obligations pursuant to the Share Transfer Agreement and the Escrow Agreement. A copy of the May 22 Letter is attached hereto as **Appendix "F"**.

39. In view of the purchaser's repeated and continuing failure to fulfill its obligations and commitments and the Receiver's findings in regards to the purchaser's identity (as described below), the Receiver sees substantially increased collection risk in closing the Share Transfer Transaction. Accordingly, the Receiver, with assistance of the Counsel and other advisors, has taken various steps to assess the current situation, ascertain the purchaser's intent and ability to make the required payments, and evaluate possible realization alternatives.

NEW INFORMATION CONCERNING THE PURCHASER

40. The purchaser referred to in the Approval Order is Heilongjiang Pengcheng Fertilizer Co., Ltd. ("**HLJ Pengcheng**"). However, the Receiver has noted the purchaser in the Share Transfer Agreement is referenced by a similar but different

company name. While continuing its efforts to close the Share Transfer Transaction, the Receiver, with assistance of MayerBrown and other advisors, has taken steps to investigate and obtain information in respect of the purchaser in the Share Transfer Agreement.

41. While the investigations are still ongoing at the time of preparing this Second report, the Receiver has learned the following:

(a) the Chinese Subsidiary received a letter of intent dated June 16, 2014 from an entity that identified itself as HLJ Pengcheng. Prior to entering into the Share Transfer Agreement, the Company conducted due diligence, including obtaining an independent report from Deloitte LLP, in respect of HLJ Pengcheng.

(b) the entity that executed the Share Transfer Agreement is a different company called **Harbin** Pengcheng Fertilizer Co. Ltd. (emphasis added) ("**New Pengcheng**");

(c) the Receiver, since its appointment, has been dealing with representatives of New Pengcheng and Mr. Yu;

(d) unlike HLJ Pengcheng, which is a well-established company, New Pengcheng appears to be a shell company with no operations that was only registered on August 4, 2014 (4 days before the signing of the Share Transfer Agreement) and has very limited publicly available information;

(e) the Receiver has been unable to establish any connection between New Pengcheng and HLJ Pengcheng. The Receiver has conducted independent investigation including contacting senior management of HLJ Pengcheng who informed the Receiver that HLJ Pengcheng has not entered into a transaction to acquire the Chinese Subsidiary.

42. These findings and New Pencheng's ongoing failure to meet its obligations, in particular with respect of the required payments owing by New Pengcheng under the Share Transfer Transaction, have caused considerable delay and expense, leading the Receiver to question the genuineness of New Pengcheng and its intention.

43. Further, the Receiver has taken steps to investigate potential connections between Mr. Yu and the purchaser, since it was Mr. Yu who reported to the board of the Company of the purchaser's interest as described in paragraph 61 of the affidavit of Jonathan Pollack, former Lead Director of the Company, sworn August 13, 2014 (the "**Pollack Affidavit**") filed in connection with the Company's motion for the Approval Order and the Appointment Order. A copy of the Pollack Affidavit is attached hereto as **Appendix "G"**. In accordance with the Receiver's understanding, Mr. Yu played a central role in entering into the Share Transfer Agreement with the purchaser.

44. On July 10, 2015, the Receiver had an in person meeting with Mr. Yu (the "**July 10th meeting**") to, among other things (as discussed further herein), clarify his knowledge on and relationship with the purchaser. Mr. Yu maintains his position that New Pengcheng is an affiliate of HLJ Pengcheng. When asked to explain why the Receiver has not been able to establish any connections between the two entities, Mr. Yu commented that to his knowledge only certain HLJ Pengcheng executives are aware of the transaction and, for reasons undisclosed, may not want to acknowledge their involvement in the Share Transfer Transaction. Further, Mr. Yu stated he has no personal connection with New Pengcheng and that he is not aware of any relationship between New Pengcheng, including its representatives, and the Chinese Subsidiary.

45. The Receiver requests the Court to authorize the Receiver to take the steps necessary to complete its ongoing investigation and to consider alternatives to realize on the Heilongjiang Assets. The priority of the Receiver's investigation is to

determine the parties controlling the purchaser, and ascertain the purchaser's true ability and intent to close the Share Transfer Transaction by seeking direct and indirect information.

