

**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 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 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 Subsidiary; 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 Escrow 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	Deposited into the
	2,000,000	03-Sep-15	16-Feb-15	17-Apr-15	17-Apr-15	Escrow Account at
	3,000,000	03-Sep-15	16-Feb-15	17-Apr-15	21-Apr-15	Minsheng Bank
	27,200,000	03-Sep-15	16-Feb-15	30-Apr-15	Outstanding	
Balance of Cash Purchase Price	148,800,000	10 business 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 Pengcheng'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:

A handwritten signature in black ink, appearing to read "Murray A. McDonald", written over a horizontal line.

Murray A. McDonald
President

Appendix “A”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM	)	WEDNESDAY, THE 20 TH
	)	
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.

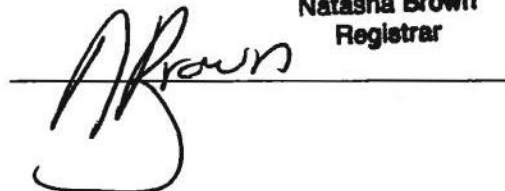
6. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the People's Republic of China to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, 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 IN REGISTRY, 11/11/14
CN/2014/100
LE/2014/100

AUG 23 2014

MB

Natasha Brown
Registrar



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.

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

Appendix “B”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM	)	WEDNESDAY, THE 20 TH
	)	
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.

ENTERED AT / REGISTRE A TORONTO
ON / LE 2014
LE / 2014

AUG 23 2014

NB



Natasha Brown
Registrar

Appendix “C”



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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR)
JUSTICE WILTON - SIEGEL)

TUESDAY, THE 23rd
DAY OF SEPTEMBER, 2014 *gws*

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
(Claims Procedure Order)

THIS MOTION, made by Ernst & Young Inc., in its capacity as the receiver (the "Receiver") of Hanfeng Evergreen Inc. ("Hanfeng"), for an order approving a procedure for the identification, determination and resolution of claims against Hanfeng, in accordance with the terms of the Claims Procedure Order (as these terms are defined below), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the First Report of the Receiver dated September 12, 2014, 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:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and 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.

DEFINITIONS

2. **THIS COURT ORDERS** that, for purposes of this Order establishing a claims procedure for Hanfeng (the “**Claims Procedure Order**”), in addition to terms defined elsewhere herein, the following terms shall have the following meanings:

- (a) “**9:30 Appointment**” means a chambers appointment with a Justice of the Court which may be scheduled for 9:30 a.m. on any day on which the Court is sitting;
- (b) “**Appointment Order**” means the Order of the Honourable Madam Justice Matheson dated August 20, 2014, as extended and amended from time to time;
- (c) “**Assessments**” means Claims of Her Majesty the Queen in Right of Canada or of any Province or Territory or Municipality or any other taxation authority in any Canadian jurisdiction, including, without limitation, amounts which may arise or have arisen under any notice of assessment, notice of reassessment, notice of appeal, audit, investigation, demand or similar request from any taxation authority;
- (d) “**Business Day**” means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;
- (e) “**Claim**” means:
 - (i) any right or claim of any Person against Hanfeng, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of Hanfeng in existence prior to the Date of Receivership, and any accrued interest thereon and costs payable in respect thereof to the Date of Receivership, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Date of Receivership, and includes any claims that would have been claims provable in bankruptcy had Hanfeng become bankrupt on the Date of Receivership (each a “**Pre-Filing Claim**”, and collectively the “**Pre-Filing Claims**”); and

- (ii) any existing or future right or claim of any Person against Hanfeng in connection with any indebtedness, liability or obligation of any kind whatsoever owed by Hanfeng to such Person arising on or after the Date of Receivership as a result of any disclaimer, resiliation, termination or breach on or after the Date of Receivership of any contract, lease, permit, authorization or other agreement existing on the Date of Receivership whether written or oral and whether such disclaimer, resiliation, termination or breach took place or takes place before or after the date of this Claims Procedure Order, including any accrued interest thereon and costs payable in respect thereof to the date of such disclaimer, resiliation, termination or breach, to the extent provided for in the contract, lease, permit, authorization or other agreement, each a "Restructuring Claim", and collectively the "Restructuring Claims");

For greater certainty, "Claim" includes any claim of a current or former shareholder of Hanfeng against Hanfeng with respect to any shares issued by Hanfeng at any time, including without limitation losses incurred by a former shareholder or losses to be incurred by a current shareholder.

- (f) "Claimant" means a Person asserting a Claim;
- (g) "Claims Bar Date" means 5:00 p.m. (Toronto Time) on November 10, 2014;
- (h) "Claims Officer" means any individual designated by the Receiver or approved by the Court pursuant to paragraph 35 of this Claims Procedure Order;
- (i) "Claims Package" means the package of documents which shall include a copy of this Order, the Notice of Claims Procedure and Claims Bar Date, the Proof of Claim and any other materials that the Receiver may consider appropriate;
- (j) "Claims Procedure" means the procedures outlined in this Order, including the Schedules;
- (k) "Claims Procedure Order" means this Order;
- (l) "Court" means the Ontario Superior Court of Justice (Commercial List) in the City of Toronto, in the Province of Ontario;
- (m) "Date of Receivership" means August 20, 2014;
- (n) "Dispute Package" has the meaning ascribed to that term in paragraph 19(b) of this Claims Procedure Order;

- (o) **"Excluded Claim"** means any Claim secured by any of the charges granted in the Appointment Order, including the Receiver's Charge as therein defined, or any charges granted in subsequent Orders of the Court;
- (p) **"Known Creditor"** means a Person who the Receiver received actual notice may have a Pre-Filing Claim against Hanfeng, or that the books and records of Hanfeng show as owed an amount prior to the Appointment Order;
- (q) **"Notice of Claims Procedure and Claims Bar Date"** means the notice for publication, substantially in the form attached as Schedule "A" hereto;
- (r) **"Notice of Dispute"** means a notice substantially in the form attached as Schedule "D" hereto;
- (s) **"Notice of Revision or Disallowance"** means a notice substantially in the form attached as Schedule "C" hereto;
- (t) **"Orders"** means any and all orders issued by the Court, including the Appointment Order;
- (u) **"Person"** means any individual, partnership, firm, joint venture, trust, entity, corporation, unincorporated organization, trade union, pension plan administrator, pension plan regulator, governmental authority or agency, employee or other association, or similar entity, howsoever designated or constituted;
- (v) **"Pre-Filing Claim"** has the meaning ascribed to that term in paragraph 2(f)(i) of this Claims Procedure Order;
- (w) **"Proof of Claim"** means the form substantially in accordance with the form attached hereto as Schedule "B";
- (x) **"Proven Claim"** means the amount of a Claim and its classification as a secured Claim or an unsecured Claim, as finally determined in accordance with this Claims Procedure;
- (y) **"Receiver"** means Ernst & Young Inc., in its capacity as the Court-appointed Receiver of Hanfeng;
- (z) **"Receiver's Website"** means <http://www.ey.com/ca/hanfeng>.
- (aa) **"Restructuring Claim"** has the meaning ascribed to that term in paragraph 2(f)(ii) of this Claims Procedure Order.

INTERPRETATION

3. **THIS COURT ORDERS** that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any references to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day, unless otherwise indicated herein.
4. **THIS COURT ORDERS** that all references to the word "including" shall mean "including without limitation".
5. **THIS COURT ORDERS** that all references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.

GENERAL PROVISIONS

6. **THIS COURT ORDERS** that the Receiver is hereby authorized to (a) use reasonable discretion as to the adequacy of compliance with respect to the manner in which any Proof of Claim is completed, and may, where it is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Claims Procedure Order as to the completion and execution of such Proof of Claim, and (b) request such further documentation from a Claimant that the Receiver may reasonably require in order to enable them to determine the validity of a Claim. Notwithstanding anything contained herein, the Receiver shall not have any discretion to accept any Claim submitted subsequent to the Claims Bar Date.
7. **THIS COURT ORDERS** that any Pre-Filing Claim denominated in a foreign currency shall be converted to Canadian dollars for the purposes of this Claims Procedure on the basis of the Bank of Canada Canadian dollar noon exchange rate on the Date of Receivership and that any Restructuring Claim denominated in a foreign currency shall be converted to Canadian dollars for the purposes of this Claims Procedure on the basis of the Bank of Canada Canadian dollar noon exchange rate on the date that such Restructuring Claim arose.

8. **THIS COURT ORDERS** that interest and penalties that would otherwise accrue after the Date of Receivership shall not be included in any unsecured Claim. Amounts claimed in Assessments whether issued before or after the Date of Receivership shall be subject to this Claims Procedure Order and there shall be no presumption of validity or deeming of the amount due in respect of the Claim set out in any Assessment.

RECEIVER'S ROLE

9. **THIS COURT ORDERS** that the Receiver, in addition to its rights, duties, responsibilities and obligations under the Orders, is hereby directed and empowered to take such other actions and fulfill such other roles as are contemplated by this Claims Procedure Order and are incidental thereto.
10. **THIS COURT ORDERS** that the Receiver, in carrying out the terms of the Claims Procedure Order, shall have all of the protections given to it by the Order or as an officer of this Court, including the stay of proceedings in its favour, shall incur no liability or obligation as a result of the carrying out of its obligations under this Claims Procedure Order, shall be entitled to rely on the books and records of Hanfeng, and any information provided by Hanfeng or a Claimant, and shall not be liable for any claims or damages resulting from any errors or omissions in such books, records, or information.

GENERAL CLAIMS PROCEDURE

Notice of Claims Bar Date

11. **THIS COURT ORDERS** that:
- (a) The Receiver shall cause the Notice of Claims Procedure and Claims Bar Date to be placed in each of the *Globe and Mail* (national edition), the *National Post* (national edition), and a local newspaper in Heilongjiang province in the People's Republic of China as soon as practicable after the date of this order and in any event within five (5) Business Days of the date hereof;
 - (b) The Receiver shall cause the Notice of Claims Procedure and Claims Bar Date to be posted on the Receiver's Website as soon as practicable after the date of

this Order and in any event within three (3) Business Days of the date hereof and cause it to remain posted thereon until its discharge as Receiver of Hanfeng;

- (c) Within three (3) Business Days of the date of this Order, the Receiver shall send a Claims Package to Known Creditors by mail, courier, facsimile transmission or electronic mail; and
- (d) The Receiver will send a copy of the Claims Package by mail, courier, facsimile transmission or electronic mail as soon as practicable following receipt of a request for a package, to any Claimant requesting such material prior to the Claims Bar Date.

Deadline for Submitting a Claim

- 12. **THIS COURT ORDERS** that any Person that wishes to assert a Claim must deliver to the Receiver on or before the Claims Bar Date a completed Proof of Claim form, together with all relevant supporting documentation in respect of such Claim, in the manner set out in this Claims Procedure Order.
- 13. **THIS COURT ORDERS** that any Person who does not file a Proof of Claim with the Receiver in accordance with this Order by the Claims Bar Date shall be forever barred from asserting or enforcing such Claim against Hanfeng and Hanfeng shall not have any liability whatsoever in respect of such Claim and such Claim shall be extinguished without any further act or notification by Hanfeng or the Receiver.

ADJUDICATION OF CLAIMS

Adjudication of Claims

- 14. **THIS COURT ORDERS** that the Receiver shall review the information filed by each Claimant with respect to a Pre-Filing Claim or a Restructuring Claim that is received by the Claims Bar Date and may accept, revise or disallow such Pre-Filing Claim or Restructuring Claim, in whole or in part. At any time, the Receiver may request additional information from the Claimant with respect to any Pre-Filing Claim or Restructuring Claim.

15. **THIS COURT ORDERS** that the Receiver may attempt to consensually resolve the classification (as secured or unsecured) and amount of any Pre-Filing Claim or Restructuring Claim with the Claimant prior to accepting, revising or disallowing such Pre-Filing Claim or Restructuring Claim.
16. **THIS COURT ORDERS** that if the Receiver determines to revise or disallow a Pre-Filing Claim or Restructuring Claim, the Receiver shall notify the Claimant by sending a Notice of Revision or Disallowance to the Claimant as provided in this Order by no later than 5:00 p.m. (Toronto time) on a date that is twenty (20) days after receipt of the relevant Proof of Claim or such later date as the Court may order.
17. **THIS COURT ORDERS** that if a Claimant disputes the classification or amount of its Pre-Filing Claim or Restructuring Claim as set forth by the Receiver, then such Claimant may dispute such revision or disallowance by sending a Notice of Dispute so that it is received by no later than 5:00 p.m. (Toronto time) on a day that is 20 days after the date of the Notice of Revision or Disallowance or such later date as the Court may order.
18. **THIS COURT ORDERS** that any Claimant who fails to dispute a revision or disallowance by the deadline shall be deemed to accept the classification and amount of its Pre-Filing Claim or Restructuring Claim as set out in the Notice of Revision or Disallowance, and the Pre-Filing Claim or Restructuring Claim as set out in the Notice of Revision or Disallowance shall constitute a Proven Claim.
19. **THIS COURT ORDERS** that if a Claimant disputes a revision or disallowance of its Pre-Filing Claim or Restructuring Claim as set out in the Notice of Revision or Disallowance, the Receiver may:
 - (a) attempt to consensually resolve the classification and the amount of the Pre-Filing Claim or Restructuring Claim with the Claimant;
 - (b) deliver a package to the Claims Officer consisting of that Claimant's Proof of Claim, the Notice of Revision or Disallowance, the Notice of Dispute and any other materials which may be relevant for the determination of the dispute to the Claims Officer (the "Dispute Package"); and/or

- (c) schedule a 9:30 Appointment with the Court for the purpose of scheduling a motion to resolve the Pre-Filing Claim or Restructuring Claim. At such motion the Claimant shall be deemed to be the applicant and the Receiver shall be deemed to be the respondent.

CLAIMS OFFICERS

- 20. **THIS COURT ORDERS** that the Receiver may appoint Claims Officers for the purposes of the Claims Procedure described herein.
- 21. **THIS COURT ORDERS** that if a Claim is referred to a Claims Officer for resolution, the Claims Officer shall determine the validity, amount and classification of disputed Claims in accordance with this Claims Procedure Order. A Claims Officer shall determine all procedural matters which may arise in respect of his or her determination of these matters, including the manner in which any evidence may be adduced. A Claims Officer shall have the discretion to determine by whom and to what extent the costs of any hearing before a Claims Officer shall be paid.
- 22. **THIS COURT ORDERS** that, notwithstanding anything to the contrary herein, the Receiver may at any time refer a Claim to a Claims Officer or to the Court for resolution, where in the Receiver's view such a referral is preferable or necessary for the resolution of the Claim.
- 23. **THIS COURT ORDERS** that upon receipt of a Dispute Package or referral for resolution pursuant to paragraphs 19 or 21 hereof, as applicable, the Claims Officer shall schedule and conduct a hearing to determine the validity, amount and/or classification of the Claim and shall as soon as practicable thereafter notify the Receiver and the Claimant of his or her determination.
- 24. **THIS COURT ORDERS** that the Receiver or the Claimant may appeal the Claims Officer's determination to this Court within 15 days of the date on which notification is deemed to have been received of the Claims Officer's determination of such Claim by serving upon the Receiver or the Claimant, as applicable, and filing with this Court a notice of motion returnable on a date to be fixed by this Court. Such an appeal is to be based on the record before the Claims Officer and will not be a

hearing *de novo*. If an appeal is not filed within such 15-day period, then the Claims Officer's determination shall, subject to a further order of the Court, be deemed to be final and binding and shall be a Proven Claim.

25. **THIS COURT ORDERS** that the Receiver shall pay the reasonable professional fees and disbursements of each Claims Officer in connection with such appointment as Claims Officer on presentation and acceptance of invoices from time to time. Each Claims Officer shall be entitled to a reasonable retainer against his or her fees and disbursements which shall be paid by the Receiver upon request. Any dispute as to fees and disbursements shall be resolved by the Court.

SET-OFF

26. **THIS COURT ORDERS** that the Receiver may set off (whether by way of legal, equitable or contractual set-off) against the Claims of any Claimant, any claims of any nature whatsoever that Hanfeng may have against such Claimant arising prior to the Date of Receivership, provided that it satisfies the requirements for legal, equitable or contractual set-off as may be determined by the Court if there is any dispute between the Receiver and the applicable Claimant. However, neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by Hanfeng of any such claim that Hanfeng may have against such Claimant.

