District of British Columbia
Court No. B-220142
Estate No. 11-254383
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.

APPLICATION RESPONSE

Application response of: Qu Bo Liu (the "**Application Respondent**")

THIS IS A RESPONSE TO the Application for Bankruptcy of China Shougang International Trade & Engineering Corporation filed on April 6, 2022.

The Application Respondent does hereby give you notice that she opposes Canadian Dehua International Mines Group Inc. being adjudged bankrupt and the making of a bankruptcy order as sought by China Shougang International Trade & Engineering Corporation ("**Shougang**") in its Application filed on April 6, 2022 (the "**Bankruptcy Application**"), and intends to dispute the basis for the Bankruptcy Application on the grounds set out below.

Part 1: FACTUAL BASIS

Background Facts

1. The Debtor, Canadian Dehua International Mines Group Inc. ("**CDI**"), has been under the protection of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (**"CCAA**") since June 3, 2022. FTI Consulting Canada Inc. was appointed as monitor in these proceedings (the "**Monitor**").

2. CDI was incorporated in 2004 in order to develop underground coal mines in conjunction with Chinese state-owned coal mining and steel making companies as partners.

3. CDI has two equal shareholders, Naishun Liu ("**Mr. Liu**") and Qu Bo Liu ("**Mrs. Liu**"), they are husband and wife. Mr. Liu is the sole director of CDI.

4. Shougang is owned by a Chinese state-owned company called Shougang International (Canada) Investment Ltd. ("**Shougang International**").

The CKD Development Agreement

5. On October 18, 2010, Canada Zhonghe Investment Ltd. ("**Zhonghe**"), which is owned by a Chinese state-owned company called Kailuan Energy Chemical Co. Ltd. ("**Kailuan**"), and Shougang and CDI entered into a Joint Development Agreement (the "**CKD Development Agreement**") for the purpose of CDI transferring its interest in coal licences known as the Gething Coal Project to a newly incorporated B.C. company called Canadian Kailuan Dehua Mines Co., Ltd. ("**CKD**"), and Zhonghe and Shougang providing the funding necessary to bring the Gething Coal Project into production.

6. Pursuant to the CKD Development Agreement, the Gething Coal Project would be transferred to CKD and the ownership of the shares of CKD would be as follows:

   (a) Zhonghe - 51%;

   (b) Shougang - 25%; and

   (c) CDI - 24%.

7. As provided by the CKD Development Agreement, in 2011, CDI filed a T2057 Form under section 85 of the *Income Tax Act* confirming the transfer of the Gething Coal Project licences to CKD at an elected amount of $1,753,733 in exchange for 45 million common shares of CKD, having a deemed value of $47,079,000 (the "**s. 85 Rollover**").

8. On November 16, 2012, CDI and CKD entered into an agreement written in Chinese pursuant to which CDI agreed to indemnify CKD for any losses it might suffer as a result of a tax liability arising as a result of the CDI's transfer of the Gething Coal Project coal licences to CKD (the "**2012 Indemnity Agreement**").

9. In 2014, Canada Revenue Agency conducted an audit of CKD, as a result of which no tax liability was found as a result of the s. 85 Rollover.

The Wapiti JVA

10. In September 2013, Shougang and CDI entered into a Cooperation and Exploration Agreement with respect to a coal mining project called the Wapiti Project (the "**Wapiti JVA**") located in Northeastern B.C., near Tumbler Ridge. As described below, in February, 2025, the assets of the Wapiti Project were sold to West Moberly First Nations.

11. Under the Wapiti JVA, Shougang agreed to pay a deposit of US$10,000,000 ("**Deposit**") and, if Shougang decided not to proceed with the project in cooperation with CDI, CDI was obliged to refund the Deposit plus interest at an annual rate of 8%, within three months of receiving withdrawal notice from Shougang.

12. However, if CDI failed to fully return the Deposit and accrued interest within three months, Shougang did not have the right to take proceedings for the purpose of obtaining a judgment against CDI for the amount of the Deposit and interest. Instead, Shougang would have the right to hold an auction of all rights and interests held by CDI in the Wapiti Project and/or the Gething Coal Project and/or other projects.

13. The Wapiti Project, the Gething Coal Project and a third potential mine called the Bullmoose Project did not proceed as planned.