46. Based on information from the on-going investigation, the Receiver may consider taking cause of action against the purchaser and/or any other parties who are liable for damages and losses incurred by the Company in connection with the Share Transfer Transaction if it fails to close in accordance with its terms.

CURRENT STATUS OF THE CHINESE SUBSIDIARY

47. As described in the Background section, the Chinese Subsidiary is managed by the Local Management Team under Mr. Yu's supervision and employs approximately 180 employees.

48. Mr. Yu has, on several occasions, advised the Receiver that the Chinese Subsidiary's operations have been dormant since around April 2014. However, over a nine month period from September 2014 to May 2015, the Chinese Subsidiary's cash burn has been more than what would be expected for a non-producing manufacturing facility. Notwithstanding numerous follow-ups, the Receiver has found the financial and operational information provided by the Local Management Team and Mr. Yu to be inadequate and inconsistent with representations made by the Local Management Team and Mr. Yu of the status of the Chinese Subsidiary.

49. To date, the Receiver has received very limited cooperation from the Local Management Team, making it difficult and, in practical terms, impossible to gain full or adequate access to financial or operational information of the Chinese Subsidiary to assess the status of the Chinese Subsidiary's activities in a timely manner.

50. In June 2015 as part of its on-going investigation, the Receiver learned that three lawsuits have recently been registered by another Chinese bank with Harbin Intermediate People's Court (the "**Harbin Court**") in May and June 2015 naming the Chinese Subsidiary, Mr.Yu and Heilongjiang Great Northern Wilderness Hanfeng Agricultural Development Co Ltd (the Receiver understands this third defendant to be an affiliate of Beidahuang Agricultural Company Limited, the largest former customer of the Chinese Subsidiary) ("**Beidahuang**"), as the defendants. One lawsuit appears to be related to a contract dispute, and other two related to loan agreement disputes. At the July 10th Meeting, Mr. Yu denied any knowledge of these lawsuits and dismissed them as "Beidahuang's issues" without providing further details. Mr. Yu has also confirmed again that the Chinese Subsidiary is not subject to any guarantee claims or collateral claims. At the time of preparing this Second Report, the Receiver is still following up with the Local Management Team and the Harbin Court in order to gather more information regarding the nature and status of the lawsuits.

51. The Receiver is of the view that Mr. Yu has not been fulfilling his duties of facilitating the completion of the Share Transfer Transaction with the purchaser or his duties as the legal representative of the Chinese Subsidiary, including the safeguarding of its cash and other assets.

52. Paragraph 3(r) of the Appointment Order authorizes the Receiver to exercise any shareholder, partnership, joint venture or other rights which the Company may have. On May 22, 2015, the Receiver informed Mr. Yu in writing that a process has been initiated to remove him as the legal representative and a director of the Chinese Subsidiary.

CONTROL OVER THE CHINESE SUBSIDIARY

53. The Receiver considers it imperative to effect control over the Chinese Subsidiary through reorganizing its board and changing its legal representative for the following reasons:

    (a) the ongoing delays and increased risk in closing the Share Transfer Transaction;

    (b) the Receiver's ongoing investigation regarding New Pengcheng as the purchaser and any potential association between the purchaser and Mr. Yu; and

    (c) concerns about the potential deterioration of the Heilongjiang assets and lack adequate collaborating support regarding the status of the Chinese Subsidiary from Mr. Yu and the Local Management Team.

54. After consultation with certain stakeholders, the Receiver has engaged Mr. Hong Rong-Kai in July 2015 to assist with the evaluation of the current situation. Mr. Hong is a Canadian Citizen who received his PhD degree from the University of Toronto. The Receiver understands that Mr. Hong has extensive experience in restructuring, general management and operation management from his previous employment with several multinational companies. The Receiver is advised that Mr. Hong founded four companies (one in China, two in Taiwan and one in Toronto) and has provided freelance advisory services to a wide variety of clients. Mr. Hong is familiar with the transactional environment in China. A copy of Mr. Hong's curriculum vitae is attached hereto as **Appendix "H".** With the Court's approval, the Receiver is prepared to engage Mr. Hong and his company to provide interim management services in connection with the Chinese Subsidiary based on daily rates of US$1,700 and US$1,000 for Mr. Hong and for an associate,

respectively, payable on a monthly basis. A copy of the draft engagement letter is attached hereto as **Appendix "I"**.