NOTICE OF TRANSFEREES

27. **THIS COURT ORDERS** that if, after the Date of Receivership, the holder of a Claim transfers or assigns the whole of such Claim to another Person, the Receiver shall not be obligated to give notice or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of the existence and validity of such transfer or assignment, shall have been received and acknowledged by the Receiver in writing. Thereafter, such transferee or assignee shall for the purposes hereof constitute the "Claimant" in respect of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance

with this Claims Procedure Order prior to receipt and acknowledgment by the Receiver of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any right of set-off to which Hanfeng may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set off, apply, merge, consolidate or combine any Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to Hanfeng.

28. **THIS COURT ORDERS** that if a Claimant or any subsequent holder of a Claim, who in any such case has previously been acknowledged by the Receiver as the holder of the Claim, transfers or assigns the whole of such Claim to more than one Person or part of such Claim to another Person, such transfers or assignments shall not create separate Claims and such Claims shall continue to constitute and be dealt with as a single Claim notwithstanding such transfers or assignments. The Receiver shall not, in each case, be required to recognize or acknowledge any such transfers or assignments and shall be entitled to give notices to and otherwise deal with such Claim only as a whole and then only to and with the Person last holding such Claim, provided such Claimant may, by notice in writing delivered to the Receiver, direct that subsequent dealings in respect of such Claim, but only as a whole, shall be dealt with by a specified Person and in such event, such Person shall be bound by any notices given or steps taken in respect of such Claim with such Claimant in accordance with the provisions of this Order.
29. **THIS COURT ORDERS** that Hanfeng and the Receiver are not under any obligation to give notice to any Person holding a security interest, lien or charge in, or a pledge or assignment by way of security in, a Claim, as applicable in respect of any Claim.

SERVICE AND NOTICES

30. **THIS COURT ORDERS** any notice, notification or communication required to be delivered by the Receiver pursuant to this Order may be delivered by mail, courier,

facsimile transmission or electronic mail to the address or number contained in the books and records of Hanfeng or as included in the Proof of Claim.

31. **THIS COURT ORDERS** that any notice, notification, dispute, or communication required to be delivered by a Claimant pursuant to the terms of this Order will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery, facsimile transmission or email addressed to:

Ernst & Young Inc.
Attn: Robert Ferguson
222 Bay Street, P.O. 251
Toronto, ON M5K 1J7, Canada

Or by courier to:

Ernst & Young Inc.
Attn: Robert Ferguson
222 Bay Street, Suite 2100
Toronto, ON M5K 1J7, Canada

Or by facsimile transmission to:
416-943-3300

Or by email to:
hanfeng.receiver@ca.ey.com

32. **THIS COURT ORDERS** that if during any period during which notices or other communications are being given pursuant to this Claims Procedure Order, a postal strike or postal work stoppage of general application should occur, such notices, notifications or other communications sent by ordinary mail and then not received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery, facsimile transmission or email in accordance with this Claims Procedure Order.
33. **THIS COURT ORDERS** that any notice delivered to a Claimant via personal delivery, email, or facsimile transmission shall be deemed to have been received by such Claimant on the date and at the time that it was sent, as evidenced by the time

and date stamp on the email or facsimile transmission as applicable, if sent prior to 5:00 p.m. (local time) on a Business Day, or if sent after 5:00 p.m. on a Business Day or on a non-Business Day, on the next following Business Day.

34. **THIS COURT ORDERS** that any notice delivered to a Claimant by mail or courier shall be deemed to have been received by such Claimant on the third Business Day after the notice was mailed, or couriered.
35. **THIS COURT ORDERS** that in the event that this Claims Procedure Order is amended by further Order of the Court, the Receiver may post such further Order on the Receiver's website and send an email to any Known Creditors and any Claimant who has submitted a Proof of Claim who is affected by such amendment and such posting and emailing shall constitute adequate notice to Claimants of such amended claims procedure.

MISCELLANEOUS

36. **THIS COURT ORDERS** that notwithstanding any other provisions of this Claims Procedure Order, the solicitation by the Receiver of Claims and the filing by any Claimant of any Claims shall not, for that reason only, grant any person any standing in these proceedings.
37. **THIS COURT ORDERS** that the forms of notice to be provided in accordance with this Claims Procedure Order shall constitute good and sufficient service and delivery of notice of this Claims Procedure Order and the Claims Bar Date on all Persons who may be entitled to receive notice and who may assert a Claim and no other notice or service need be given or made and no other documents or material need be sent to or served upon any Person in respect of this Claims Procedure Order. The form and substance of each of the Notice of Claims Procedure and Claims Bar Date, Proof of Claim, Notice of Revision or Disallowance, and Notice of Dispute substantially in the forms attached as Schedules "A", "B", "C", and "D" respectively to this Order are hereby approved. Despite the foregoing, the Receiver may, from time to time, make minor, non-substantive changes to such forms as the Receiver considers necessary or desirable.

38. **THIS COURT ORDERS** that notwithstanding the terms of this Claims Procedure Order, the Receiver may apply to this Court from time to time for directions from this Court with respect to the Claims Procedure Order, or for such further Order or Orders as it may consider necessary or desirable to amend, supplement or clarify the terms of this Claims Procedure Order.
39. **THIS COURT ORDERS AND RESPECTFULLY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the People's Republic of China to give effect to this Order and to act in aid of and to assist the Receiver and this Court in carrying out the terms of this Claims Procedure Order.

W. Han - d.t.J.

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

SEP 23 2014

NB

SCHEDULE "A"

NOTICE TO CREDITORS AND TO PRESENT AND FORMER SHAREHOLDERS of HANFENG EVERGREEN INC. (hereinafter referred to as the "Company")

RE: NOTICE OF CLAIMS PROCEDURE FOR THE COMPANY PURSUANT TO AN APPLICATION
UNDER SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. c. C.43 (as amended)

PLEASE TAKE NOTICE that this notice is being published pursuant to an Order of the Superior Court of Justice of Ontario made [DATE] (the "Claims Procedure Order"). Any capitalized term used but not defined herein shall have the meaning ascribed to it in the Claims Procedure Order.

Pursuant to the Claims Procedure Order, Claim Packages will be sent to creditors and to present and former shareholders (collectively, "Shareholders") by mail, on or before [DATE], if those creditors and Shareholders are known to the Company, and if the Company has a current address. Creditors and Shareholders may also obtain a copy of the Claims Procedure Order and Claim Packages from the website of Ernst & Young Inc., Court-appointed Receiver of the Company (the "Receiver"), at "www.ey.com/ca/hanfeng", or by contacting the Receiver by telephone (1-416-943-7142 or by fax (1-416-943-3300 or by email at hanfeng.receiver@ca.ey.com).

Proofs of Claim must be submitted to the Receiver for any claim against the Company, whether unliquidated, contingent or otherwise, in each case where the claim (i) arose prior to August 20, 2014, or (ii) arose on or after August 20, 2014 as a result of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation. **For greater certainty, and without limiting the generality of the foregoing, Proofs of Claim must be submitted to the Receiver in respect of any claim of a current or former shareholder of Hanfeng against Hanfeng with respect to any shares issued by Hanfeng at any time, including without limitation losses incurred by a former shareholder or losses to be incurred by a current shareholder. Please consult the Claims Package for more details.**

Completed Proofs of Claim must be received by the Receiver by 5:00 p.m. (prevailing Eastern Time) on NOVEMBER 10, 2014 (the "Claims Bar Date"). It is your responsibility to ensure that the Receiver receives your Proof of Claim by the Claims Bar Date.

CLAIMS WHICH ARE NOT RECEIVED BY NOVEMBER 10, 2014 WILL BE BARRED AND EXTINGUISHED FOREVER.

SCHEDULE "B"

PROOF OF CLAIM OF HANFENG EVERGREEN INC.

CLAIMS PROCEDURE

Pursuant to an Order of the Ontario Superior Court of Justice dated [DATE] the court appointed Receiver of Hanfeng Evergreen Inc. ("Hanfeng") has been authorized to conduct a claims procedure. The Court Order, a copy of which is enclosed, shall govern the claims procedure, notwithstanding any of the instructions contained herein.

(All capitalized terms not otherwise defined will have the meanings ascribed to them in the [DATE] court order.)

FOR CLAIMANTS SUBMITTING A PROOF OF CLAIM

If you believe that you have a claim against Hanfeng, including for greater certainty a claim of a current or former shareholder of Hanfeng against Hanfeng with respect to any shares issued by Hanfeng at any time, including without limitation losses incurred by a former shareholder or losses to be incurred by a current shareholder, you must file this Proof of Claim. The Proof of Claim must be received by the Receiver by 5:00 p.m. (Eastern Daylight Savings Time) November 10, 2014 (the "Claims Bar Date").

If you do not file your claim by the Claims Bar Date you shall be forever barred from asserting or enforcing such Claim against Hanfeng and Hanfeng shall not have any liability whatsoever in respect of such Claim and such Claim shall be extinguished without any further act or notification by Hanfeng or the Receiver.

GENERAL INSTRUCTIONS FOR COMPLETING THE PROOF OF CLAIM

The Proof of Claim must be completed by an individual, or an individual acting on behalf of a corporation. The individual acting for a corporation or other person must state the capacity in which he/she is acting, such as "Credit Manager", "Treasurer", "Authorized Agent", etc. The individual completing the Proof of Claim must have knowledge of the circumstances connected with the Claim. All Proofs of Claim must be signed, dated and witnessed.

The full legal name of the Claimant must be filled out in its entirety. A statement of account containing full details of the Claim must be attached to the Proof of Claim. The Proof of Claim should include all amounts owing to you for any goods or services provided to Hanfeng and shall be reduced by the application of any volume or other discounts in respect thereof and any other credits that are properly applicable against the Claim.

If the Claimant holds security for the indebtedness, a statement of the value and nature of the security must accompany the Proof of Claim.

If the Claimant holds a contingent or unliquidated claim, the details of the guarantee or reasons for the claim must be provided in addition to the basis upon which the claim has been valued.

If the Claim or a portion thereof has been sold or assigned, the name of the party purchasing the Claim, the amount of the Claim sold or assigned, as well as supporting documentation, must be attached to the Proof of Claim submitted. The Claim can be completed by either the original Claimant or by the assignee, but not both. Claimants and assignee(s) must determine amongst themselves who will file the Proof of Claim.

Please carefully read the instructions above before completing this Proof of Claim. Please print legibly.

Please indicate if this Proof of Claim is an (please check one):

- ☐ Original Proof of Claim, OR
☐ Amended Proof of Claim

A. PARTICULARS OF CLAIMANT

1. Full Legal Name of Claimant: _____ - (the "Claimant").
(Full legal or Corporate name should be the name of the original Claimant of Hanfeng, notwithstanding whether an assignment of a Claim, or a portion thereof, has occurred. Do not file separate Proofs of Claim by division of the same Claimant.)

2. Full Mailing Address of the Claimant (the original Claimant not an Assignee):

3. Telephone Number of Claimant: _____

4. Facsimile Number of Claimant: _____

5. Attention (Contact Person): _____

6. Has the Claim been sold or assigned by Claimant to another party?
Yes___ No___ (If yes please complete section D)

B. PROOF OF CLAIM:

I, _____ [Name of Claimant or Representative of the Claimant, do hereby certify:

A) that I am (please check one):

___ the Claimant of Hanfeng; or
___ hold the following position of _____ of the Claimant of Hanfeng
Evergreen Inc.

and have knowledge of all the circumstances connected with the Claim described herein;

B) Hanfeng is indebted to the Claimant in the amount of \$_____ Cdn

(A Pre-Filing Claim (as defined in the Claims Process Order) in a foreign currency should be converted to Canadian dollars on the basis of the Bank of Canada Canadian dollar noon exchange rate on August 20, 2014.)

(A Restructuring Claim (as defined the Claims Process Order) in a foreign currency should be converted to Canadian dollars on the basis of the Bank of Canada Canadian dollar noon exchange rate on the date that such Restructuring Claim arose.)

C. PARTICULARS OF CLAIM:

Description of transaction or agreement giving rise or relating to the Claim:

If the claim is contingent, or unliquidated, state the basis upon which the claim has been valued:

Names of any guarantors which have guaranteed the Claim:

Description of security, if any, granted to the Claimant or assigned by Claimant in respect of the Claim:

Estimated value of security outlined above as at the date of the claim:

A DETAILED, COMPLETE STATEMENT OF ACCOUNT MUST BE ATTACHED TO THE PROOF OF CLAIM WHICH MUST SHOW THE DATE, THE NUMBER AND THE AMOUNT OF EACH INVOICE OR CHARGE, TOGETHER WITH THE DATE, THE NUMBER AND THE

AMOUNT OF ALL CREDITS, COUNTERCLAIMS, DISCOUNTS, PAYMENTS, ETC. TO WHICH HANFENG IS ENTITLED. PLEASE ATTACH ADDITIONAL SHEETS.

D. PARTICULARS OF ASSIGNEE(S) (IF ANY):

1. Full Legal Name of Assignee(s) of Claim (if all or a portion of the claim has been sold). If there is more than one assignee, please attach separate sheets with the following information:

(the "Assignee(s)")

Amount of Total Claim Assigned \$ _____
Amount of Total Claim Not Assigned \$ _____

Total Amount of Claim \$ _____
(should equal "Total Claim" as entered on Section B)

2. Full Mailing Address of Assignee(s):

3. Telephone Number of Assignee(s): _____
4. Facsimile Number of Assignee(s): _____
5. Attention (Contact Person): _____

The duly completed Proof of Claim together with supporting documentation must be returned and received by the Receiver, no later than 5:00 pm (Eastern Daylight Savings Time) on August 20, 2014, to the following address or facsimile:

By mail to: Ernst & Young Inc. Attn: Robert Ferguson 222 Bay Street, P.O. 251 Toronto, ON M5K 1J7, Canada	By courier to: Ernst & Young Inc. Attn: Robert Ferguson 222 Bay Street, Suite 2100 Toronto, ON M5K 1J7, Canada
Or by facsimile transmission to: 416-943-3300	Or by email to: hanfeng.receiver@ca.ey.com

DATED at _____ this _____ day of _____, 20__.

(Signature of Witness)

(Signature of individual completing this form)

(please print name)

(please print name)

SCHEDULE "C"

NOTICE OF REVISION OR DISALLOWANCE

(All capitalized terms not otherwise defined will have the meanings ascribed to them in the [DATE] court order.)

Name of Claimant _____

Pursuant to the Claims Procedure Order, the Receiver gives you notice that it has reviewed your Proof of Claim dated _____ and has revised or rejected your claim ("Claim") for the following reason(s):

Subject to further dispute by you in accordance with the provisions of the Claims Procedure Order, the Claim will be allowed as follows:

	<u>Claim per Proof of Claim</u>	<u>Claim per Allowed as Revised</u>
[COMPNY-A]	\$ _____	\$ _____

Please be advised that if you disagree with the revision or disallowance of your claim as it is set at above, you must complete and return the enclosed Notice of Dispute to the Receiver, to be received by the Receiver by **no later than 5:00 p.m. (Eastern Daylight Saving Time) on [DATE]**. If you do not file the enclosed Notice of Dispute by [DATE] your claim shall be as set out above for distribution purposes.

DATED at Toronto, Ontario, Canada this _____ day of _____, 20__.

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

Per: _____

Encl.

SCHEDULE "D"

DISPUTE NOTICE

(All capitalized terms not otherwise defined will have the meanings ascribed to them in the [DATE] court order.)

Pursuant to the Claims Procedure Order dated [DATE], we hereby give you notice of our intention to dispute the Notice of Revision or Disallowance bearing Reference Number _____ and dated _____, 20__ issued by Ernst & Young Inc. in its capacity as court appointed Receiver of Hanfeng Evergreen Inc. in respect of our claim.

Name of Claimant: _____

Notice of Revision
or Disallowance

Claim per Claimant

Claim per

\$ _____

\$ _____

Reasons for Dispute (attach additional sheet and copies of all supporting documentation if necessary): _____

Signature of Individual completing this claim

Date

(Please print name)

Telephone Number: () _____ Facsimile Number: () _____

Full Mailing Address: _____

THIS FORM AND SUPPORTING DOCUMENTATION TO BE RETURNED BY PERSONAL SERVICE, MAIL, FACSIMILE OR COURIER AND TO BE RECEIVED NO LATER THAN [DATE] TO:

Ernst & Young Inc. in its capacity as
Receiver of Hanfeng Evergreen Inc.

