



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

**RESPONSE TO PETITION**

*FORM 67 (RULE 16-1(5))*

Filed by: Canada Zhonghe Investment Ltd. (the "petition respondent")

THIS IS A RESPONSE TO the petition filed June 1, 2022.

**PART 1: ORDERS CONSENTED TO**

The petition respondent consents to the granting of the orders set out in the following paragraphs of Part 1 of the petition: NONE.

**PART 2: ORDERS OPPOSED**

The petition respondent opposes the granting of the orders set out in ALL of the paragraphs of Part 1 of the petition.

**PART 3: ORDERS ON WHICH NO POSITION IS TAKEN**

The petition respondent takes no position on the granting of the orders set out in NONE of the paragraphs of Part 1 of the petition.

**PART 4: FACTUAL BASIS**

1. The petition respondent, Canada Zhonghe Investment Ltd. ("Canada Zhonghe"), is an extraprovincial company with an address for service in this proceeding at 3200-650 West Georgia Street, Vancouver, British Columbia, V6B 4P7.
2. On or about May 7, 2021, Canada Zhonghe, commenced Supreme Court of British Columbia Action No. S-214547 in respect of a promissory note executed by the petitioner, Canadian Dehua International Mines Group Inc. ("CDI") in favour of Canada Zhonghe.

3. On or about August 30, 2021, Canada Zhonghe obtained default judgment against CDI in the following amount:
  - (a) the sum of \$4,781,310.20;
  - (b) interest in the amount of \$495,946.31; and
  - (c) costs to be assessed.
4. On or about September 10, 2021, Canada Zhonghe filed a Writ of Seizure and Sale against CDI which was provided to the court bailiff, Accurate Effective Bailiffs Ltd. (the “Bailiff”) for execution.
5. The Bailiff seized 24 common shares held by CDI in the company, Canadian Kailuan Dehua Mines Co., Ltd. (the “Shares”) and proceeded to sell the Shares by public auction, subject to court approval, after advertising the public auction in three publications.
6. Canada Zhonghe filed a notice of application to approve the sale of the Shares, however the application was subsequently adjourned by the consent and not pursued in light of the bankruptcy application filed by another creditor and petition respondent, China Shougang International Trade & Engineering Corporation (“Shougang”).

#### **PART 5: LEGAL BASIS**

1. Canada Zhonghe opposes the relief sought in CDI’s CCAA petition and supports the bankruptcy order sought by Shougang.
2. Factors that support a bankruptcy order as opposed to the proposed CCAA proceeding include, without limitation:
  - (a) a bankruptcy will proceed more quickly, especially in comparison to the proposed CCAA proceeding, which has no defined timeframe;
  - (b) the cost of a bankruptcy will be significantly less, increasing recovery for creditors. The bankruptcy levy is modest in contrast to the significant professional fees already incurred by CDI in approximately three months and the additional administrative charge of \$500,000;
  - (c) Canada Zhonghe and Shougang – i.e. the two creditors engaged in these proceedings - support a bankruptcy order over a CCAA proceeding;
  - (d) as confirmed by CDI in its petition, CDI’s unsecured debt is staggering and amounts to over \$106M. CDI alleges that the “Murray River Project” and the “Wapiti Project” have significant potential return to CDI and its creditors, however, the affidavit #1 of Naishun Liu only contains bald assertions to this effect and fails to include any details including, at minimum, an estimate of the purported anticipated financial returns it expects from these projects or estimated timeline of the financial returns; and

- (e) CDI is essentially a holding company and does not have active business operations. A CCAA proceeding simply delays the inevitable liquidation of its assets.

**PART 6: MATERIAL TO BE RELIED ON**

The petition respondent estimates that the application will take 1 day.



Date: June 2, 2022

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HARPER GREY LLP  
(Per Erin Hatch)  
Lawyer for the petition respondent, Canada  
Zhonghe Investment Ltd.

The petition respondent's address for service is:

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