55. Mr. Hong's engagement includes the appointments of

- Mr. Hong as the legal representative and a director of the Chinese Subsidiary to replace Mr. Yu; and
- an associate of Mr. Hong as a director to replace Mr. Qi.

56. The initial priority of Mr. Hong's engagement is to take control of the Chinese Subsidiary and, at the same time, evaluate alternatives to realize on the Heilongjiang Assets and assist the Receiver in its investigation.

57. In June 2015, the Receiver also undertook to appoint Mr. Guan Liu, a lawyer based in Harbin, China as a director of the Chinese Subsidiary to replace the deceased director. In the process of registering Mr. Guan's status, it has become clear that local authorities are being very stringent in registering any change of directors in respect of the Chinese Subsidiary due to disputes incurred during Hanfeng's previous proxy battle in 2013/2014 described in the Pollock Affidavit.

58. In the week of June 29, 2015, HAIC (the agency responsible for director registrations) indicated that it is not satisfied with the sufficiency of the Appointment Order with respect to the Receiver's power and authority to appoint or remove the Chinese Subsidiary's legal representative. The Receiver understands that HAIC has asked for a Court Order that clearly sets out such authorities and powers of the Receiver.

59. At the July 10th Meeting, the Receiver requested again Mr. Yu's full cooperation in registering Mr. Hong as the new legal representative and director and transferring to the new legal representative all chop sets, seals and licenses of the Chinese Subsidiary. Mr. Yu has indicated he willingness to cooperate but only on the

condition that the all funds paid by the purchaser, including the non-refundable 5% Initial Deposit and the funds currently in the Escrow, be returned to the purchaser. Mr. Yu indicated the condition was necessary due to personal liability under the Yu Guarantee and potential collection efforts against himself in China.

60. In view of the urgency of completing the board reorganization and change in legal representative in order to preserve the Heilongjiang Assets, the Receiver requests this Court to make an Order reaffirming the authority and power of the Receiver to take any necessary steps to effect the board reorganization, including the appointment of Mr. Hong and Mr. Guan and the authority and power of the Receiver to change the legal representative.

61. Further, the Receiver respectfully requests the Court to require Mr. Yu to provide his full cooperation in the board reorganization and change of legal representative processes, including but not limited to, executing the necessary documents and surrendering the chop sets, seals and licenses of the Chinese Subsidiary. In accordance with the Receiver's understanding, the local authorities' review process could be substantially prolonged if Mr. Yu refuses to execute certain documents required for registering the new legal representative and directors.

SUMMARY OF RECIEVER'S OTHER ACTIVITIES

62. In addition to the activities described above and in the First Report, the Receiver has taken various steps pursuant to the Appointment Order as detailed below:

    (a) took possession of the Company's Canadian bank accounts;

    (b) took possession of the Company's available books and records;

    (c) vacated the Company's office located at 2 St. Clair Avenue. West, Suite 610, Toronto;

(d) prepared and filed tax returns (including certain statutory information forms) for the Company and Hanfeng Slow-Release Fertilizer (Canada) Co. Ltd., an affiliate of the Company in relation to i) the fiscal year ended June 30, 2014; and ii) the stub period from July 1, 2014 to August 19, 2014;

(e) responded to inquiries from stakeholders;

(f) consulted certain stakeholders as appropriate with respect to the Share Transfer Transaction;

(g) took various steps in initiating and administering the Claims Process pursuant to the Claims Procedure Order, including:

- placing newspaper ads in the *Globe and Mail* (national edition), *National Post* (national edition), and a local newspaper in China in respect of the Claims Process;
- mailing a claims package to all known creditors and to people who requested it; and
- administering the Claims Process as described further herein.

63. The Receiver received 77 claims for a total claim amount of $16.2 million prior to the Claims Bar Date (i.e., 5:00 p.m. Eastern Time on November 10, 2014) (the "**Claims**") and two claims for a total claim amount of $17 thousand after the Claims Bar Date (the "**Late Claims**"). The 77 Claims comprised of: i) 60 Claims related to shareholder rights with a total face value of $11.9 million (the "**Equity Claims**") and ii) 17 non-equity Claims with a total claim value of $4.3 million (the "**Non-Equity Claims**").