By mail to: Ernst & Young Inc. Attn: Robert Ferguson 222 Bay Street, P.O. 251 Toronto, ON M5K 1J7, Canada	By courier to: Ernst & Young Inc. Attn: Robert Ferguson 222 Bay Street, Suite 2100 Toronto, ON M5K 1J7, Canada
Or by facsimile transmission to: 416-943-3300	Or by email to: hanfeng.receiver@ca.ey.com

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.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceedings commenced at Toronto

CLAIMS PROCEDURE ORDER

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Barristers & Solicitors
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199 Bay Street
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Lawyers for the Receiver
Ernst & Young Inc.

Appendix “D”

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

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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.

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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

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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

**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

Appendix “E”

Share Transfer Agreement

股权转让协议书

Seller ('Party A'): Hanfeng Evergreen Inc.

出让方（甲方）：加拿大汉枫常绿有限公司

By its authorized signatory, Xinduo Yu Position: CEO
授权签字人：于薪铎 职务：首席执行官
Address: Toronto, Ontario, Canada
地址：加拿大安多略省多伦多市

Buyer ('Party B'): Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd.

受让方（乙方）：黑龙江哈尔滨鹏程肥业有限公司

By its authorized signatory, Yanjia Ren Position: Vice GM
授权签字人：任延嘉 职务：副总经理
Address: Harbin, Heilongjiang, China
地址：中国黑龙江省哈尔滨市

Whereas:

鉴于：

1. Hanfeng Slow-Release Fertilizer Co., Ltd. is a company legally registered and established in China , validly existing as a limited liability company in accordance with the laws of China (hereinafter referred to as the 'Target Company'):

Registration number: 230223100012253

Legal address: Shangzhi Economic Development Zone, Heilongjiang

Business scope: Compound and blend fertilizer manufacture

黑龙江汉枫缓释肥料有限公司是一家在中国合法注册成立并有效存续的有限

责任公司（以下简称“目标公司”）：

注册号为：230223100012253

法定地址为：黑龙江省尚志市经济开发区

经营范围为：复混肥料制造

2. Hanfeng Evergreen Inc. (hereinafter referred to as 'Party A') is a corporation organized and existing under the laws of Ontario, Canada and a validly existing corporation. On the date of signing this agreement, Party A is the legal shareholder of the Target Company, whose capital contribution is 37250000 USD, accounting for 100% of the total registered capital of the Target Company. Target Company is a wholly-owned subsidiary of Party A.

汉枫常绿有限公司（以下称“甲方”）系在加拿大合法注册并有效存续的股份有限公司，系目标公司合法股东，出资额为 37250000 美元，占目标公司注册资本总额的 100%，目标公司是甲方的全资子公司。

3. Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd. (hereinafter referred to as 'Party B') is a legally registered company in China and a validly existing limited liability company.

黑龙江哈尔滨鹏程肥业有限公司（以下称“乙方”）系在中国合法注册并有效存续的有限责任公司。

Both Party A and Party B, through friendly negotiation, on the basis of equality, willingness, and mutual benefit, agree that Party A shall transfer its ownership of 100% of the shares in the Target Company to Party B or its designated subsidiary.

Both parties have reached the following agreement:

现甲乙双方经友好协商，在平等、自愿、互利互惠的基础上，一致同意甲方将其所拥有的目标公司 100% 的股权转让给乙方或其指定子公司，双方为此达成如下一致意见：

Clause 1 Definition

定义

The following interpretation for the definition and meaning of words and terms in this agreement shall prevail:

本协议中词语及名称的定义及含义以下列解释为准:

1.1 Right of shares

股权

Party A, as a result of paying for the registered capital of the Target Company, enjoys all the rights conferred to the shareholder of the Target Company under Chinese laws and the Target Company's Articles of Association.

甲方作为目标公司的股东享有目标公司股东资格以及按照中国法律和目标公司章程所赋予的所有的股东权利。

1.2 Date of signing of agreement

协议签署日

This refers to the date when both parties duly execute this agreement, on which date this agreement is effective and binding on the parties.

指协议双方签署本协议的日期, 协议从签署之日起生效, 并对协议双方有约束力。

1.3 Registered capital

注册资本

This refers to the total amount of capital contributions made and paid for by the shareholder to the Target Company which is registered with governmental authorities.

为在公司登记机关登记的公司全体股东认缴的出资额。

1.4 Agreement Object

协议标的

This refers to the 100% of the equity shares owned by Party A in the Target Company.

指甲方所持有的目标公司 100% 股权。

1.5 Chinese law and regulations

中国法律、法规

Existing laws, regulations, and legally binding rules, measures, and other forms of normative documents promulgated by the government of the People's Republic of China and its various departments before this agreement comes into effect (including the date of signing this agreement), including but not limited to Company Law of the People's Republic of China, Contract Law of the People's Republic of China, and Foreign Investment Enterprise Law of the People's Republic of China.

于本协议生效日前（含协议生效日）颁布并现行有效的法律、法规和由中华人民共和国政府及其各部门颁布的具有法律约束力的规章、办法以及其他形式的规范性文件，包括但不限于《中华人民共和国公司法》、《中华人民共和国合同法》、《中华人民共和国外资企业法》等。

1.6 Completion of transaction

交易完成

The transaction will be deemed completed when the shares of the Target Company originally registered under the name of Party A in Harbin Administration for Industry and Commerce are legally transferred to Party B or its designated subsidiary.

甲方在哈尔滨市工商行政管理局登记的协议标的变更到乙方或其指定子公司名下时，视为交易完成。

1.7 Transition Period

过渡期

It refers to the period from the effective date of this agreement to the date of completion of the transaction completed in this agreement.

本协议生效之日至本次交易完成之日期间。

1.8 债权债务

Credit and debt

本协议中所提到的目标公司的债务，不包括目标公司应付甲方的债务。

The debt hereto refers to the credit of the Target Company, and the Target Company's debt payable to Party A is excluded.

Clause 2 Representations and warranties

第 2 条 陈述及保证

2.1 Representations and warranties by Party A

甲方声明和保证

2.1.1 Party A is the sole legal owner of the Agreement Object, having the full right to dispose of the Agreement Object.

甲方为协议标的的唯一合法拥有者，对协议标的有完全处置权。

2.1.2 Before signing this agreement, Party A has not signed any legal document in any form relating to the sale of the Agreement Object with any other third party, nor has Party A taken any legal means to dispose of the Agreement Object in any form. Such disposal includes but not limited to transfer, pledge, entrusted management, and transfer of all or part of the rights attached to the Agreement Object.

本协议签署日前之任何时候，甲方未与任何第三方签定任何形式的法律文件、亦未采取任何其他法律允许的方式对协议标的的进行任何形式的处置，该处置包括但不限于转让、质押、委托管理、让渡附属于协议标的的全部或部分权利。

2.1.3 After signing this agreement, Party A agrees not to sign any form of legal document with any third party or take any other steps to dispose of all or part of the Agreement Object. Such disposal includes but not limited to transfer, pledge, entrusted management, and transfer of all or part of the rights attached to the Agreement Object.

本协议签署日后，甲方同意不会与任何第三方签订任何形式的法律文件，亦不会采取任何法律允许的方式对本协议标的的全部或部分进行任何方式的处置，该处置包括但不限于转让、质押、委托管理、让渡附属于协议标的的部分权利。

2.1.4 Party A guarantees that it will be the sole shareholder of the Target Company until the completion of the share transfer. No other person enjoys right of first refusal to the Agreement Object. After this agreement comes into effect, Party A will use its commercially reasonable efforts to assist Party B to deal with all the procedures involved in the transfer of the Agreement Object, including but not limited to amending the Articles of Association of the Target Company, restructuring the Board of Directors, and filing documents related to equity change with relevant authorities.

甲方保证系目标公司唯一股东，直至交易完成。没有其他任何人对协议标的享有优先购买权。本协议生效后，甲方将尽商业合理努力协助乙方办理协议标的转让的一切手续，包括但不限于修改目标公司的公司章程、改组董事会、向有关机关报送有关股权变更的文件。

2.1.5 Party A guarantees that, before the formal transfer of shares of the Target Company between Party A and Party B, the Target Company has acquired the important government permits, approvals, and authorizations for its normal production operation, which are all currently in force. Party A shall ensure that none of such government permits, approvals or authorizations is invalid prior to the completion of the transaction.

甲方保证，在甲方与乙方正式交接目标公司股权前，目标公司所拥有的对其开展正常生产经营至关重要的政府许可，批准，授权的当前有效性，并确保这些政府许可、批准或授权在交易完成前是有效的。

2.1.6 Party A guarantees, on the date of signing this agreement, all the information of the Target Company provided to Party B, including but not limited to financial position, production and management, company's registration and assets position shall be true and legal in all material respects.

甲方保证于本协议签订日，向乙方提供的目标公司的全部材料，包括但不限于财务情况、生产经营情况、公司工商登记情况、资产情况等均为真实、合法的。

2.1.7 Party A agrees that, after full payment of all transfer price by Party B in accordance with Clauses 3.3.1, 3.3.3 and 3.3.4, upon the liquidation of Party A, Party A shall unconditionally and irrevocably assign the promissory note issued by Party B to Mr. Xinduo Yu through endorsement upon receipt by Party A of the consideration as agreed to between Mr. Xinduo Yu and Party A.

The promissory note so assigned shall serve as guarantee of performance and fund for Mr. Xinduo Yu during his transition period. Where there is a difference between the promissory note amount and the amount payable to Mr. Xinduo Yu, it shall be negotiated to make up the balance by Party A and Mr. Xinduo Yu themselves in Canada. To protect Party B from potential risks, should Party A fail to perform the said agreement to assign the promissory note, the provisions of this Agreement and the Guarantee Agreement executed by Party B and Mr. Xinduo Yu shall apply.

甲方同意在乙方按照 3.3.1、3.3.3 和 3.3.4 条款付清全部转让价款（包括 20%承诺付款函）后，在甲方清算时当甲方收到于薪铎和甲方约定的对价后无条件且不可撤销地将乙方交付的承诺付款函全部以背书方式转让给于薪铎，作为于薪铎过渡时期的履职及资金保证。如果承诺付款函金额与应付给于薪铎的金额存在差额，差额部分由甲方和于薪铎在加拿大自行协商平衡。如果甲方未能履行上述约定将承诺付款函转让给于薪铎，乙方为保证自身利益免受潜在风险，将自行按照本协议及乙方与于薪铎签署的保证协议执行。

2.2 Representations and warranties by Party B

乙方声明和保证

2.2.1 With regard to the registering the share transfer, Party B warrants that it is legally capable of acquiring the Agreement Object, and the normal legal procedures of shares transfer will not be affected by its own individual constraints.

关于股权登记，乙方保证其符合法律规定的受让协议标的的条件，不会因为乙方自身条件的限制而影响股权转让法律程序的正常进行。

2.2.2 Party B has sufficient cash available to acquire the Agreement Object. Party B guarantees to pay the transfer price in accordance with the provisions stipulated in this agreement.

乙方有足够的可用现金能收购协议标的，乙方保证能够按照本协议的约定支付转让价款。

2.2.3 No filing with, notice to or authorization of, any governmental entity is required by Party B as a condition to the lawful completion of the transaction.

合法完成该交易，乙方无需政府机构的备案或通知，或政府机构的批准。

2.2.4 Party B acknowledges that to ensure its own benefits it has conducted an independent investigation on the business, operations, assets, liabilities and financial condition of the Target Company, and in making the determination to proceed with the transactions contemplated by this

agreement, has relied solely on the results of its own independent investigation and the representations and warranties in section 2.1.

乙方确认其在决定推进本协议所述交易的过程中,为确保自身利益,已经对目标公司的业务、经营、资产、负债和财务状况进行了独立调查,完全依赖自己的独立调查以及 2.1 部分的声明和保证。

2.2.5 Following completion of the transaction, Party B guarantees it will not pay to Mr. Xinduo Yu any payroll, dividend, premium or any other compensation in any form other than reimbursing him for reasonable travel, meals and accommodation expenses to the extent that Party B requests that Mr. Xinduo Yu travel on behalf of Party B or the Target Company.

交易完成后,乙方保证其不会支付于薪铎任何薪资、红利、奖金或其他任何形式的薪酬,对于乙方要求于薪铎代表乙方或目标公司合理出差、饮食和住宿等费用的报销除外。

2.2.6 Party B acknowledges knowing the current assets position, all current and past conditions, all debts and creditor's rights as well as various risks and other obligations of the Target Company as of May 31, 2014, including but not limited to:

乙方承认其了解目标公司截至 2014 年 5 月 31 日的流动资产状况、所有当前和过去的情况、负债和所有者权益,以及各种风险和其他责任,包括但不限于:

2.2.6.1 Sustainable operation related risk caused by the aging equipment of the Target Company;

目标公司设备老化带来的运营持续性风险;

2.2.6.2 Bad debt related risk caused by the current debts and creditor's rights of the Target Company;

目标公司现有债权债务的坏账风险;

2.2.6.3 Legal dispute related risk caused by employee severance of the Target Company;

目标公司员工遣散引起的法律纠纷风险;

2.2.6.4 Potential risks of employee group incidents and laid-off employee disturbance due to the purchase by Party A;

因甲方收购而导致的员工群体事件以及被解雇员工寻衅滋事等潜在风险;

2.2.6.5 Tax source supervision risk;

税源监控风险;

2.2.6.6 The risk that the government compulsively require to restore the environment due to the change of business activities resulting from the share transfer.

因股权转让后经营业务发生变化，政府部门强制要求修复环境的风险；

2.2.6.7 Legal dispute related risk caused by the potential secondary harm resulted from the agrochemical trials, previous production and sales of the Target Company since its operation;;

目标公司运营以来农化实验产生的潜在次生灾害引起的法律纠纷风险，和前期生产、销售等环节产生或引起的潜在法律纠纷风险；

2.2.6.8 Potential assets guarantee, legal disputes, public judgment and all other risks concerning the management and operation of the Target Company during the period when Party A was running without supervision, subject to the proxy contest;

甲方股东代理权战争导致目标公司无领导管理期间，目标公司管理和运营产生的潜在资产担保、法律纠纷、公众舆论及其他一切风险；

2.2.6.9 Other risks for the entity sale.

双方买卖实体的其他风险。

Clause 3 Transfer of shares

股权的转让

3.1 Agreement Object

协议标的

Subject to the terms of this agreement and conditional on obtaining shareholder approval by its shareholders or court approval for the transfer of the Agreement Object, Party A agrees to sell its 100% ownership of the shares in the Target Company and any of its rights to the website and domain name www.hanfongevergreen.com to Party B or its designated subsidiary.

根据该协议条款以及甲方股东的批准或对协议标的转让的法庭批准，甲方同意将其所持有的目标公司 100%的股权以及其对汉枫常绿网站和域名的权利出售给乙方或其指定子公司。

3.2 Transfer price

转让价款

Based on the financial statements and current conditions of Target Company as of May 31, 2014 ("Benchmark Date"), the total transfer price of the Agreement Object shall be Two Hundred and Forty Eight million RMB (248,000,000 RMB), 80% of which, i.e 198,400,000 RMB or equivalent USD (which shall be converted as per the benchmark exchange rate posted by the People's Bank of China at the date of payment) shall be payable in cash by wire transfer to the designated account of Party A, and the balance of 20% , i.e 49,600,000 RMB shall be payable in a promissory note issued by Party B to Party A.

基于目标公司 2014 年 5 月 31 日（以下称“基准日”）的财务报表及目标公司状况，本协议标的转让总价款为 2.48 亿元人民币（大写：人民币贰亿肆仟捌佰万元整），其中总价款的 80%，即 1.984 亿元人民币或等值美元（按付款之日中国人民银行公布的基准汇率折算）应将现金通过汇款方式汇至甲方指定账户，其余的总价款的 20%，即 4960 万人民币应通过乙方开具的承诺付款函支付给甲方。

3.3 Method and time of payment

付款方式及时间

3.3.1 Within seven business days of the date of signing this agreement, Party B shall pay Party A 5% of the total purchase price, i.e. 12,400,000 RMB or equivalent USD (which shall be converted as per the benchmark exchange rate posted by the People's Bank of China at the date of payment).

本协议签订之日起七个工作日内，乙方向甲方支付总价款的 5%，即 12,400,000 元人民币或等值美元（按付款之日中国人民银行公布的基准汇率折算）。

3.3.2 The payments described in sections 3.3.1 shall be held by Party A as a performance guarantee bond. If the Party B fails to complete the transaction as required in accordance with the terms of this agreement, in addition to any other remedies that Party A may have under applicable law, Party A shall be entitled to retain the performance guarantee bond.