14. In April 2015, Shougang delivered a notice to CDI of its withdrawal from the Wapiti JVA and demanded repayment of the Deposit plus interest.

15. Subsequently, as a consequence of demands made by the Chinese government department called the Assets Supervision and Administration Commission of the Province of Shougang that Shougang's investment in the Wapiti JVA be recovered, Shougang made repeated requests for repayment of the Deposit from CDI rather than pursue its remedy of auctioning the assets of CDI.

The 2016 Indemnity and Share Pledge Agreement

16. On December 1, 2016, four years after the execution of the 2012 Indemnity Agreement, and at the request of CKD, CDI and CKD entered into the following agreements in furtherance of the 2012 Letter Agreement:

    (a) an indemnification agreement (the "**2016 Indemnity Agreement**"); and

    (b) a share pledge agreement (the "**Share Pledge Agreement**").

17. The preamble of the 2016 Indemnity Agreement says as follows:

> D. Pursuant to a letter agreement in Chinse language between Dehua [CDI] and CKD dated November 16, 2012 (the "**2012 Letter Agreement**"), Dehua agreed to fully indemnify CDK for any losses or loss of tax benefit as well as any other legal obligations or liabilities arising from CKD's assistance in making the Section 85 Election for Dehua;

18. Under the Share Pledge Agreement, CDI pledged its shares in CKD as collateral to secure its indemnification obligations under the 2016 Indemnity Agreement.

19. CDI did not obtain any legal or accounting advice regarding either the 2012 or the 2016 Indemnity Agreements and entered into the 2012 Indemnity Agreement, the 2016 Indemnity Agreement, and the Share Pledge Agreement as an accommodation to Shougang and Zhonghe and in the expectation they would bring the Gething Coal Project into production.

20. At the time of the making of the 2016 Indemnity Agreement and the Share Pledge Agreement, neither CDI nor CKD was aware of any pending losses, loss of tax benefit, or any other legal obligation or liabilities arising as a result of the s. 85 Rollover.

21. Whether CKD is facing any loss, legal obligations or liabilities as a result of the s. 85 Rollover requires further investigation. The Application Respondent has retained the Vancouver tax firm Thorsteinssons LLP to provide advice with respect to this matter.

22. Shougang and Zhonghe have breached their obligations to bring the Gething Coal Project into production and since 2016, have made no effort to bring the Gething Coal Project into production. Consequently, if CDI does have any liability under either the 2012 Indemnity Agreement or the 2016 Indemnity Agreement, CDI may have the right to a set-off for breach of the CKD Development Agreement or a claim for damages.

The Shougang Arbitration

23. On December 10, 2018, pursuant to the Wapiti JVA, Shougang submitted an application for arbitration to China International Economic and Trade Arbitration Commission in Beijing, for the return of the Deposit and interest. Mr. Liu did not cause CDI to contest this arbitration out of a concern for the actions the Chinese government might take against him given his previous experience with Feicheng Mining Group Co., Ltd. ("**Feicheng**"), another Chinese stated-owned enterprise.

24. In this dispute, Feicheng brought a criminal charge against Mr. Liu, alleging that the joint venture agreement with CDI was fraudulent. Fortunately, Mr. Liu was in Canada at the time the charge was brought and he was not detained. In order to have the criminal charge withdrawn, Mr. Liu was forced to negotiate with Chinese government authorities. Mr. Liu was forced to provide a personal guarantee to repay Feicheng's capital contribution and a pledge of his personal assets as security. During this period, the bank accounts of Mr. Liu's brother and Mrs. Liu's brother were frozen, and both were prohibited from leaving China.

25. Once he provided his personal guarantee, Mr. Liu was able to return to China without being arrested. However, he was not permitted to leave the country. Mr. Liu remains in China and is still subject to travel restrictions.

26. On August 23, 2019, Shougang obtained an arbitration award against CDI in the amount of US $15,750,000 and RMB 1,334,768 (total equivalent of CAD $20,826,789.80) (the "**Shougang Arbitration Award**").

Shougang Brings an Action to Enforce the Arbitral Award

27. On January 20, 2020, Shougang commenced an action against CDI in the Supreme Court of British Columbia, under the action no. S200699 (the "**Shougang Action**") to have the Shougang Arbitration Award recognized as a judgment of the B.C. Supreme Court.

28. On January 21, 2021, Shougang obtained an order made after application, which granted judgment in the amount of $20.8 million against CDI in the Shougang Action. No one appeared for CDI at the hearing.