64. The Receiver has sent letters to the claimants of the Equity Claims to confirm the receipt of those Equity Claims. The Receiver, in consultation with Stikeman, is continuing to take steps to review, accept, resolve or disallow the Non-Equity

Claims as appropriate. The Receiver will report to this Court in a separate report with respect to the Claims Process.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

65. Attached hereto as **Appendix "J"** is the Receiver's statement of receipts and disbursements for the period August 20, 2014 to June 30, 2015, which reflects the ending balances of approximately $2.3 million and USD 52 thousand as of June 30, 2015.

RECOMMENDATIONS

66. Based on the foregoing, the Receiver respectfully recommends this Court make an Order granting the following relief:

    i. clarifying and expanding the Receiver's power and authority to exercise the shareholder rights that the Company has, including but not limited to, to change the legal representative and directors of the Chinese Subsidiary;

    ii. authorizing and empowering the Receiver to renegotiate and, if necessary, terminate the Share Transfer Agreement as the Receiver in its discretion deems appropriate in the circumstances;

    iii. authorizing the Receiver to take any necessary actions and steps to safeguard the assets, complete its ongoing investigation and to consider alternatives to realize on the assets of the Chinese Subsidiary, in whole or in part, for the benefit of the Company's creditors and shareholders, if the Receiver in its discretion sees no reasonable prospect in closing the Share Transfer Transaction;

    iv. authorizing the Receiver to take any necessary actions and steps to effect control over the Chinese Subsidiary;

    v. approving the Receiver to engage Mr. Rong-Kai Hong and his company, Formosa Supply Services Co., Ltd (FSS), to provide interim management services in connection with the Chinese Subsidiary, including appointment of Mr. Hong as the New Legal Representative and a director of the Chinese Subsidiary and Mr. Hong's associate as a director of the Chinese subsidiary;

vi. requiring Mr.Yu Xinduo, the current legal representative, to provide full and timely cooperation to the Receiver in carrying out the actions described above including but not limited to the following:

(a) obtaining the Receiver's written approval prior to executing any documents or entering into any agreement in his capacity as the legal representative of the Chinese Subsidiary;

(b) attending at HAIC in order to facilitate the change of legal representative of the Chinese Subsidiary;

(c) surrendering all chop sets, including the company chop and finance chops, relating to the Chinese Subsidiary and any of its subsidiaries to the New Legal Representative;

(d) surrendering all online banking tokens of the Chinese Subsidiary to the New Legal Representative;

(e) surrendering to the New Legal Representative all corporate licenses, certificates and registrations of the Chinese Subsidiary and any of its subsidiaries, including the original business license, replicate business license, organizational code certificate, tax certificate and safe registration; and

(f) providing unfettered access for the New Legal Representative to the Chinese Subsidiary's offices and facilities; and

- approving the First Report and Second Report and the conduct and activities of the Receiver as described in each of the reports.

All of which is respectfully submitted this 17th day of July 2015.

ERNST & YOUNG INC.
In its capacity as Receiver of
Hanfeng and not in its personal or corporate capacity

Per:

Murray A. McDonald
President

This is **Appendix “G”**
to the Fifth Report of the Receiver
dated July 11, 2017

Court File No. CV-14-10667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

AND IN THE MATTER OF HANFENG EVERGREEN INC.

SUPPLEMENT TO SECOND REPORT OF THE RECEIVER DATED JULY 22, 2015

PURPOSE

1. This supplement to the Second Report of the Receiver (the "**Supplemental Second Report**") is provided in reference to the Receiver's Second Report dated July 17, 2015 (the "**Second Report**"). The purpose of the Supplemental Second Report is to provide this Court with information with respect to the following:

    a) new information concerning certain Lawsuits (as defined below) against Hanfeng Evergreen Inc.'s (or the "**Company**") wholly owned subsidiary, Hanfeng Slow-Release Fertilizer Co., Ltd (the "**Chinese Subsidiary**");
    b) information on the Settlements (as defined below) purportedly entered into by the Chinese Subsidiary with Industrial Bank (as defined below) in respect of these Lawsuits; and
    c) outlining the basis for an additional relief requiring Mr.Yu Xinduo, the current legal representative of the Chinese Subsidiary, and the Local Management Team operating under Mr. Yu's authority to obtain the Receiver's written approval prior to causing the Chinese Subsidiary to make any payments (including Settlement payments) or any transfers out of any bank accounts in the name of

the Chinese Subsidiary, including but not limited to the bank account no. 23001866251050505638 with the China Construction Bank.