本协议 3.3.1 部分所述的付款，甲方将作为履约保证金。如果乙方未能按照本协议的条款规定完成该交易，除相关法律规定甲方可享有的补救措施外，甲方有权保留履约保证金。

3.3.3 Within ten business days of the date of approval for this transaction by the shareholders of Party A or by the court, Party B shall pay Party A an additional 15% of the total purchase price, i.e.

37,200,000 RMB or equivalent USD (which shall be converted as per the benchmark exchange rate posted by the People's Bank of China at the date of payment).

甲方股东会批准或法庭批准本次股权交易后十个工作日内，乙方再向甲方支付总价款的15%，即37,200,000元人民币或等值美元（按付款之日中国人民银行公布的基准汇率折算）。

3.3.4 Within 10 business days upon closing of the transaction, Party B shall pay Party A the remaining 80% of the total purchase price, i.e. 198,400,000 RMB or equivalent USD (which shall be converted as per the benchmark exchange rate posted by the People's Bank of China at the date of payment), of which, 60% of the total purchase price, i.e. 148,800,000 RMB shall be payable in cash by wire transfer to the designated account of Party A, and 20% of the total purchase price, i.e. 49,600,000 RMB shall be delivered to Party A in the form of promissory note attached to this agreement.

交易完成后十个工作日内，乙方应支付甲方总价款的剩余80%，即1.984亿元人民币或等值美元（按付款之日中国人民银行公布的基准汇率折算），其中60%，即人民币1.488亿元用现金支付至甲方指定账户，20%，即人民币4960万元用本协议所附承诺付款函支付。

3.3.5 After receiving the Transfer Price from Party B in full (including the 20% promissory note), upon the liquidation of Party A, Party A shall unconditionally and irrevocably assign the promissory note to Mr. Xinduo Yu through endorsement upon receipt by Party A of the consideration as agreed to between Mr. Xinduo Yu and Party A as per Representations and warranties 2.1.7. Where there is a difference between the promissory note amount and the amount payable to Mr. Xinduo Yu, it shall be negotiated to make up the balance by Party A and Mr. Xinduo Yu themselves in Canada. Party A agrees that when the note is due and payable, Party B shall pay the 20% transfer price under the note (49,600,000 RMB) in RMB to the holder of the note without any interest, and if the promissory note is assigned to Mr. Xinduo Yu, after deducting any deductible amounts (if any) pursuant to a guarantee agreement to be entered into between Party B and Mr. Xinduo Yu, and pursuant to the terms of the guarantee agreement Mr. Xinduo Yu shall bear any risks to be borne by Party A under 2.2.6 of this agreement.

甲方在收到乙方全部转让价款（包括20%承诺付款函）后，在甲方清算后，应按照声明和保证条款2.1.7在甲方清算时当甲方收到于薪酬和甲方约定的对价后将承诺付款函无条件且

不可撤销地全部转让给于薪铎。如果承诺付款函金额与应付给于薪铎的金额存在差额，差额部分由甲方和于薪铎在加拿大自行协商平衡。甲方同意当承诺付款函到期应付时，乙方应将承诺付款函项下 20% 的转让价款（4960 万元）在根据乙方与于薪铎签署的保证协议扣除应扣除（如果有）款项后直接以人民币方式无息支付至持票人。且在承诺付款函转让给于薪铎后，根据保证协议的条款，本协议履行中任何甲方应承担的 2.2.6 项下风险均应由于薪铎承担。

3.4 Equity transfer application and procedures

股权转让报批及办理手续

3.4.1 Within 45- 60 days of signing this agreement, Party A shall be responsible for convening Party A's shareholders' meeting to seek the approval of its shareholders for this transaction or Party A shall seek court approval in Canada for this transaction. Party B acknowledges that Party A intends to seek court approval for the completion of this transaction within two weeks after the execution of this Agreement.

本协议签署之日起 45 到 60 日内，甲方应负责组织召开甲方股东会，以征求股东同意完成该交易，或者甲方寻求加拿大法庭批准完成该交易。甲方拟定于该协议签署后两周内寻求法庭对该交易的批准，乙方对此知情。

3.4.2 In the event that the resolution of shareholders of Party A to approve this transaction fails to obtain the requisite approval at the shareholders meeting called to approve such resolution or the court fails to approve the completion of this transaction, then this agreement becomes invalid immediately and Party A shall return the 5% Performance Guarantee Bond paid by Party B in equal amount within 3 business days.

如果在股东大会上，甲方股东未获得足够的支持率批准本次交易，或者法庭未批准本次交易，则本协议立即自动失效，甲方需在 3 个工作日内等额返还乙方已支付的 5% 的履约保证金。

3.4.3 Within 30 days following the date that Party A's shareholders approve the completion of this transaction or the court approves the completion of this transaction, Party A shall use its commercially reasonable efforts to assist Party B to complete the reorganization of the Board of Directors of the Target Company, and complete all legal documents for the purpose of share transfer.

在甲方股东批准完成本次交易之日或者法院批准了本次交易之日起 30 个工作日内，甲方应尽商业合理之努力配合乙方完成目标公司董事会的改组，并配合签署股权转让的全部法律文件。

3.4.4 In accordance with Clause 3.4.3 of this agreement, within 3 days of completion of all legal documents for the share transfer, Party A shall file the application to the approval authority, and assist Party B to comply with Chinese law and regulations in registering the share transfer with the relevant authorities in a timely manner.

在按照本协议第 3.4.3 条约定完成本次股权转让的全部法律文件之日起 3 日内，甲方应向批准机关报批，并协助乙方按照中国法律、法规及时向有关机关办理股权转让登记。

3.4.5 Both parties agree that the transaction shall be closed within 30 to 45 days upon shareholder approval of Party A or court approval obtained by Party A.

双方约定在获得甲方股东会批准或法院批准后的 30-45 个工作日内完成交易。

3.4.6 All the tax payable and fees payable involved in the course of share transfer and acquisition, and expenses incurred in equity alteration registration shall be borne by Party B.

股权交易过程中涉及的各种应交税、款、工商变更登记过程中产生的费用由乙方承担。

Clause 4 Parties rights and obligations after completion of transaction

交易完成后各方权利义务的承担

4.1 Before completion of transaction

交易完成前

Until Party B pays 100% of total purchase price to Party A, Party A will enjoy all the rights and bear all the responsibilities of the Target Company.

在乙方支付给甲方全部应付价款之前，目标公司的所有权利义务由甲方承担。

4.2 After completion of transaction

交易完成后

4.2.1 After Party B pays 100% of the total purchase price to Party B, Party B will enjoy all the rights and bear all the responsibilities of the Target Company (including but not limited to all profit it

shall enjoy in compliance with the laws, debts and creditor's rights, legal dispute, and other risks and obligations).

乙方支付完全部价款之后,目标公司的所有权利义务,包括并不限于公司依据法律应该享有的全部所有权益、全部债权债务、法律纠纷由乙方承担。

Clause 5 Transition Period

过渡期

乙方向甲方支付 5%的履约保证金后,乙方有权利派驻人员到目标公司作为驻厂代表。为避免基准日后,目标公司因非正常经营活动产生费用或亏损,从而对转让价款的定价基础产生影响,甲方同意,自基准日至本协议生效之日期间,目标公司发生的一切重大事项(如有)应经乙方驻厂代表补充确认;在过渡期期间,目标公司发生的一切重大事项(如有)应通知驻厂代表并征得其同意。重大事项包括但不限于:在普通业务来往范围外,处置公司资产(出售、担保、抵押、租赁、转移等)或发生交易;遭受任何损失,或发生任何与客户或雇员的关系变化;重大款项支出;修改任何已有的合同或协议;对目标公司产生重大影响的事件;免除任何对他人的债权等。

Party B shall have the right to send a staff to the Target Company as its representative upon paying the Performance Guarantee Bond (5% of the total transfer price) to Party A. To avoid any expense or loss caused by abnormal operation activities of Target Company after benchmark date, which would affect the pricing basis of the transfer price, Party A agrees that during the period from benchmark date to the effective date of this agreement, any material events (if any) of the Target Company shall be acknowledged and confirmed by the representative of Party B, and that during the Transition Period, any material events (if any) shall be notified to the representative of Party B for his permission. The material events include but not limited to: disposal of the company assets (sales, guarantee, pledge, rent and transfer) or transaction, other than the normal business the transaction; any loss, or any change to relationships with clients and employees; large amount of expenses; any changes to existing contracts or agreements; any events having significant impact on the Target Company; releasing creditor's right.

Clause 6 Privacy Policies

保密条款

6.1 Confidential Information

保密资料

For all information held by both parties about this share transfer, including but not limited to the operation conditions, financial position, trade secrets, and technical know-how of Party A, Party B, and the Target Company, both parties have the obligation to keep such information confidential. Unless required by law or judicial bodies, none of the parties can make public or make use of the information.

本次股权转让中, 甲方与乙方对所了解的全部资料, 包括但不限于甲方、乙方、目标公司的经营情况、财务情况、商业秘密、技术秘密等全部情况, 甲方与乙方均有义务保密, 除非法律有明确规定或司法机关强制要求, 任何一方不得对外公开或使用。

6.2 Publicity or promotion

对外公开或宣传

When both parties promote or make this share transfer known to the public, both parties must follow the same method as negotiated, and ensure that the business reputation of both parties are protected. Without permission from the other party, neither party can publish or publicize any opinions or writings related to this share transfer unless required by applicable law.

甲方与乙方在对外公开或宣传本次股权转让事宜时, 采用经协商的统一口径, 保证各方的商誉不受侵害。除非法律另有规定, 未经另一方同意, 任何一方不得擅自对外发表有关本次股权转让的言论、文字。

Clause 7 Breach of Agreement

违约责任

7.1 Any party who breaches the representations, warranties or other obligations under this agreement should bear the responsibilities for breach of agreement and must compensate the other party for any financial losses caused to the other party. This responsibility to pay damages should

include all financial losses caused by the breach. Provided, however, following the date of completion of the transaction, when Party B has paid the total transfer price in full and Party A has assigned the promissory note to Mr. Xinduo Yu, the remedy of Party B in respect of any breach of any representation, warranty, or other obligation of Party A under this agreement shall be as set out in the guarantee agreement to be entered into between Party B and Mr. Xinduo Yu.

任何一方因违反于本协议项下作出的声明、保证及其他义务的，应承担违约责任，造成对方经济损失的，还应承担赔偿责任。此赔偿责任应包括对方因此遭受的全部经济损失。但是，如果在交易完成日之后、乙方已付清全部转让价款、且甲方已将承诺付款函转让给于薪铎后，对于任何违反本协议下声明、保证或甲方其他义务的，乙方的补偿应按照乙方与于薪铎签署的保证协议中列明的条款范围执行。

7.2 In the event that either party unilaterally rescinds the agreement, the innocent party has the right to request the party in breach to pay liquidated damages, which is 5% of the entire transfer price.

任何一方单方解除本协议，非违约方有权要求违约方支付违约金，违约金为转让价款总额的 5 %。

7.3 If Party B fails to pay the negotiated share transfer price on time, Party B must pay 0.0006% of the entire payable but unpaid amount to Party A as liquidated damages for each day that such payment is delayed. When the delay in payment reaches 30 days, Party A has the right to rescind the agreement and refuse to return any payments previously made as liquidated damages, and to take any legal measures and steps to have the shares of the Target Company returned to Party A..

因乙方不按时支付本协议约定的股权转让款，每延迟付款一天乙方应向甲方支付应付未付款额每日 0.0006% 的违约金，延迟履行达到 30 日时，甲方有权解除本协议并不再退还乙方之前已支付的所有款项，并有权采取任何法律措施将目标公司的股份归还至甲方。

Clause 8 Dispute Resolution

争议的解决

Any disputes arising from this Agreement should be solved by mediation and negotiation in good faith. In case mediation fails, either party has the right to litigate in the place of agreement performance, which is the local people's court where the Target Company is located. Both parties agree to conform to the laws of the People's Republic of China.

各方若发生争议，应友好协商解决。协商不成，任何乙方均有权向目标公司所在地人民法院诉讼解决。双方同意适用中华人民共和国法律解决。

Clause 9 Others

其他

9.1 Amendment to the Agreement

协议修订

Any amendments to the Agreement must be in writing and signed by both parties. Any amendments or newly added content to the Agreement will become part of the agreement.

本协议的任何修改必须以书面形式由双方签署。修改的部分及增加的内容，构成本协议的组成部分。

9.2 Severability

可分割性

If there are clauses in this Agreement that are invalidated by courts with rights of jurisdiction or an validly appointed arbitrator, but such invalidated clauses do not affect the potency of other clauses, the unaffected clauses shall remain valid.

如果本协议的部分条款被有管辖权的法院、仲裁机构认定无效，不影响其他条款效力的，其他条款继续有效。

9.3 Entire Agreement

协议的完整性

This agreement contains all statements and agreements of both parties, and replaces all oral or written statements, warranties, understandings and agreements regarding the terms under this Agreement made before the signing of this agreement. Both parties agree and confirm that any statements and warranties not contained in this Agreement will not form the basis of this Agreement, and thus cannot be relied upon by any parties and may not be used to explain the clauses and conditions in this Agreement.

本协议构成双方之间的全部陈述和协议，并取代双方于协议签字日前就本协议项下的内容所作的任何口头或者书面的陈述、保证、谅解及协议。双方同意并确认，本协议中未订明的任何陈述或承诺不构成本协议的基础；因此，不能作为确定双方权利和义务以及解释协议条款和条件的依据。

Party A:

甲方:

Authorized Representative (Signature):

授权代表（签字）:

(date)

2014 年 8 月 8 日

Party B:

乙方:

Authorized Representative (Signature):

授权代表（签字）:

(date)

2014 年 8 月 8 日

保证协议

Guarantee Agreement

甲方：黑龙江哈尔滨鹏程肥业有限公司

Party A: Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd.

乙方：于薪铎

Party B: Xinduo Yu

鉴于：

Whereas:

1. 甲方与汉枫常绿有限公司（以下称“汉枫”）于2014年8月8日签订《股权转让协议》，根据协议规定，甲方将收购汉枫所持汉枫缓释肥料有限公司（以下称“目标公司”）全部股权；

Party A and Hanfeng Evergreen Inc. (hereinafter referred to as "Hanfeng") entered into the Share Transfer Agreement on August 8, 2014, under which, Party A agrees to purchase 100% equity shares of Hanfeng Slow-Release Fertilizer Co., Ltd. (hereinafter referred to as "Target Company") owned by Hanfeng.

2. 乙方系汉枫大股东，同时担任目标公司董事长兼法定代表人；

Party B is a big shareholder of Hanfeng, and also the Board Chairman and Legal Representative of the Target Company.

3. 根据《股权转让协议》第3.2条规定，甲方收购目标公司“总价款的20%，即4960万人民币应通过乙方开具的承诺付款函支付”给汉枫，且汉枫同意，在汉枫清算时，按照第2.1.7条规定在收到甲方全部转让价款（包括20%承诺付款函）后，“当甲方收到于薪铎和甲方约定的对价后，无条件且不可撤销地将乙方交付的承诺付款函以背书方式全部转让给于薪铎”，作为乙方过渡时期的履职及资金保证。

As stipulated under Clause 3.2 of the Share Transfer Agreement, among the total transfer price for purchasing the Target Company, "20%, i.e 49,600,000 RMB shall be payable in a promissory note issued by Party B" to Hanfeng, and Hanfeng

agrees to, upon the liquidation of Hanfeng, "unconditionally and irrevocably assign the promissory note issued by Party B to Mr. Xinduo Yu through endorsement upon receipt by Party A of the consideration as agreed to between Mr. Xinduo Yu and Party A" after Hanfeng's receipt of all the transfer price (including 20% in form of promissory note) from Party A in accordance with Clause 2.1.7 of the Share Transfer Agreement. The promissory note so assigned shall serve as guarantee of performance and fund for Party B during his transition period.

4. 乙方在此为甲方提供个人担保, 根据本协议的条款和条件, 乙方为目标公司潜在风险的担保额最高不超过承诺付款函金额, 即人民币 4960 万人民币 (以下称“担保款项”).

Party B hereby personally guarantees in favour of Party A for the potential risks facing the Target Company up to the amount of promissory note, i.e., 49,600,000 RMB (hereinafter referred to as the "Guarantee Amount") pursuant to the terms and conditions set out in this Agreement.

乙方同意接受该承诺付款函的转让 (如果承诺付款函被转让), 按照承诺付款函的条款和条件将对该承诺付款函具有独立支配权, 包括在其 12 个月过渡期 (见第 1 条) 满后收到款项的权利, 以保证《股权转让协议》的全面履行。

Party B agrees and accepts the transfer of promissory note (should it be assigned) and will own the independent right to dispose the promissory note subject to its terms and conditions, including the right to receive payment upon expiration of the 12-month transition period as stated in Clause 1, to ensure full performance of the Share Transfer Agreement.

