

This is the 1<sup>st</sup> affidavit  
of Y. Yang in this proceeding  
and was made on 8/JUN/2022

No. S-224444  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF CANADIAN  
DEHUA INTERNATIONAL MINES GROUP INC.

PETITIONER

**AFFIDAVIT**

I, **YANG YANG**, senior investment manager, of 22 Floor, Shougang International Building, North Street No.60, Xizhimen, Haidian District, Beijing, People's Republic of China, SWEAR (OR AFFIRM) THAT:

1. I am the senior investment manager of China Shougang International Trade & Engineering Corporation ("**Shougang**"), a creditor in this proceeding, and as such I have personal knowledge of the facts and matters deposed to herein, except where stated to be based upon information and belief, and where so stated I verily believe the same to be true.
2. Shougang is also the applicant in the application for bankruptcy order with respect to Canadian Dehua International Mines Group Inc. ("**CDI**"), filed in the Supreme Court of British Columbia, Vancouver Registry, Court Number B-220142, Estate Number 11-254383 (the "**Bankruptcy Application**").
3. I am approved by Shougang to make this affidavit on its behalf.
4. This affidavit is further to my first affidavit made March 30, 2022 (the "**Bankruptcy Affidavit**"), and filed in support of the Bankruptcy Application.
5. Further, this affidavit responds to certain matters raised in the first affidavit of Naishun Liu, made May 31, 2022 (the "**First Liu Affidavit**"), and filed in this proceeding.

2022.6.8.

## Shougang

6. Shougang is a limited liability company incorporated in Beijing, People's Republic of China, having an address for service in this proceeding care of its solicitors, Dentons Canada LLP, 20<sup>th</sup> Floor, 250 Howe Street, Vancouver, British Columbia, V6C 3R8.
7. Shougang is a subsidiary of Shougang Group. Shougang Group is wholly-owned by the Beijing State-owned Assets Supervision and Administration Commission (the "**Beijing Commission**").
8. To the best of my information and belief, Canada Zhonghe Investment Ltd. ("**Zhonghe**"), also a creditor of CDI, is indirectly State-owned. However, to the best of my information and belief, Zhonghe is a subsidiary of the Kailuan Group, which is under the Hebei Commission (Hebei is a different Province in People's Republic of China). Zhonghe is not owned or controlled by the Beijing Commission.
9. Although Shougang and Zhonghe are both State-owned, they are owned and controlled by different States. They have distinct management teams and operate separately from each other.

## Canadian Kailuan Dehua Mines Co., Ltd.

10. Canadian Kailuan Dehua Mines Co., Ltd. ("**CKD**") was incorporated in connection with plans to develop and operate a coal project in the Northeast of the Province of British Columbia (the "**Gething Coal Project**").
11. The shares in CKD are held by Zhonghe (51%), CDI (24%) and Shougang International (Canada) Investment Ltd. ("**Shougang Canada**") (25%). Shougang Canada is a wholly-owned subsidiary of Shougang.
12. The board of directors of CKD has five members. Shougang Canada appoints one director, CDI appoints one director, and Zhonghe appoints the three remaining directors, and as such Zhonghe controls the board of directors.
13. Neither Shougang nor Shougang Canada controls CKD.
14. In response to paragraph 43 of the First Liu Affidavit, Shougang denies any such benefit. Neither Shougang nor Shougang Canada have benefited from any business project undertaken by CKD (or by Zhonghe using capital held by CKD), whether related to the Gething Coal Project or not, except to the extent that any such transaction has increased the value of Shougang Canada's shares in CKD.

2022.6.8

15. To the extent there are questions about actions taken by CKD or Zhonghe, those companies are in the best position to explain their operations, decisions and historical correspondences with either CDI or Naishun Liu ("Mr. Liu").

### History of Judgment and Dealings with CDI and Mr. Liu

16. In or about September 2013, Shougang and CDI entered a cooperation and exploration agreement with respect to the Wapiti River coalfield project (the "**Wapiti Agreement**").

17. Under the Wapiti Agreement, Shougang agreed to pay \$10,000,000USD as a deposit (the "**Deposit**") and, if Shougang decided not to pursue the project with CDI, CDI was obliged to refund the Deposit plus interest. Shougang, through a related entity, paid the deposit on or about September 30, 2013.

18. Following negotiations with CDI, on or about October 14, 2014, and again on or about April 28, 2015, Shougang delivered to CDI a notice to withdraw from the Wapiti Agreement and formally demanded repayment of the Deposit plus interest.

19. Since as early as May 5, 2015, Mr. Liu, on behalf of CDI, has promised repayment of the Deposit plus interest to Shougang on the same, or similar, basis as outlined in the First Liu Affidavit.

20. In addition, Mr. Liu has contacted Shougang to reiterate that repayment was forthcoming, or to offer some form of settlement of the debt, almost every year since 2015. However, none of these communicates have developed into repayment of the Deposit plus interest to Shougang. This includes communications to Shougang following the Arbitral Award and the Judgment (defined below).

21. Between January 2017 and October 2017, Shougang sent ten letters to CDI requesting repayment of the Deposit plus interest. Although CDI acknowledged receipt of these letters, CDI did to repay the Deposit plus interest as required by the Wapiti Agreement.

22. On or about December 10, 2018, Shougang submitted an application for arbitration to China International Economic and Trade Arbitration Commission (the "**Arbitration Commission**") in Beijing, which was the dispute resolution method set out in the Wapiti Agreement.

23. On or about August 23, 2019, the Arbitration Commission granted an arbitral award against CDI with respect to repayment of the Deposit plus interest pursuant to the Wapiti Agreement (the "**Arbitral Award**").

24. As discussed in the Bankruptcy Affidavit, on or about January 20, 2020, Shougang commenced an action to recognize the Arbitral Award in the Supreme Court of British Columbia,

Vancouver Registry, Court Number S-200699 (the "Action"), against CDI by filing a notice of civil claim.

25. On January 19, 2021, the Supreme Court of British Columbia granted judgment in the Action against CDI in favour of Shougang in the amount of \$20,826,789.83 (the "Judgment").

26. Between January 2021 and February 2022, Shougang sought to enforce the Judgment, with limited to success. Shougang has recovered only \$5,698.34. All other enforcement steps have been unsuccessful, including attempting to seize CDI's shares in CKD.

27. On or about February 9, 2022, Shougang made a further demand for payment of the Judgment. No payments have been made by CDI on account of the Judgment.

28. On or about April 6, 2022, Shougang filed the Bankruptcy Application.

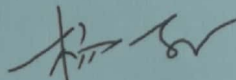
29. Shougang has exhausted all avenues to recover the Judgment.

30. Shougang has awaited repayment from CDI for almost eight years, with many failed promises from CDI and Mr. Liu.

31. Shougang no longer trusts that Mr. Liu, or CDI, can deliver on these same promises because he has repeatedly failed to do so. Therefore, Shougang does not agree that a restructuring of CDI is feasible, as suggested in the First Liu Affidavit, within this proceeding under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

SWORN (OR AFFIRMED) BEFORE ME at  
Haidian, Beijing, People's Republic of China,  
on 8/JUN/2022.

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A Commissioner for taking Affidavits within  
Haidian, Beijing, People's Republic of China

YANG YANG

Name: Hao Niu

Address: Room 1002, Floor 10,

Building 1, Zao Yuan Street No. 16

Daxing, Beijing, PRC

Telephone:

+86-10-60292582