TERMS OF REFERENCE

2. In preparing this Supplemental Second Report and making the comments herein, the Receiver has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, prepared by the Company's books and records, discussions with employees of the Company and information from other third-party sources (collectively, the "**Information**"). Except as described in this Supplemental Second Report:

   a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with the Generally Accepted Assurance Standards pursuant to the *Canadian Institute of Chartered Accountants Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information; and
   b) terms not described herein are as defined in Second Report or prior reports of the Receiver.

3. The Receiver has prepared this Supplemental Second Report in its capacity as a court-appointed officer solely for the use of this Court and the stakeholders in these proceedings and will make a copy of this Supplemental Second Report available on the Receiver's website at www.ey.com/ca/hanfeng.

4. All monetary amounts contained herein are expressed in Canadian dollars, unless otherwise stated.

GENERAL BACKGROUND

5. As described in greater detail in the Second Report, the Company has no independent operations and exists solely as a holding company for certain fertilizer

producing companies located in China. By mid-August 2014, the Company's principal remaining un-monetized asset was all the issued and outstanding shares of the Chinese Subsidiary (the "**Shares**"). The Chinese Subsidiary is a Wholly Foreign-Owned Enterprise ("**WFOE**") that was established and is registered in China.

6. As discussed in the Second Report, Mr. Yu is the current legal representative of the Chinese Subsidiary, a position that, under Chinese law, makes him responsible for the overall activities of the Chinese Subsidiary. The Chinese Subsidiary is managed by Mr. Yu and a team of individuals designated by him (collectively, the "**Local Management Team**").

7. The Receiver has been advised by Mr. Yu, on several occasions, that the Chinese Subsidiary's operations have been dormant since around April 2014.

8. As at June 30, 2015, the Chinese Subsidiary held cash of approximately RMB 72 million (approximately $14.4 million) based on bank statements provided by the Local Management Team.

NEW INFORMATION ON LAWSUITS AND SETTLEMENTS

9. As discussed in the Second Report and described in greater detail below, the Receiver has uncovered through its ongoing investigations three lawsuits against the Chinese Subsidiaries (the "**Lawsuits**") filed by a Chinese bank in relation to loan agreement disputes and contract disputes.

10. At a meeting on July 10, 2015 (the "**July 10 Meeting**"), when the Receiver asked Mr. Yu about the Lawsuits, Mr. Yu denied any knowledge and dismissed the Lawsuits as "Beidahuang's issues" (note: Beidahuang was formerly the largest customer of the Chinese Subsidiary). Further, Mr. Yu denied that the Chinese Subsidiary was subject to any such Lawsuits.

11. Further to the issuance of the Second Report, the Receiver has obtained from its Chinese counsel, certain court materials regarding the Lawsuits (the "**Harbin Court Materials**") in Chinese. At this time, the Receiver has not incurred the expense of translating the Harbin Court Materials, however, a summary is set out as follows:

a) the Chinese Subsidiary had obtained approximately RMB 170 million from the Harbin Branch of Industrial Bank Co., Ltd ("**Industrial Bank**") pursuant to various loan and accounts receivable factoring agreements entered into between November 2013 and July 2014 (the "**Loans**");

b) the Chinese Subsidiary has subsequently defaulted on these Loans. As a result, Industrial Bank launched three Lawsuits in March 2015 (as opposed to May and June, 2015 as described in the Second Report[1]) with the Harbin Intermediate People's Court (the "**Harbin Court**") against:

- the Chinese Subsidiary;
- other entities which are liable for the Loans or have pledged collateral/guarantees for the Loans; and
- Mr. Yu, who provided a personal guarantee for the Loans;

c) Based on information from the ongoing investigations, the Receiver understands certain of the other defendants are entities that are affiliated with Mr. Yu;

d) the Harbin Court Materials indicate:

- one Lawsuit was filed on March 18, 2015 (the "First Lawsuit") for an order requiring, among other things, the Chinese Subsidiary to repay RMB 80 million (approximately CDN$16 million) in principal plus interest in connection with a working capital loan executed on March 31, 2014;
- a second Lawsuit was filed on March 18, 2015 (the "Second Lawsuit") for an order requiring, among other things, the Chinese Subsidiary to repay RMB 40 million (approximately CDN$8 million) in principal plus