为此, 为保证股权收购完成后目标公司能够平稳过渡, 经甲乙双方协商, 达成如下担保协议:

Now therefore, to ensure the smooth and stable transition of the Target Company after the share transfer, upon negotiation, Party A and Party B have reached the following guarantee agreements:

- 第1条 股权变更完成后, 乙方同意按照甲方要求在目标公司继续过渡 12 个月, 在此期间, 甲方只支付乙方因工作需要出差所发生的交通、饮食和住宿

等费用，不支付乙方任何薪资、红利、奖金或其他任何形式的薪酬。

Article 1: After the completion of the share transfer, Party B agrees to stay in the Target Company for a transition period of 12 months as per the request of Party A. During this period, Party A will only pay for the travel, meals and accommodation expenses of Party B to the extent of work requirements; but no payroll, dividend, bonus or any other compensation in any form.

第2条 甲方在股权变更登记时，免去乙方在目标公司的董事长职务，为使目标公司最大限度免受第3条提及的各种潜在风险，经甲方要求，乙方同意继续担任目标公司法定代表人职务，在目标公司董事会的领导下，按甲方合理要求出席一些必要的场合，且目标公司董事会有权随时解除乙方的法定代表人职务。

Article 2: During the share transfer registration, Party A will remove Party B from his position of Board Chairman in the Target Company. To protect the Target Company from the various potential risks stipulated under Article 3 to the maximum extent, upon the request of Party A, Party B agrees to continue his service as legal representative of the Target Company under the leadership of the Board of Target Company, and attend some necessary events reasonably requested by Party A, while the Board of Target Company is entitled to remove Party B from his position of legal representative at any time.

第3条 乙方保证在12个月过渡期内尽商业合理努力维护目标公司利益，确保目标公司平稳过渡，最大限度免受如下风险，包括但不限于：

Article 3: Party B guarantees to take all commercially reasonable efforts during the 12-month transition period to safeguard the interest of the Target Company, ensure the smooth and steady transition of the Target Company, and protect it from the following risks to the maximum extent, including but not limited to:

3.1 员工遣散金超出约定数额的风险；

The risk that employee severance exceeds the agreed amount;

3.2 因甲方收购而导致的员工群体事件以及被解雇员工寻衅滋事等潜在风险；

Potential risks of employee group incidents and laid-off employee disturbance due to

the purchase by Party A;

3.3 税源监控风险: 因股权转让后投资方发生变化, 目标公司原享有的税收优惠 (“二免三减半” 和 “三年减半”, 约人民币 1.7 亿) 被追缴的风险;

Tax source supervision related risk: The risk that the tax incentives package (“Two-Year Exemptions and Three-Year Half Reduction” and “Three-Year Half Reduction”, totally representing RMB 170 million) enjoyed by the Target Company may be retroactively recovered by tax bureau due to changes to shareholders resulting from completion of share transfer;

3.4 因股权转让后经营业务发生变化, 政府部门强制要求修复环境的风险;

The risk of environmental improvement required by government due to changes to business activities resulting from completion of share transfer;

3.5 交易税费失控的风险;

Risk related to the loss of control on the transaction tax and expense;

3.6 应收账款无法按期回收的风险;

Risk that the accounts receivable could not be collected in due time;

3.7 已预付款项的货物无法按期运抵的风险;

Risk that the goods paid in advance could not be delivered in due time;

3.8 汉枫股东代理权战争导致目标公司无领导管理期间, 目标公司管理和运营产生的潜在资产担保、法律纠纷、公众舆论及其他风险;

Any risks related to potential assets guarantee, legal disputes, public judgment and all other risks concerning the management and operation of the Target Company during the period when there was no supervision at the Target company due to the proxy contest;

3.9 目标公司运营以来农化实验产生的次生灾害, 和前期生产、销售等环节产生或引起的潜在法律纠纷风险;

Any risks of potential legal disputes caused by the potential secondary harm resulted from the agrochemical trials, previous production and sales of the Target Company since its operation;

第4条 在乙方 12 个月过渡期内,乙方保证不会采取任何法律允许的方式对该承诺付款函的全部或部分进行任何方式的处置,包括但不限于转让、质押、让渡承诺付款函的全部或部分权利。

Article 4: Party B guarantees that he will not take any legal measures to dispose all or part of the promissory note during the 12-month transition period of Party B, including but not limited to transferring, pledging, and assigning all or part of the rights under the promissory note.

第5条 甲方保证

Article 5: Warranties by Party A

5.1 在乙方按照本协议约定在目标公司 12 个月过渡期满且完成本协议第 3 条和第 4 条保证的前提下,乙方对本协议下的任何金额不负有任何责任。

On the condition that Party B's 12 months' transition period in the Target Company expires and his guarantees stipulated under Article 3 and 4 are fulfilled as stipulated in this Agreement, Party B shall not be liable to Party A for any amount of money under this Agreement.

在乙方按照本协议约定在目标公司 12 个月过渡期满且完成本协议第 3 条和第 4 条保证且承诺付款函转让给了乙方的前提下,甲方承诺在乙方 12 个月过渡期满后 7 个工作日内,将承诺付款函款项按照《承诺付款函》相关规定以人民币方式全额支付给乙方;

On the condition that Party B's 12 months' transition period in the Target Company expires and his guarantees stipulated under Article 3 and 4 are fulfilled as stipulated in this Agreement and the promissory note is assigned to Party B, Party A warrants to pay the amount in the promissory note to Party B in full in RMB within 7 business days upon the expiration of the 12 months' transition period of Party B as per the relevant terms regulated in the "Promissory Note";

5.2 如果乙方未能全面完成第 3 条和第 4 条保证事项,并因此给甲方造成任何损失,且承诺付款函转让给了乙方,甲方将有权从承诺付款函金额中扣除相应损失额(最高不超过担保款项),并在乙方 12 个月过渡期满后 7 个工作日内,将剩余款项按照《承诺付款函》相关规定支付给乙方;

In case Party B fails to fulfill his guarantees under Article 3 and Article 4, and hence

causes any loss to Party A and the promissory note is assigned to Party B, Party A is entitled to deduct the corresponding loss amount (with the maximum amount not exceeding the Guarantee Amount) from the promissory note, and will pay any amount remaining to Party B within 7 business days upon expiration of the 12 months' transition period of Party B as per the relevant terms regulated in the "Promissory Note".

第6条 违约责任

Article 6: Defaults

6.1 如乙方未能按照本协议约定在目标公司继续过渡 12 个月, 并因此给甲方造成任何损失, 且如果承诺付款函转让给了乙方, 甲方将有权从承诺付款函金额中扣除相应损失额 (最高不超过担保款项), 并在乙方 12 个月过渡期满后 7 个工作日内, 将剩余款项按照《承诺付款函》相关规定支付给乙方;

In case Party B fails to stay in the Target Company for a transition period of 12 months as stipulated in this Agreement, and hence causes any loss to Party A, and provided the promissory note is assigned to Party B, Party A is entitled to deduct the corresponding loss amount (with the maximum amount not exceeding the Guarantee Amount) from the promissory note, and will pay any amount remaining to Party B within 7 business days upon expiration of the 12 months' transition period of Party B as per the relevant terms regulated in the "Promissory Note".

6.2 如果乙方未能全面完成第 3 条和第 4 条保证事项, 并因此给甲方造成任何损失, 且如果承诺付款函转让给了乙方, 甲方将有权从承诺付款函金额中扣除相应损失额 (最高不超过担保款项), 并在乙方 12 个月过渡期满后 7 个工作日内, 将剩余款项按照《承诺付款函》相关规定支付给乙方;

In case Party B fails to fulfill his guarantees under Article 3 and Article 4, and hence causes any loss to Party A, and provided the promissory note is assigned to Party B, Party A is entitled to deduct the corresponding loss amount (with the maximum amount not exceeding the Guarantee Amount) from the promissory note, and will pay any amount remaining to Party B within 7 business days upon expiration of the 12 months' transition period of Party B as per the relevant terms regulated in the "Promissory Note".

6.3 如甲方违反本协议约定,乙方有权终止本协议履行,且甲方需立即将承诺付款函金额全额支付给乙方(如果承诺付款函转让给了乙方)。

In case Party A breaches this Agreement, Party B is entitled to terminate this Agreement, and Party A shall pay the promissory note to Party B in full immediately, provided the promissory note is assigned to Party B.

第7条 法律适用与争议的解决

Article 7: Applicable Law and Dispute Resolution

7.1 本协议的订立、效力、变更、解释、履行、终止和由本协议产生或与本协议有关之争议的解决,均受中国(不包括中华人民共和国香港、澳门特别行政区及台湾)法律的管辖。

The formulation, validity, amendments, interpretation, implementation and termination, as well as the settlement of disputes arising out of or related to this Agreement, shall be governed by the laws of the People's Republic of China (excluding the Special Administration Regions of Hongkong and Macao, as well as Taiwan).

7.2 因履行本协议所发生的或与本协议有关的一切争议,双方应通过一切友好方式协商解决,如果协商不成,任何一方均有权提交中华人民共和国黑龙江省哈尔滨中级人民法院诉讼解决。

All disputes arising from the execution of, or in connection with, this Agreement shall be settled through amiable negotiation. In case no settlement can be reached through negotiation, any Party shall have the right to bring the lawsuit to Harbin Intermediate People's Court, Heilongjiang Province, People's Republic of China

7.3 在诉讼过程中,对于本协议中不涉及诉讼内容的条款继续有效,双方必须继续履行。

During the litigation process, the remaining provisions unrelated to the lawsuit shall continue in full force and effect, which the both parties shall continue to perform.

第8条 本协议经双方签字盖章后生效,直至本协议项下担保款项到期结算清偿后失效。

Article 8: This Agreement shall become valid and binding upon signing and sealing by the both parties until the guarantee amount under this Agreement becomes due and

the payment is settled.

第9条 本协议生效后,任何一方不得擅自变更或提前解除本协议。

Article 9: After this Agreement comes into effect, any Party shall not amend or terminate this Agreement at its own free will.

第10条 本协议一式两份,甲、乙双方各执一份,每份具有同等法律效力。

Article 10: This Agreement shall be executed with each party one copy, and each copy bears the same legal effect.

(以下无正文)

(no text hereinafter)

甲方盖章:

Seal of Party A

授权代表签字:

Signature of the authorized representative:



乙方签字:

Signature of Party B:

于新锋

见证人签字:

Signature of Witness:

王胜利

Appendix “F”

May 22, 2015

Mr. Yanjia Ren, Vice GM
Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd
Harbin, Heilongjiang
China

Dear Mr. Ren,

We are writing to you in our capacity as the court-appointed receiver and manager of Hanfeng Evergreen Inc., the sole shareholder of Hanfeng Slow-Release Fertilizer Co., Ltd. ("Hanfeng Slow-Release"). We were appointed as receiver and manager over all of the assets of Hanfeng Evergreen Inc., including Hanfeng Slow-Release, on August 20, 2014 by way of a court order of the Ontario Superior Court of Justice in Canada.

We have received the email correspondence you sent to us yesterday requesting a number of amendments to the escrow agreement that is currently in place between Hanfeng Slow-Release, you and Minsheng Bank. As we indicated in the email that was sent on our behalf by Mayer Brown on Thursday, none of those changes are acceptable.

You are in breach of the escrow agreement and continue to be in breach of the share transfer agreement with Hanfeng Evergreen Inc. dated August 8, 2014.

Given your steadfast lack of cooperation and your failure to live up to your obligations under the share transfer agreement and to fund the payments required under that agreement and the escrow agreement, we are now beginning to take steps to enforce our rights under those agreements.

Please be aware that we are also beginning the process of replacing Mr. Xinduo Yu as the Legal Representative of Hanfeng Slow-Release.

Notwithstanding your continued breaches of the share transfer agreement, escrow agreement and other related undertakings, Hanfeng continues to be, at this time, committed to closing the transaction contemplated by the share transfer agreement as soon as possible.

Regards,

**Ernst & Young Inc., in its capacity as Receiver and
Manager of Hanfeng Evergreen Inc. and not in
its personal or corporate capacity**

Per : 

Murray A. McDonald
President

Appendix “G”

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.

AFFIDAVIT OF JONATHAN POLLACK
(sworn August 13, 2014)

I, Jonathan Pollack, of the City of Toronto, MAKE OATH AND SAY:

1. I am the Lead Director of the applicant, Hanfeng Evergreen Inc. ("Hanfeng"). I have been Lead Director since February 24, 2014. Prior to that time, I served as director from November 2010 to February 2013. As such, I have knowledge of the matters to which I hereinafter depose. I have also reviewed the records, press releases and public filings of Hanfeng and have spoken with certain of the directors, officers and/or employees of Hanfeng, as necessary. Where my affidavit is stated to be based on information I have received from others, I believe that information to be true.

2. This affidavit is sworn in support of an application for, among other things, orders pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") and Rule 41 of the *Rules of Civil Procedure* appointing Ernst & Young Inc. ("E&Y") as receiver and manager over all of the assets of Hanfeng and approving the Share Transfer Transaction (as defined and described below) and related agreements, all in accordance with the Orders attached as Tabs 3 and 4 to Hanfeng's Application Record.

Overview

3. On this application, Hanfeng seeks the appointment of a receiver and manager (hereafter, a "receiver") to preserve value for all of Hanfeng's stakeholders, including its shareholders. As described in greater detail below, the circumstances necessitating the appointment of a receiver include, among other things:

- (a) Hanfeng does not carry on operations and its only remaining wholly-owned subsidiary has been experiencing significant issues, including: (i) the termination of its business relationship with its single largest customer, with no prospect of restoring or restarting that relationship; and (ii) operational challenges, including the resignation of the management team of Hanfeng's subsidiary, a lack demand for its products and deteriorating facilities, inventories and other assets. These issues have severely decreased cash flow at both Hanfeng and its subsidiary and, if action is not taken now to realize what value can be obtained for this subsidiary, will result in Hanfeng's insolvency, thereby seriously reducing or eliminating recoveries for all its stakeholders, including its shareholders;
- (b) An acrimonious proxy battle between Mr. Xinduo Yu - the founder and President and Chief Executive officer of Hanfeng and its largest shareholder - and Hanfeng's previous board of directors (the "Board") preceded a number of securities laws issues for Hanfeng, including the delisting of its shares from the Toronto Stock Exchange (the "TSX") and the imposition of a permanent cease-trade order in respect of those shares by the Ontario Securities Commission (the "OSC"), the Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission and the Quebec Securities Commission, with the result that shareholders are left with illiquid shares whose value is decreasing as the operational issues affecting Hanfeng's subsidiary continue;
- (c) Long-standing concerns about the governance of Hanfeng's subsidiary in China and the adequacy of internal management controls implemented at that subsidiary are contributing to challenges faced by the Board to manage that subsidiary as a going concern, and to take steps that would otherwise be required to have the OSC cease trade order lifted and the shares relisted on a recognized stock exchange;
- (d) Effective February 26, 2014, without providing a reason for its resignation, Hanfeng's auditor resigned and since that time the Board has not been able to find a qualified audit firm to replace its previous auditor. Hanfeng's inability to

engage a replacement auditor has left it: (i) in violation of the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16 (the "OBCA") and applicable securities laws and regulations in respect of the appointment of auditors and the preparation of financial statements; and (ii) unable to prepare, file and circulate to shareholders unaudited interim and audited annual financial statements and accompanying management discussion and analyses;

- (e) It is the assessment of the Board that the enterprise does not have a future as a going concern. The alternatives to the Board therefore appear to be twofold: (i) realize the available assets at the optimal price practical and distribute the proceeds as expeditiously and efficiently as practicable; or (ii) sit by while the expenses and contingent liabilities mount and/or increase in likelihood and the prospect of any distribution recedes. Self-evidently, the Board has chosen the first alternative and to have that process continue under court supervision in the interests of all stakeholders in these very unusual, if not unique, circumstances.

4. Following the proxy battle referred to above, the Board was reconstituted in February 2014 and has made extensive efforts to deal with the many issues facing Hanfeng.