29. CDI again did not respond to the Shougang Action due to ongoing concerns about potential retaliation from the Chinese government.

30. On April 6, 2022, Shougang commenced the within proceedings pursuant to the *Bankruptcy and Insolvency Act*.

Shougang and Zhonghe's Conflict of Interest

31. As set out in the 2023 Financial Statements of CKD, it is holding in excess of $61 million in cash, and has nominal liabilities, in addition to the value of the Gething Coal Project licences which it continues to hold and maintain. Accordingly, CDI's interest in CKD is over $14.6 million in addition to the value of the licences.

32. Shougang and Zhonghe are acting out of self interest in seeking an order to place CDI into bankruptcy. They make no proposal to provide the funding which a Trustee in Bankruptcy would need to determine whether there is any liability under the 2012 Letter Agreement and the 2016 Indemnity Agreement, to challenge the judgments both have obtained, and to take the steps necessary realize the maximum value for CDI's assets which include its 24% interest in the shares of CKD, its 20% interest in the Murray River Project, its interest in Vancouver Iron Ore Corporation, its ownership of the shares of Canadian Dehua Drilling Ltd., and its ownership of the mineral licences and applications for licences for what is known as the Iron Ross Project (together, the "**Other Assets**").

33. It is readily apparent that the purpose of Shougang's Bankruptcy Application and Zhonghe's support for it, is to extinguish CDI's interest in CKD for the sole and substantial benefit of Shougang and Zhonghe.

The Zhonghe Claim

34. On May 25, 2011, Zhonghe, CDI, and HBIS Group International Holding Co., Ltd. (formerly, Hebei Iron and Steel Group Co., Ltd.) ("**HBIS**") entered into a Joint Venture Agreement to develop a coal mine called the Bullmoose Project (the "**Bullmoose JVA**"). HBIS is owned by a Chinese state-owed enterprise called Hesteel Group Company Ltd.

35. Pursuant to the Bullmoose JVA:

    (a) Canadian Bullmoose Mines Co., Ltd. ("**Bullmoose**") was incorporated, with the shareholding interest of Zhonghe being 51%, HBIS 25%, and CDI 24%;

(b) each party would contribute their proportionate share of capital in the amount of US $10 million, which required Zhonghe to contribute US$5.1 million, HBIS US$2.5 million, and CDI US$2.4 million;

(c) Bullmoose would seek to determine the feasibility of a coal mine on the licences it had acquired in Northeastern B.C., near Tumbler Ridge, (the "**Bullmoose Project**");

(d) Bullmoose would obtain a geological report to determine the feasibility of the Bullmoose Project (the "**Geological Report**") and provide it to Zhonghe and HBIS; and

(e) Zhonghe and HBIS were required to notify CDI, within one month of receipt of the Geological Report, whether they would enter into a Cooperative Development Agreement to proceed with the Bullmoose Project or alternatively seek return from CDI to Zhonghe and HBIS of an amount equal to their respective capital contribution (the "**Bullmoose Development Notification**").

36. The Bullmoose JVA provided that, if Zhonghe and HBIS gave notice within one month requiring CDI to return their capital contributions, then this would be satisfied by the transfer by CDI to them of its shares of CKD:

(a) section 4.2.1, says that, within three months from the date of Zhonghe and HBIS's decision not to continue investing in the development of the Bullmoose Project, CDI shall unconditionally refund the total capital contributed by Zhonghe and HBIS in the joint venture; and

(b) section 4.2.2, says that CDI shall use its shares in CKD as a guarantee and if CDI fails to refund the total capital contributed by Zhonghe and HBIS in the joint venture within six months from the date of their decision not to continue investing in the development of the Bullmoose Project, CDI shall use its shares in CKD to repay the capital contributions made by Zhonghe and HBIS to the joint venture. [emphasis added]

37. On or about February 2, 2013, in accordance with the terms of the Bullmoose JVA, Zhonghe and HBIS obtained the Bullmoose Geological Report which confirmed that a mine was not feasible.

38. Contrary to the terms of the Bullmoose JVA, Zhonghe and HBIS did not provide notice to CDI within one month of a decision to either proceed with the development of a mine, or request CDI to return their capital contributions.