[1] The Receiver has confirmed the correct filing dates of the Lawsuits based on Harbin Court Materials obtained after the issuance of Second Report.

interest in connection with a working capital loan agreement executed on July 23, 2014; and

- a third Lawsuit was filed on March 19, 2015 (the "Third Lawsuit") for an order requiring, among other things, the Chinese Subsidiary to repay RMB 36.8 million (approximately CDN$7.4 million) in principal and interest due to its defaults under a factoring arrangement executed on November 12, 2013;

e) on June 4, 2015, the Chinese Subsidiary and other defendants, represented by Mr. Liu Jiechang at Goodwell Law Firm ("**Goodwell**"), have settled all the Lawsuits with Industrial Bank (the "**Settlements**"). The Harbin Court approved the Settlements on June 4, 2015 as follows:

- Settlement case no. 76 for the Third Lawsuit;
- Settlement case no. 77 for the Second Lawsuit; and
- Settlement case no.78 for the First Lawsuit; and

f) under the Settlements, the Chinese Subsidiary has agreed to, among other things, repay in total approximately RMB 161 million (approximately CDN$32 million) in principal, interest and legal costs to Industrial Bank by August 31, 2015 (the "**Settlement Amount**s"). Should the Chinese Subsidiary fail to pay the Settlement Amounts, Industrial Bank is authorized to enforce against any one or all of the defendants.

12. The above new findings from the Harbin Court Materials contradict representations made by Mr. Yu and the Local Management. In addition:

a) given the size, nature and impact of the Settlements on the Chinese Subsidiary and the involvement of other entities affiliated to Mr. Yu, it is likely Mr. Yu was involved in and authorized the Settlements;

b) Goodwell (the Chinese counsel that acted for the Chinese Subsidiary in the Settlements) was Mr. Yu's preferred choice of Chinese counsel to the Company in negotiating the STA dated August 8, 2014 to sell the Shares;

c) none of the Loans appear to have been recorded or disclosed in the draft financial statements for the year ending June 30, 2014 (the "**Draft FY2014 Statements**") or monthly internal financial statements for the period July 2014 to May 2015 as provided to the Receiver by the Local Management Team. A copy of the Draft FY2014 Statements attached as Exhibit B to the Pollack Affidavit is attached hereto as **Appendix "A"**; and

d) certain of the Loans were incurred shortly before or during the period that the Chinese Subsidiary was purportedly dormant.

13. The non-disclosure by Mr. Yu and the Local Management Team of the liabilities and Settlements are further cause for concern in respect of the deterioration of the Heilongjiang Assets and lack of support from Mr. Yu and the Local Management Team in safe guarding and preserving the assets. The Settlement Amounts are far greater than the Chinese Subsidiary's current cash position. If the Settlements are implemented, any recovery for the Company's creditors and shareholders will be materially adversely impacted.

14. At the time of preparing this Supplemental Second Report, the Receiver has requested, but has not received from Mr. Yu or the Local Management Team, the original loan and accounts receivable factoring agreements and other supporting information in respect of the Lawsuits and the Settlements.

15. The Receiver, in consultation with its Canadian and Chinese counsel, is taking steps to further investigate the current situation and preserve the Heilongjiang Assets.

16. The Receiver's counsel was contacted by counsel for Mr. Yu with respect to the motion served on July 17, 2015. The discussions are ongoing.

17. Based on the foregoing, the Receiver respectfully recommends this Court make an Order granting the relief requested in the Second Report and also requiring Mr.Yu Xinduo, the current legal representative of the Chinese Subsidiary, and the Local Management Team operating under Mr. Yu's authority to obtain the Receiver's

written approval prior to causing the Chinese Subsidiary to make any payments (including Settlement payments) or any transfers out of any bank accounts in the name of the Chinese Subsidiary, including but not limited to the bank account no. 23001866251050505638 with the China Construction Bank.

All of which is respectfully submitted this 22nd day of July, 2015.

ERNST & YOUNG INC.
In its capacity as Receiver of
Hanfeng and not in its personal or corporate capacity

Per:

Murray A. McDonald
President