5. After efforts to normalize Hanfeng's operations proved fruitless, the Board has determined that the sale of Hanfeng's principal assets, which are described below, and a wind-up of Hanfeng are the only viable options for potentially providing remaining value to shareholders and permitting all stakeholders to receive the highest possible amounts for their claims. After trying for several months to create a multi-party process involving parties potentially interested in acquiring Hanfeng's only asset – the Heilongjiang WFOE – the Board has authorized Hanfeng to enter into a binding agreement of purchase and sale with an arm's length Purchaser (as those undefined, capitalized terms are defined below). In the Board's view, the sale is fair and reasonable under the circumstances and represents the highest and/or best offer that could be obtained for the assets. For the reasons set out, the Board considers the appropriate course to be for that sale to be closed under court supervision and the proceeds distributed in the same manner. It has therefore commenced the within application.

Hanfeng

6. Hanfeng, through its wholly-owned subsidiaries, was a leading developer and producer of value-added fertilizers¹ in the People's Republic of China ("China"). Hanfeng is incorporated under the laws of Ontario with its registered head office in Toronto. Hanfeng is a reporting issuer in each of the provinces of Canada and until recently had its common shares listed on the TSX, but (as indicated above) the TSX delisted Hanfeng's shares in June.

7. Hanfeng has no independent operations and has always existed solely as a holding company for certain entities located in China, which are described in greater detail below. As such, it has necessarily relied on cash flow generated by these Chinese entities to fund its liabilities.

8. Hanfeng currently has approximately 159 employees in China and 4 employees or consultants in Toronto. Three of the four directors of Hanfeng reside in Canada, including Mr. Yu, a director and the President and Chief Executive Officer of Hanfeng. The fourth director resides in Hong Kong.

Shareholder Structure

9. As at the date of this affidavit, Hanfeng's shareholding structure is as follows:

Shareholder	Percent of Issued and Outstanding Shares Beneficially Owned
Xinduo Yu	20.4%
Agrium Inc.	20.0%
Beidahuang Agriculture Development Limited	7.0%
Various shareholders	52.6%

¹ Value-added fertilizers include a variety of advanced fertilizer products manufactured using proprietary techniques. Examples of value-added fertilizers include slow-release, nutrient-enhanced or specially-coated fertilizers. Although value-added fertilizers are commonly used in Canada, their adoption in China remains relatively limited. Any references to fertilizer in this affidavit are to value-added fertilizers.

WFOEs

10. Prior to May 2014, Hanfeng owned all of the issued and outstanding shares of two Chinese business entities known as "wholly foreign-owned entities" (commonly abbreviated as "WFOEs"). A wholly foreign-owned entity (the "Heilongjiang WFOE") owned a fertilizer production facility in Heilongjiang Province in northeast China. The other wholly-owned foreign entity (the "Jiangsu WFOE") owned a fertilizer production facility in Jiangsu Province. As described in greater detail below, Hanfeng sold the Jiangsu WFOE in May 2014.

11. In accordance with my understanding of Chinese law and custom, control over the Heilongjiang WFOE is normally exercised through a single individual called the "legal representative". At this time, Mr. Yu, who is the founder, President and Chief Executive Officer and a director of Hanfeng and who owns or controls 20.4% of the issued and outstanding shares of Hanfeng, is the legal representative for the Heilongjiang WFOE. Because Mr. Yu resides in Canada, control of (among other things) the corporate seals and "chops" used to authorize corporate action has been delegated to a management team located in Heilongjiang. This management team takes direction from Mr. Yu who, as legal representative for the Heilongjiang WFOE, takes direction from the Board.

12. Prior to March 2014, Hanfeng was also involved in a joint venture to produce fertilizer in Indonesia (the "Indonesia JV"). In March 2014, however, Hanfeng sold its ownership interest in Hanfeng Slow-Release Fertilizer Pte., Ltd. (Singapore), the company that held Hanfeng's interest in the Indonesia JV, for reasons described in greater detail below.

13. Accordingly, at this time, the Heilongjiang WFOE is Hanfeng's principal asset and its only operating subsidiary. As a result of various challenges experienced by the Heilongjiang WFOE, which are described below, the Heilongjiang's WFOE's operations have been severely hampered and its prospects have dramatically decreased since 2013.

Consolidated Financial Status

Liquidation Analysis of the Heilongjiang WFOE's Assets

14. Deloitte LLP ("Deloitte") has provided the Board with an opinion (the "Opinion") that, among other things, includes a determination of the fair market value of the Heilongjiang WFOE's assets. For the reasons described in the Opinion, a copy of which is attached hereto as

Exhibit "A" and herein, Deloitte determined that the appropriate approach to determining that fair market value was the liquidation approach. On the basis of various assessments, site visits and discussions with management, Deloitte has estimated the fair market value of the Heilongjiang WFOE's assets as at August 7, 2014 as follows:

Asset	Fair Market Value (RMB)
Working capital	211,784,591
Cash	98,555,064
Receivables (based on collectability assessment)	88,319,796
Prepayments (based on collectability assessment)	25,325,588
Inventory	Nil
Accounts Payable	(272,321)
Tax Payable	(143,536)
Machinery and equipment	Nil
Land use rights	42,925,376
Building and rail assets	179,513,218
Total liquidation costs	(229,279,013)
Net asset value after liquidation costs	204,944,172

15. Hanfeng is currently unable to prepare audited financial statements and its most recent unaudited consolidated interim financial statements are for the three month period ending September 30, 2013. Hanfeng's management has prepared draft financial statements for the year ending June 30, 2014 (the "Draft FY2014 Statements"), but these have not yet been reviewed or approved by the Board. Moreover, as shown on their face, these financial statements require the attachment of certain explanatory notes. These notes have not yet been prepared. Copies of these draft financial statements without the necessary notes are attached hereto as Exhibit "B".

16. I have reviewed the Draft FY2014 Statements and believe that they contain all the liabilities of which the Board is aware. It would be unrealistic to assume, however, that the history described herein could not lead to litigation in various ways, including the potential for

claims being made against Hanfeng. Given the recent experience of TSX-listed companies with assets in China, the potential for the exposure attendant upon such litigation is a real one.

Customers

17. Between 2011 and 2013, Heilongjiang WFOE's most significant customers were certain subsidiaries and affiliates of the Beidahuang Agricultural Company Limited (collectively, "Beidahuang"). Beidahuang is one of the largest agricultural state-owned enterprises in China. Sales to Beidahuang had increased from \$155 million or approximately 62.7% of Hanfeng's annual sales in 2011, to \$181 million or nearly 85.3% of Hanfeng's annual sales in 2012, and \$106 million or 64.6% of Hanfeng's annual sales in 2013.

18. Hanfeng's significant sales to and purchases from Beidahuang had made Hanfeng one of Beidahuang's key commercial partners. The termination of the business relationship with Beidahuang (described below) has had a significant adverse effect on the operations and prospects of Hanfeng.

Proposed Privatization Transaction

19. I understand from Mr. Yu that in 2011, Beidahuang contacted Mr. Yu (who, as indicated above, was the President and Chief Executive Officer of Hanfeng at the time) about a potential acquisition of approximately 30% of Hanfeng's issued and outstanding shares. The stated reason for Beidahuang's interest in a potential acquisition was ensuring that it had adequate control over the supply of fertilizer from one of its key commercial partners.

20. After meeting with the then-chairman of Hanfeng's Board, Beidahuang agreed to maintain its business relationship with Hanfeng pending completion of the proposed acquisition. As described below, in April 2014, representatives of Beidahuang informed me that Beidahuang was willing to renew a business relationship with Hanfeng if the proposed transaction could be completed, but confirmed that Beidahuang was not prepared to acquire such a stake at the present time.

21. Following discussions between the Board, Beidahuang and Mr. Yu, it was determined that Beidahuang would acquire 30% of Hanfeng's shares in a two-step transaction: first, a corporation owned and controlled by Mr. Yu (the "Yu Purchaser") would acquire all of the issued and outstanding shares of Hanfeng; second, the Yu Purchaser would sell approximately 30% of those shares to Beidahuang at the same price. These steps were to be implemented by way of a court-approved plan of arrangement pursuant to the OBCA (the "Plan of Arrangement").

22. The Board determined that it was necessary to strike a special committee (the "Special Committee") comprised of three independent directors of Hanfeng to evaluate the offer and negotiate with the Yu Purchaser.

23. Unfortunately, the relationship between Mr. Yu and the Special Committee grew increasingly acrimonious over the ensuing months, culminating in the proxy battle described below and the commencement of various proceedings and extensive filings. The history of these proceedings may be gleaned from a review of certain filings made in these proceedings which are listed in Exhibit "C". As they are voluminous, they are not attached to this affidavit.

24. After extensive negotiations, on February 11, 2013, Hanfeng and Mr. Yu entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which the Yu Purchaser would acquire all of the issued and outstanding common shares of Hanfeng (other than those shares held by Mr. Yu) for cash consideration of approximately \$107 million or \$2.25 per share (the "Privatization Transaction"). This purchase price represented a 47% premium to the 30-day trailing average price of those shares at the time. A copy of Hanfeng's circular dated February 13, 2013 recommending the Privatization Transaction to shareholders, and which includes the Arrangement Agreement as its Appendix "C", is attached hereto as Exhibit "D".

25. On February 13, 2013, Hanfeng sought and obtained an interim order of the Ontario Superior Court of Justice approving the process for seeking shareholder approval of the Plan of Arrangement. A copy of that interim order and the Court's related endorsement are attached collectively hereto as Exhibit "E".

26. On March 15, 2013, at Hanfeng's annual and special meeting, shareholders of Hanfeng passed a special resolution in favour of the Plan of Arrangement.

27. The Arrangement Agreement contemplated an outside closing date (as subsequently extended, the "Arrangement Closing Date") of April 30, 2013. Hanfeng agreed to two extensions of the Arrangement Closing Date in order for the closing conditions set out in the Arrangement Agreement to be satisfied. One such extension was conditional upon the removal of a "no-shop" clause contained in the Arrangement Agreement that had prevented Hanfeng from exploring potential alternative acquisition transactions (each an "Alternative Transaction").

28. I understand from Mr. Yu that during the summer and fall of 2013 and following the removal of the "no-shop" clause, the Special Committee continued to explore potential Alternative Transactions. Representatives of the Special Committee travelled to China to meet with at least two potentially interested parties. However, none of these efforts were successful, and it became apparent to the Board and Mr. Yu that there was very little serious interest in Hanfeng as a going concern. Eventually, these efforts were abandoned.

29. On January 7, 2014, Hanfeng terminated the Arrangement Agreement.

Termination of Mr. Yu, Cease-Trade and Proxy Battle

30. The failure to close the Privatization Transaction exacerbated the difficulties in the relationship between the Board and Mr. Yu.

31. On January 7, 2014, the Hanfeng Board terminated Mr. Yu's employment relationship. In terminating Mr. Yu, the Hanfeng Board alleged (among other things) that Mr. Yu's many conflicts of interests made it improper for him to continue as President and CEO of Hanfeng and that Mr. Yu had been unwilling to accept direction from the Board.

32. On January 10, 2014, Hanfeng adopted a shareholder rights plan and a related advance notice by-law (which are summarized in the press release attached hereto as Exhibit "F").

33. On January 15, 2014, the TSX announced that it was suspending trading of Hanfeng's common shares pending clarification of Hanfeng's status and plans. A copy of the TSX's announcement and a press release subsequently issued by Hanfeng are attached collectively hereto as Exhibit "G".

34. Thereafter, Mr. Yu commenced a proxy battle to replace all directors of Hanfeng. A dissident proxy circular (the "Proxy Circular") dated February 1, 2014 that was prepared on behalf of Mr. Xinduo Yu and distributed to all of Hanfeng's registered and beneficial shareholders is attached hereto as Exhibit "H".

35. In response to the Proxy Circular, the Board announced on February 6, 2014 that it would delay the holding of Hanfeng's annual shareholder meeting. A copy of Hanfeng's press release on this subject is attached hereto as Exhibit "I".

36. On February 19, 2014, the OSC issued a temporary cease-trade order in respect of shares of Hanfeng. On March 3, 2014, the OSC issued a permanent issuer cease trade order (the "Cease-Trade Order"). The securities commissions of British Columbia, Quebec, Manitoba and Alberta issued cease-trade orders in February, March, April and June 2014, respectively.

37. On February 20, 2014, Hanfeng announced that the TSX had determined not to grant Hanfeng's request for approval of the deferral of the annual shareholders' meeting date. Hanfeng also announced on that date that Mr. Yu filed an application in the Ontario Superior Court returnable on February 24, 2014 for, among other things, an order for direction with respect to the holding of a shareholders' meeting at the earliest practicable date. In response, Hanfeng sought certain relief at the return of that application, including with respect to the timing of the meeting and the manner in which directors would be elected. A copy of Hanfeng's press release dated February 20, 2014 in connection with this application is attached hereto as Exhibit "J".

38. On February 24, 2014, prior to the commencement of the hearing of Mr. Yu's application, all members of the Board (other than Mr. Yu) resigned. The slate of directors named in the Proxy Circular were appointed directors of Hanfeng effective that date. Mr. Yu was appointed Chairman. He was also re-appointed as President and CEO of Hanfeng and as legal representative of the Heilongjiang WFOE and the Jiangsu WFOE. I was appointed as Lead Director at that time. A copy of the press release issued by Hanfeng on February 24, 2014 describing these events is attached hereto as Exhibit "K".

Ongoing Challenges to Efforts to Normalize Hanfeng's Business and Operations

39. Since the reconstitution of the Board, the Board (including Mr. Yu) has made extensive efforts to repair the damage caused by (amongst other things) the proxy battle and to normalize Hanfeng's business, operations and reporting obligations. We have had limited or no success because of a number of ongoing challenges, which are described below.

Resignation of Auditor

40. Effective February 26, 2014, KPMG resigned as auditor of Hanfeng. Since that time, Hanfeng has sought to find a replacement auditor with no success. In the view of the Board, it is unlikely that Hanfeng will ever be able to find a replacement auditor because of, among other things, concerns relating to the continuing circumstances of Hanfeng. As a result of KPMG's resignation, Hanfeng has been unable to comply with its obligations under the OBCA and applicable securities laws and regulations with respect to finding a replacement auditor and preparing, filing and sending unaudited and audited financial statements to its shareholders. A copy of the press release issued by Hanfeng on February 27, 2014 (the "February 27 Press Release") is attached hereto as Exhibit "L".

Hanfeng Shares Delisted

41. On or about May 12, 2014, the TSX delisted Hanfeng's common shares effective at the close of market on June 9, 2014. The stated reason for the delisting was Hanfeng's failure to meet the continued listing requirements of the TSX. A press release issued by Hanfeng on May 12, 2014 with respect to the delisting is attached hereto as Exhibit "M".

Termination of the Relationship with Beidahuang

42. On December 20, 2013, Hanfeng issued a press release announcing that it had received a notice from Beidahuang (which as described above represented 75% of the Heilongjiang WFOE's sales in 2012) that Beidahuang had decided to terminate its business relationship with Hanfeng and to discontinue any further product purchases from Hanfeng. A copy of the notice from Beidahuang and the press release are attached collectively hereto as Exhibit "N".

43. As described in the February 27 Press Release, following the reconstitution of the Board, Hanfeng received a letter from Beidahuang wherein Beidahuang "respond[ed] positively to the recent board and management changes and [stated] that it looks forward to restoring its past

commercial relationship" with Hanfeng. Encouraged by this letter, Mr. Yu and I met with Beidahuang in April 2014 in China to discuss the possibility of renewing the business relationship between Hanfeng and Beidahuang. Beidahuang informed us that it had already secured a supply of fertilizer for the 2014 growing season from other suppliers. Beidahuang also reiterated that it would not continue to do business with Hanfeng unless it owned a 30% stake in Hanfeng, but confirmed that it was not prepared to acquire such a stake at the present time. A press release issued by Hanfeng that describes this meeting was previously attached hereto as Exhibit "M".

44. In light of the difficulties facing Hanfeng, it is unlikely that such a relationship will ever be restored, and Mr. Yu has informed the Board that he concurs with this view. Moreover, it is unlikely that Hanfeng will ever be able to replace the revenues lost as a result of the termination of the Hanfeng-Beidahuang business relationship by entering into new supply arrangements with other customers, particularly as Hanfeng has been unable to attract such customers over the past months.

Sale of Assets

45. As indicated above, in March and May of 2014, respectively, Hanfeng terminated its involvement in the Indonesia JV and sold the Jiangsu WFOE. Hanfeng did so in order to generate cash flow and to reduce its potential liabilities, and in light of the eroding value of these assets.

46. As indicated above, on March 24, 2014, Hanfeng announced that it had terminated its involvement in the Indonesia JV. Hanfeng had experienced a variety of operational difficulties in connection with the Indonesia JV. It was determined that Hanfeng should withdraw from the Indonesia JV in order to allow management and the Board to focus on normalizing Hanfeng's other business operations and to limit Hanfeng's potential exposure to additional costs and liabilities associated with the Indonesia JV. A copy of the press release issued by Hanfeng with respect to the sale of its interest in the Indonesia JV is attached hereto collectively as Exhibit "O".

47. On May 26, 2014, Hanfeng entered into an agreement to sell the Jiangsu WFOE (the "Jiangsu Sale Agreement"). Hanfeng received the first \$1.6 million of the purchase price

payable under the Jiangsu Sale Agreement on June 9, 2014. The balance of the purchase price (the "Jiangsu Proceeds"), approximately \$3.6 million, was payable upon the transfer of the shares of the Jiangsu WFOE being registered with applicable authorities and becoming effective under Chinese law or, in any event, within 60 days. Hanfeng received these funds on August 5, 2014. A copy of the press release issued by Hanfeng with respect to the sale of the Jiangsu WFOE is attached hereto as Exhibit "P".

Operational Challenges at Heilongjiang WFOE

48. I understand from Mr. Yu that, as at the date of this affidavit, the Heilongjiang WFOE is not operating and not producing any fertilizer because of a lack of short-term prospects for customer orders. Buildings, machinery and equipment at the Heilongjiang WFOE's facilities are not being maintained and serviced because of limited cash flow into the Heilongjiang WFOE. As a result, their value is depreciating rapidly. I expect that the rate of depreciation will increase as a result of harsh conditions that are typically experienced in the northeast of China.

49. Moreover, the Board has serious concerns about the high levels of inventory held by the Heilongjiang WFOE, much of which will soon be unsaleable. A copy of a press release issued by Hanfeng on this subject was previously attached hereto as Exhibit "M".

50. In early 2014, the Heilongjiang WFOE's management team resigned or was terminated due to ongoing internal control issues. Hanfeng has been unable to recruit and retain experienced replacement personnel.

Concerns Regarding Operating through WFOE in China

51. I understand that exercising control over the Heilongjiang WFOE from Toronto has been challenging because of, among other things, language and cultural differences. As a result, the Board has had limited success in implementing adequate and effective control and financial reporting mechanisms in respect of the Heilongjiang WFOE.

52. Following an evaluation of the effectiveness of Hanfeng's internal control over financial reporting as at June 30, 2010, management concluded that Hanfeng had ineffective internal controls over financial reporting at that financial year end due to material weaknesses in the following areas:

- (a) Inadequate written policies and procedures for reporting of information from the Company's subsidiaries to the parent company, including the CEO and CFO; and
- (b) Weaknesses in the timeliness of communicating information from the Company's subsidiaries to the parent company, including the CEO and CFO.

53. I understand that these material weaknesses have not been fully remediated.

54. In light of the current circumstances facing Hanfeng and the material weaknesses relating to internal controls outlined above, I have concerns about the Board's ability to adequately or responsibly supervise the Heilongjiang WFOE's ongoing business and affairs.

Inability to Appoint a Replacement Auditor and Resume Trading

55. As indicated above, because Hanfeng has no auditor at present, it has not filed or sent to its shareholders unaudited interim financial statements for the six months ended December 31, 2013 or the nine months ended March 31, 2014. It is, therefore, in violation of its continuous disclosure obligations under applicable securities laws. In addition, the lack of an auditor has inhibited Hanfeng's ability to hold an annual meeting of shareholders as it would be unable to present audited financial statements to its shareholders at any such annual shareholders meeting.

56. I understand that the Cease Trade Order relates, in part, to Hanfeng's failure to file financial statements within the prescribed statutory time frame and that the OSC will not lift the Cease Trade Order in the absence of Hanfeng filing its outstanding annual and interim financial statements. Hanfeng will not be able to do so unless it is able to engage a qualified auditor.

57. In my view, there is no realistic possibility of Hanfeng ever engaging an auditor in the short or medium term, and therefore there is no real likelihood in such time horizon of the shares of Hanfeng ever resuming trading or for Hanfeng to have access to financing on commercial terms, whether through a credit facility from a financial institution, access to the capital markets, or otherwise. Moreover, I do not believe there is any reasonable prospect of Hanfeng's shareholders liquidating their investment in Hanfeng, other than through dividends or other distributions paid to them by Hanfeng in respect of their shares.

Outlook for Hanfeng's Business

58. In light of the complexity of the issues presently facing Hanfeng and the Heilongjiang WFOE, I believe that Hanfeng will be unable to continue as a going concern, particularly in the long-term. With the termination of the Beidahuang business relationship and the lack, for the foreseeable future, of any other meaningful sales to other customers, I have serious concerns about whether the Heilongjiang WFOE will resume operations and achieve positive cash flow. As shown in the Draft FY2014 Statements, Hanfeng experienced negative cash flow of \$38,794,000 in the year ending June 30, 2014.

59. Hanfeng has never generated revenue (other than indirectly through its subsidiaries). It now relies on the Heilongjiang WFOE to defray its expenses, although transferring available cash to Hanfeng from China has proven challenging. Over the last few months, Mr. Yu has loaned money to Hanfeng to assist Hanfeng in paying expenses incurred in Canada given the difficulties in obtaining funds from the Heilongjiang WFOE. If Hanfeng's circumstances do not materially improve in the near term (which I believe is very unlikely), the cash resources of Heilongjiang WFOE will eventually be exhausted and the solvency of Hanfeng, on a consolidated basis, will inexorably and inevitably be eroded so that there will be no prospect of any return for Hanfeng's shareholders through a distribution.

60. As a result, the Board has entered into a share purchase agreement with respect to its shares in the Heilongjiang WFOE (described below) and commenced this application to appoint a receiver to implement the sale, run a claims process and distribute the proceeds of sale and any other assets to Hanfeng's stakeholders.

The Share Transfer Transaction

61. In early June, 2014, Heilongjiang Harbin Pengcheng Fertilizer Co., Ltd. (as previously defined, the "Purchaser") contacted local management of the Heilongjiang WFOE to express interest in potentially acquiring the Heilongjiang WFOE from Hanfeng. Management of the Heilongjiang WFOE reported this contact to Mr. Yu, who notified me of the Purchaser's potential interest on or about June 16, 2014. Following preliminary discussions with the Purchaser, the Purchaser's proposal for acquiring the Heilongjiang WFOE was delivered to the Board on June 18, 2014.

62. On August 8, 2014, following negotiations between the parties, Hanfeng and the Purchaser entered into a share transfer agreement (the "Share Transfer Agreement") and certain related agreements (collectively, the "Transaction Documents") pursuant to which Hanfeng agreed to transfer all its equity shares of the Heilongjiang WFOE to the Purchaser in consideration for payment of RMB 248,000,000 (approximately C\$43.3 million) (the "Purchase Price" and the transaction, the "Share Transfer Transaction"). Pursuant to the Share Transfer Agreement, all of the liabilities of the Heilongjiang WFOE will remain with Heilongjiang WFOE once it is owned by the Purchaser. As a result of the Share Transfer Transaction, the Heilongjiang WFOE will no longer qualify as a WFOE. A copy of the Share Transfer Agreement and the Transaction Documents are attached collectively hereto as Exhibit "Q".

63. 80% of the Purchase Price is payable in cash and 20% is payable by way of a non-interest bearing promissory note to be issued by the Purchaser in favour of Hanfeng (the "Promissory Note"). 5% of the total Purchase Price (approximately \$2 million) is payable by August 15, 2014, which amount shall be forfeited by the Purchaser if it fails to complete the Share Transfer Transaction in accordance with the Share Transfer Agreement. A further 15% of the total purchase price is payable within seven business days of the date of approval of the Share Transfer Transaction by this court. The balance of the purchase price, consisting of cash and the Promissory Note, is payable within 10 business days of closing of the Share Transfer Transaction.

64. The Share Transfer Agreement expressly contemplates that Hanfeng will seek approval of either its shareholders or the court within 45 to 60 days of signing the Share Transfer Agreement.

65. Mr. Yu and the Purchaser entered into a guarantee agreement (the "Yu Guarantee") dated August 8, 2014 pursuant to which Mr. Yu personally guaranteed in favour of the Purchaser "the potential risks facing [the Heilongjiang WFOE] up to the amount of RMB 49.6 million (approximately C\$8.6 million)" in accordance with the terms of the Yu Guarantee. Among other things, pursuant to the Yu Guarantee, Mr. Yu has agreed to: (a) remain with the Heilongjiang WFOE for a transition period of 12 months; (b) act as legal representative (but not board chairman) of the Heilongjiang WFOE; (c) take all commercially reasonable efforts during the transition period to safeguard the interests of the Heilongjiang WFOE, to ensure the smooth

and steady transition of the Heilongjiang WFOE and to protect it from certain risks, including employee severance, tax, environmental and accounts-receivable risks. Mr. Yu is not receiving any compensation from Hanfeng in connection with granting the Yu Guarantee.

66. Assuming that Hanfeng is liquidated in short order, I believe that the practical effect of the Yu Guarantee is to make Mr. Yu liable for any purchase price adjustments that would be necessitated by a change in the financial conditions of the Heilongjiang WFOE within one year of closing the Share Transfer Transaction.

67. The Share Transfer Agreement and the Promissory Note both contemplate that Hanfeng shall assign the Promissory Note to Mr. Yu upon Hanfeng's liquidation or winding-up as payment to him of the equivalent of RMB 49,600,000 of the amounts owing to him by Hanfeng at such time, including for his share of the assets of Hanfeng as a shareholder of Hanfeng upon its liquidation and approximately \$3.716 million owing to him for the advances he has made to Hanfeng since February 2014.

68. Also on August 8, 2014, Hanfeng and Mr. Yu entered into a confirmation agreement (the "Confirmation Agreement"). The Confirmation Agreement provides, among other things, that Hanfeng will repay \$1.5 million of the amount it owes to Mr. Yu and will transfer the Promissory Note to Mr. Yu upon the first distribution of the liquidated assets of Hanfeng to its shareholders in connection with the within application (the "Distribution Event") or at such earlier time upon written request of Mr. Yu. The Confirmation Agreement further provides that Mr. Yu agreed to accept the assignment of the Promissory Note in consideration for the payment by Mr. Yu to Hanfeng of the Canadian dollar equivalent of the principal amount of the Promissory Note. This payment is to be satisfied by way of set-off of any amounts owing from Hanfeng to Mr. Yu. The Confirmation Agreement further provides for certain payments by either Mr. Yu or Hanfeng in the event that the amounts owing from Hanfeng to Mr. Yu at the time of the Distribution Event are less than or greater than the Canadian dollar equivalent of the principal amount of the Promissory Note.

Directors' Fees

69. In May and June, 2014, the compensation committee of the Board (the "Compensation Committee") discussed the appropriate remuneration payable to Hanfeng's independent directors in the event that agreements were reached with a prospective purchaser to sell the Heilongjiang WFOE.

70. These discussions were formalized at a meeting of the Compensation Committee held on July 29, 2014. At that meeting, the Compensation Committee unanimously resolved that, upon definitive agreements being signed to reflect the sale of the Heilongjiang WFOE to the Purchaser on the terms then under discussion, and upon a receiver being appointed to liquidate and wind up Hanfeng, each independent director would be paid a lump sum fee of \$150,000. It was also resolved that, as Lead Director, I would be paid an additional \$50,000 (all such payments, the "Directors' Fees"). The total fees to be paid to the independent directors are \$500,000.

71. The Compensation Committee acknowledged that each of the independent directors of Hanfeng would continue to make himself or herself available to Hanfeng and to the Receiver to a reasonable degree without any further compensation to assist Hanfeng and the Receiver in liquidating Hanfeng. A copy of the minutes of the meeting of the Compensation Committee are attached hereto as Exhibit "R".

72. In my experience as a director or officer of four publicly-traded corporations, it is common for corporations to make payments to board members upon successful entering into of or completion of transactions that realize value for the corporation or its stakeholders. These payments are ordinarily in addition to the remuneration ordinarily paid to directors. In light of the efforts described in this affidavit to navigate the affairs of Hanfeng toward concluding a sale with the Purchaser, I believe the payment and amount of the Directors' Fees are reasonable under the circumstances.

The Share Transfer Transaction is Necessary, Fair and Reasonable

73. The Board has concluded that the Heilongjiang WFOE's assets are not financially viable for use as a fertilizer manufacturing facility and believes that the Share Transfer Transaction represents the only viable option to preserve and realize value for all of Hanfeng's stakeholders,

including its shareholders. As described above, Hanfeng faces numerous challenges, including the loss of Beidahuang as a customer, the deterioration of assets at the Heilongjiang WFOE, the challenge of recruiting and retaining a strong management team, the difficulty of finding a replacement auditor and the difficulty of complying with its Canadian securities law obligations. Therefore, Hanfeng is not a viable business and cannot continue as a going concern.

74. I have serious concerns about Hanfeng's ability to find another party interested in purchasing the Heilongjiang WFOE. Both the prior Board and the reconstituted Board have undertaken to market and sell Hanfeng for a number of years without success. There have been no offers from third parties to purchase Hanfeng or the shares of the Heilongjiang WFOE or its assets during the preceding 24 months other than the offer made in connection with the Privatization Transaction. Beidahuang, which previously expressed interest in acquiring a stake in Hanfeng, has informed the Board that it has no interest in acquiring either Hanfeng or the Heilongjiang WFOE. I understand that it is known in the Chinese fertilizer industry that Hanfeng is experiencing serious financial difficulties. Without a seasoned management team, and as Hanfeng's financial condition and competitive advantage in the industry and in China continue to deteriorate, it is increasingly unlikely that a substitute purchaser can be found.

75. The Purchaser is a third party that is unrelated to Hanfeng and the Share Transfer Transaction is being completed on an arm's length basis.

76. Deloitte has provided the Board with the Opinion, which concludes that the fair market value (net of liquidation costs) of Hanfeng's shares in the Heilongjiang WFOE as at August 7, 2014 is approximately RMB 205 million (equivalent to approximately \$36.37 million). This is less than the Purchase Price of RMB 245.6 million (being the purchase price of RMB 248 million with the discounted value of the Promissory Note) to be obtained in the Share Transfer Transaction. Accordingly, Deloitte has concluded that the Share Transfer Transaction is fair, from a financial point of view, to Hanfeng.

Views of Hanfeng's Existing Directors

77. I have made inquiries with each of the members of the Board. Each director believes that, given the circumstances facing Hanfeng at present as outlined herein, the Board is no longer in a position to contribute meaningfully to the preservation of value for Hanfeng's

shareholders. Given the issues outlined above, particularly in relation to the Heilongjiang WFOE, I believe that an international accounting firm of the stature of E&Y, which has a strong presence in China, is better situated than the Board to preserve those assets, close the Share Transfer Transaction and distribute the proceeds.

78. In light of the foregoing, each of Hanfeng's directors desires to resign as director of Hanfeng and will tender his or her resignation as a director, such resignations to be effective upon the issuance of an Order appointing E&Y as receiver.

79. On August 5, 2014, the Board unanimously passed a resolution, among other things, authorizing Hanfeng to make this application to the Ontario Superior Court of Justice.

Appointment of E&Y as Receiver of Hanfeng is Just and Convenient

80. For the foregoing reasons, I believe that it is just and convenient to appoint E&Y as receiver without security pursuant to section 101 of the CJA of the assets, property and undertaking of Hanfeng. I am attaching as Exhibit "S" the consent of E&Y to act as receiver.

81. If appointed, it is expected that the receiver will, among other things, complete the following steps under court supervision:

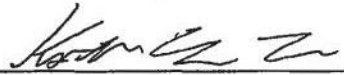
- (a) receive, preserve, protect and otherwise deal with the assets of Hanfeng, including the shares of the Heilongjiang WFOE;
- (b) close the Share Transfer Transaction and collect the Purchase Price payable thereunder;
- (c) conduct a claims process under court supervision to identify all parties potentially having claims against Hanfeng and in the proceeds of a liquidation; and
- (d) make distributions to all parties entitled thereto with court approval.

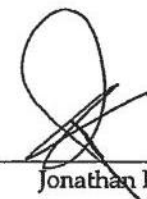
82. I believe there is no commercially reasonable, efficient and practicable method to complete these steps without the appointment of a receiver. Without an order appointing the receiver, the Share Transfer Transaction (as it is a sale of all or substantially all of the assets of Hanfeng) must be put before Hanfeng's shareholders for approval in accordance with the OBCA. A shareholder vote is not practicable under the circumstances: Hanfeng has no auditor and has therefore been unable to prepare its quarterly and annual financial statements, which make it difficult for shareholders to have sufficient information for them to properly evaluate and vote on the Share Transfer Transaction. In any case, any shareholder meeting could not occur for 45 to 60 days in order to have time to prepare and mail a management information circular.

83. Further delay in closing the Share Transfer Transaction will result in continued erosion of the value of the Heilongjiang WFOE and may result in the loss of the only prospective purchaser known to the Board. Without the appointment of a receiver, the Share Transfer Transaction cannot close and I expect that recoveries by all stakeholders, including shareholders, will be significantly diminished.

84. As indicated, shares of Hanfeng are illiquid since they were delisted from the TSX and a cease-trade order was been imposed by the OSC. As a result, shareholders of Hanfeng are unable to sell their holdings and exit this situation. The best interests of those shareholders lie in an orderly wind-up of Hanfeng.

SWORN BEFORE ME at the City of
Toronto, on August 13, 2014.

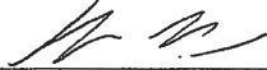

Commissioner for Taking Affidavits


Jonathan Pollack

Kathleen Marion Carole Elston-Lake, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.

Tab A

This is Exhibit "A"
to the affidavit of Jonathan Pollack,
sworn before me on the 13th day
of August, 2014



Commissioner for Taking Affidavits

**Kathleen Marion Curcio Eshelton-Luka, a Commissioner, etc.,
Province of Ontario, while a Student-at-Law.
Expires April 1, 2017.**

Appendix “H”

Rong-Kai Hong, Ph.D.

9th Floor, 199 Anhe Road Sec. II, Taipei, Taiwan

Rk.hong@formosasupply.com

+886 933 028 774

Personal Information

Citizenship: Canadian
Languages: English and Chinese
Education: Ph.D. Electrical Engineering/Biomedical Engineering –
University of Toronto (1992)

Summary of Key Experience & Skills

- Hands-on experiences in project management, international sales, large-scale project bidding, restructuring & corporate financing, mergers & acquisitions for profit growth.
- Numerous experiences in start-up operations & strategy execution involving product design & manufacturing, restructuring of supply chain, settlement of litigations.
- Knowledgeable in commercial laws, litigations, contract laws. Expertise in contract negotiations in cross culture/language environments and interdisciplinary fields.
- Experiences in handling financial statements, auditing, litigations.
- Possess a network of executive contacts in electronics, telecommunications, manufacturing sectors, accounting and law firms in Taiwan, Hong Kong, China, Europe, Canada, USA.

Chronology of Related Business Experience

- 2010-now: Founder & CEO, Formosa Supply Services Co., Ltd.
 - Consulting services for Amcor, Corning, Deutsche Telekom, NANYA, Dassault. Scopes included restructuring, marketing strategy, product development.
 - Cost management solutions for High Tech and Solar Energy industries. Trading of commodities in solar energy, electronic components, plastic and PCB.
 - Customers & partners: Celestica, Roadtrek, Etratech (Canada), American Solar Direct, Cisco, AT&T, CORNING (USA), Deutsche Telekom (Bonn), AMCOR (Zurich), Dassault (France), Solar-Energy Corp. & NANYA & FIC (Taipei).
 - Set up a subsidiary in Canada for supplying OFF-GRID power system to niche markets: recreational vehicles, farms, cottages, marines.
 - Setting up a design & manufacturing in Taiwan/Guangzhou to supply products to Deutsche Telekom/France Telecom/BUYIN (accomplishing cost savings of 15-20% for customers).
- 2000-2009: Founder & CEO, INQGEN Technology Co., Ltd. & APEX Com. and Networks Inc.
 - Software company focused in healthcare sector. Employee size grew to 160.
 - Product development from the concept of R&D to commercialization.
 - Acquisition of two companies and integration into the product development team. Restructured the post-merged company for profitability.
 - Succeeded in numerous public tendering; implemented large-scale software projects including a nationwide health data exchange project funded by Department of Health of Taiwan to connect 400 hospitals.
- 2000-2004: Chairman, Sino-Canada Biotechnology Investment Committee; Board Member.

- Led the partnership agreement for the Venture Capital Fund (CND\$ 60Million) focused in biotech industry of North America. Shareholders: Executive Development Fund, China Steel Corp., TECO, FAR EAST, MEGA Bank, Taiwan Fertilizer Corp.
 - Implemented technology transfer transactions in medical imaging products.
- 1996-2000: Chief Representative for DETECON (Deutsche Telekom's consulting subsidiary for international businesses)
- Established Deutsche Telekom's business in Taiwan. Won over US\$20M of consultancy contracts at profit margin of over 35%. Negotiated agreements and managed the delivery of the services fulfilling 100% of the goals.
 - Succeeded in our bid to win a license to operate a mobile phone GSM network – MoBiTai Communications Co., Ltd. - in Taiwan.
 - Led the procurement process, closed contracts with SIEMENS, Cap Gemini (French company), LHS (German company), Oracle, Digital Equipment Corp. Managed delivery of vendors. Result: 20% below budget for total spend of over US\$100M, shortened the implementation time from 18 months to 13 months.
- 1990-1995: Consulting work with Canadian companies in China-related businesses
- Bell Canada - business planning for investing into a GSM mobile network in the city of Yantai with an IRR of 25%, negotiation of the joint venture agreement with China Unicom, support liaison with vendors (switch, radio, construction engineering), proving financial viability to headquarter.
 - Fortran Traffic Systems Inc. - tendering of a city-wide traffic management project in Tianjin, the project was funded by World Bank.

Appendix “I”

Private & Confidential

DRAFT

July 2, 2015

Ernst & Young Inc.
In its capacity as Receiver of Hanfeng Evergreen Inc.
Ernst & Young Tower,
222 Bay Street, P. O. Box 251, Toronto, ON M5K 1J7
Canada

Att: Mr Murray A. McDonald

HANFENG EVERGREEN INC

Thank you for the opportunity to be of service to Ernst & Young Inc. ("EY" or the "Client"). Pursuant to your recent discussions with Mr. Rong-Kai Hong ("RK Hong"), Formosa Supply Services Co., Ltd ("FSS") is pleased to submit the following proposal for your consideration.

1. Background

Hanfeng Slow-Release Fertilizer Co., Ltd ("**Hanfeng HLJ**"), a fully owned subsidiary of Hanfeng Evergreen Inc. ("**Hanfeng Evergreen**"), is a manufacturer of agricultural chemicals in China. Hanfeng HLJ's facility (the "**Facility**") is located at Shangzhi Economic Development Zone, Shangzhi City, Harbin (哈尔滨市尚志市尚志经济开发区).

On August 20, 2014, the Ontario Superior Court of Justice (the "**Court**") approved a share transfer agreement between Hanfeng Evergreen and Heilongjiang Pengcheng Fertilizer Co., Ltd ("**Pengcheng**") dated August 8, 2014 (the "**Share Transfer Agreement**") for the sale of all the shares of Hanfeng HLJ to Pengcheng for the total purchase price of 248,000,000 RMB.

On August 20, 2014, the Court issued an order appointing Ernst & Young Inc. ("EY") as receiver and manager (the "**Receiver**") of the assets, undertakings and properties of Hanfeng Evergreen. The Receiver has been authorized to take any necessary steps required to complete the share transfer transaction (the "**Share Transfer Transaction**") contemplated by the Share Transfer Agreement, and collect all proceeds from the Share Transfer Transaction.

Hanfeng Evergreen is the sole shareholder of Hanfeng HLJ and the Receiver is empowered, among other things, to exercise any shareholder, partnership, joint venture or other rights which Hanfeng Evergreen may have.

FSS Consulting (China) Limited

Unit 2101-04, Central Plaza | 227 Huangpi (N) Road | Shanghai 200003 | P.R. China

中国上海市黄浦区北平路 227 号中平广场 2101-04 单元 | 邮编: 200003

+86 21 5108 8002 telephone 电话 | +86 21 6352 3616 fax 传真 | FSSconsulting.com

The Share Transfer Transaction has experienced significant delays due to Pengcheng failing to make interim payments as required by the Share Transfer Agreement.

The Receiver, with assistance of FTI Consulting (China) Limited ("FTI") and other advisors in China, has performed investigations (the "Investigations") with respect to Hanfeng HLJ and Pengcheng (collectively, the "Targets") and gathered relevant intelligence.

Receiver agrees to engage FSS to take an interim management role (the "Interim Management Role") in order to effect control over Hanfeng HLJ.

2. Objective

Based upon the results obtained from the Investigations, FSS will provide the necessary assistance to take control of Hanfeng HLJ via the Interim Management Role in order to safeguard interests of Hanfeng Evergreen. The Interim Management role includes, among other things, appointment of Mr. Hong as a director and the legal representative of Hanfeng HLJ and an individual nominated by Mr. Hong, and agreed to by the Receiver, as a director.

3. Interim Management Phase – Proposed Scope

We propose the scope to comprise the following:

- a) Appointment of RK Hong and RK Hong's nominee as directors of Hanfeng HLJ and RK Hong as Hanfeng HLJ's legal representative;
- b) Provide assistance in negotiations with Yu Xinduo and Pengcheng as appropriate;
- c) Control of the Hanfeng Group's chop set (although legally we may not be able to keep possession of the legal representatives chop which will be required for payments) and online banking token (if any);
- d) Daily review of source documentation and cash payments including suppliers payments, wages and salaries, statutory payments and reimbursements;
- e) Daily review of debtor collectability and status of prepayments;
- f) Review of historical disbursements and cash receipts during the Post-filing Period;
- g) Review and approval of purchase orders and contracts;
- h) Reviewing cash repatriations methods and compliance with SAFE;
- i) Review the financial results, compare to budget, identify variances, obtain an explanation of such variances, and provide views on the reasonableness of the variances (on a monthly basis);
- j) Review and confirm of bank reconciliations;
- k) Review and monitor compliance with bank facilities and financial covenants;

- l) Review and monitor inventory movements;
- m) Undertake factory inspections to identify operational concerns (i.e. idle machinery, waste, excessive or aged inventory);
- n) Provide ad hoc advice and assistance to the Receiver as and when required; and
- o) Prepare high level written report(s) to the Receiver.

4. Interim Management Role – Fees, Expenses & Payment Arrangement.

Daily Rates

FSS will invoice for services provided on a monthly basis. FSS' daily rates are outlined below. For the purpose of billing, FSS will divide the number of chargeable hours by 8 work hours per day. Other resources will be available to support the Interim Management Role as required with the Receiver's approval.

Title	Rate per Day *
Mr. Rong-Kai Hong	US\$1,700
Ivan Ng	US\$1,000
Titan Cheng	US\$1,000

Further, the Receiver and FSS have agreed to discuss a reasonable incentive payment plan, should a decision be made to renegotiate the Share Transfer Transaction or, seek other options to realize on the assets of Hanfeng HLJ. The purpose of the incentive payment plan would be to reward FSS for generating a higher return to the shareholders of Hanfeng Evergreen (as compared to the Share Transfer Transaction).

Flight tickets:

Reimburse at cost for authorized travels, with receipt.

Travel expenses:

US\$250 per day for China for authorized travels

US\$300 per day for Toronto for authorized travels

With respect to authorized travels, the above fixed expenses cover accommodation, ground transports, and all other personal effects.

If there are extraordinary out-of-pocket expenses (will seek authorization for such expenses), they will be reimbursed against receipts. Examples of such expenses would be: leasing a hotel conference room for important meetings, payments for group meals etc. At the present, there is no expectation of such costs.

Any fees and expenses incurred in connection with the Interim Management Role shall be invoiced to and payable by Hanfeng HLJ as approved by the Receiver. These amounts will be guaranteed by Hanfeng Evergreen. However, prior to FSS taking control over Hanfeng HLJ as legal representative, Hanfeng Evergreen shall pay the fees and expenses on behalf of Hanfeng HLJ, which will reimburse Hanfeng Evergreen any amounts paid.

Initial Payment:

Hanfeng Evergreen shall pay to FSS US\$100,000 (the "Initial Payment") on behalf of Hanfeng HLJ upon the execution of this engagement letter. The Initial Payment is to cover any initial fees and expenses incurred by FSS, which amounts shall be reimbursed by Hanfeng HLJ after FSS effects control as legal representative over Hanfeng HLJ.

RK Hong will have overall responsibility for this engagement. This will include involvement in the initial planning, resource coordination and management, and participation in weekly conference status calls.

5. Commencement of Project

Should the terms set out above be acceptable to you, we would be grateful if you would sign and return to us a copy of this proposal letter which, together with the business terms, forms the Contract for our project.

FSS is available to commence work on this project immediately upon receipt of a signed copy of this letter and the provision of relevant start-up materials.

Please do not hesitate to call RK Hong at + 886 933 028 774 if you have any questions on this proposal.

Yours sincerely,
Formosa Supply Services Co., Ltd

Rong-Kai Hong

The terms of this proposal are accepted by:

Signature: _____

Name:

Title:

Date:

Appendix “J”

ERNST & YOUNG INC.
Court Appointed Receiver & Manager of
Hanfeng Evergreen Inc. (the "Company") - CAD
Cumulative Receipts and Disbursement
For the Period August 20, 2014 to June 30, 2015

	<u>Note</u>	<u>August 20, 2014 to</u> <u>June 30, 2015</u>
Receipts:		
Funds from Company USD Account		2,168,336
Funds from Company CAD Account		1,297,579
Pre-Appointment HST Refunds		259,963
HST Refunds		35,127
Interest Earned		17,168
Income Tax Refund		2,176
Insurance Refund		511
HST Refund Interest		108
Petty Cash on Hand		46
Total Receipts		\$ 3,781,013
Disbursements:		
Board Compensation Payments	1	500,000
Receiver Fees	2	425,000
Legal Fees - Canada	3	217,725
Transfer to Hanfeng USD Account		100,000
HST Paid		90,321
Contractor Payments & Expenses	4	74,682
Source Deductions		44,169
Lease Expenses	5	19,023
Other Out-of-Pocket Disbursements		432
Legal Disbursements		6,165
Pre-filing Source Deductions		3,755
Shareholder Services		2,542
Advertising		9,144
Web Site Services		650
Storage and Security		547
Insurance		256
Telephone		235
Registrar's Fees		70
Bank Charges		43
Total Disbursements		\$ 1,494,756
Excess Receipts over Disbursements		\$ 2,286,257
Represented By:		
Current Account		\$ 2,286,257

ERNST & YOUNG INC.

**Court Appointed Receiver & Manager of
Hanfeng Evergreen Inc. (the "Company") - USD
Cumulative Receipts and Disbursement
For the Period August 20, 2014 to June 30, 2015**

	Note	<u>August 20, 2014 to June 30, 2015</u>
Receipts:		
Funds from Company USD Account		215,068
Funds from Receiver CAD Account		<u>81,573</u>
Total Receipts		\$ <u>296,640</u>
Disbursements:		
Pre- Appointment Due Diligence Fees		124,000
Legal Fees - China	4	97,459
HST Paid		16,120
VAT - China		6,780
Bank Charges		<u>334</u>
Total Disbursements		\$ <u>244,692</u>
Excess Receipts over Disbursements		\$ <u>51,948</u>
Represented By:		
Current Account		<u>51,948</u>

Hanfeng Evergreen Inc. (the “Company”)
Cumulative Combined Receipts and Disbursements
For the Period August 20, 2014 to June 30, 2015
Variance Analysis

1. **Board Compensation Payments** – This represents payments to the former independent directors of the Company, which are described in detail in the affidavit of Jonathan Pollack, sworn August 13, 2014 and filed in support for an application brought by the Company for the Court Order issued August 20, 2014 in respect of the Receiver appointment.
2. **Receiver Fees** – Receiver fees represent professional fees incurred by the Receiver to June 26, 2015.
3. **Legal Fees** – Legal fees include fees paid to the Company’s Counsel and MayerBrown (the Receiver’s counsel in China).
4. **Contractor Payments & Expenses** – All employees of the Company were terminated and/or deemed terminated as of August 20, 2014. The Receiver engaged certain employees on a contract basis to assist with various tasks in the Receivership Proceedings. These payments represent payments and reimbursements to these contractors (including Mr. Yu Xinduo).

In November, 2014, the Receiver discontinued the monthly pay arrangement and entered into a new contract with Mr. Yu, which provides for a contingent payment of \$55,000 upon the closing Share Transfer Transaction.

5. **Lease Expense** – Lease expenses relate to the costs of the post-filing occupation and termination of the lease of the Company’s Toronto office.