39. On March 16, 2015, at the request of Zhonghe and HBIS, a shareholder resolution was passed resolving that Zhonghe and HBIS would transfer to CDI their respective shares of Bullmoose and cease to be shareholders of Bullmoose, at a transfer price of US$5.1 million for Zhonghe's shares and US$2.5 million for HBIS's shares.

40. On September 24, 2019, CDI, Zhonghe, and HBIS signed a statement of confirmation, which confirmed the following:

    (a) a resolution of the board of directors of Bullmoose would be passed approving the return of capital contribution to Zhonghe and HBIS through the repurchase of their respective shares in Bullmoose by CDI;

    (b) CDI would issue a promissory note to Zhonghe in the amount of US$3,922,000, as consideration in exchange for 3,922,000 Class A Common Voting shares in the capital of Bullmoose sold, assigned and transferred by Zhonghe to CDI (the "**Zhonghe Promissory Note**"); and

    (c) CDI would issue a promissory note to HBIS in the amount of US$1,920,000, as consideration in exchange for 1,920,000 Class A Common Voting shares in the capital of Bullmoose sold, assigned and transferred by HBIS to CDI (the "**HBIS Promissory Note**").

41. On the same day, CDI executed the Zhonghe Promissory Note and the HBIS Promissory Note. CDI provided the Zhonghe and HBIS Promissory Notes on the basis of representations made by Zhonghe and HBIS that no action would be taken on the Promissory Notes until CDI was in a position to pay them (the "**Forbearance Agreement**").

42. Bullmoose returned the following capital to Zhonghe and HBIS:

    (a) on September 27, 2019, Bullmoose sent US$580,000 to HBIS; and

    (b) on September 30, 2019, Bullmoose send US$1,178,000 to Zhonghe.

43. This reduced Zhonghe's capital to US$3,922,000 and HBIS' capital to US$1,920,000 to match the amounts of the Zhonghe and HBIS Promissory Notes.

44. CDI signed the Zhonghe and HBIS Promissory Notes under pressure from the management of Zhonghe and HBIS who were effectively representative of branches of the Chinese state, with the intention that the management of Zhonghe and HBIS could report to the heads of these organizations that no loss of state-owned assets had been suffered.

45. Despite the Forbearance Agreement, on May 10, 2021, Zhonghe commenced proceedings against CDI in the Supreme Court of British Columbia, with an action no. S214547 (the "**Zhonghe Action**") to enforce the Zhonghe Promissory Note. CDI did not file a defence by reason of Mr. Liu's concern that action would be taken against him by Chinese government authorities.

46. On August 30, 2021, as a result of CDI's failure to file a response to its notice of civil claim, Zhonghe obtained a default judgment in the amount of $4,781,310.20 plus interest in the amount of $495,946.31 for a total of $5,277,256.51 together with costs to be assessed and post judgment interest (the "**Zhonghe Judgment**").

Zhonghe Attempts to Sell CDI's Interest for $55,000

47. On September 10, 2021, Zhonghe was granted a Writ of Seizure and Sale in the Zhonghe Action. Zhonghe then appointed Accurate Court Bailiff Services Ltd. ("**Accurate**") as bailiff and instructed Accurate to seize and sell CDI's shares in CKD.

48. On September 17, 2021, Accurate reached out directly to CKD to request:

    (a) Under section 18.2 (b) of the *Personal Property Security Act* a statement in writing of the amount of the indebtedness and of the terms of payment under the CKD Potential Security Interest; and

    (b) Permission to seize and sell the shares which CDI owned in CKD.

49. CKD gave Accurate permission to seize CDI's shares in CKD, "providing that CKD's security interest remains registered against the shares".

50. Two weeks prior to an auction of CDI's CKD shares, Accurate advertised once each in the British Columbia Gazette, the Vancouver Sun and the Vancouver Province (the "**Advertisements**"), but there were no other marketing efforts prior to the auction other than the Advertisements.

51. Accurate made it clear in the Advertisements that the shares being sold were "subject to a registered security interest, as well as articles and bylaws of the company" (the "**Security Interest Disclaimer**").

52. On November 24, 2021, the auction was held at Accurate' s office in Burnaby (the "**Auction**"), and three men unknown to Accurate attended with the successful bidder in the end being Witcool Technology Co. Ltd. ("**Witcool**").

53. The corporate search of Witcool shows that Witcool had been dissolved on January 2, 2017, for failure to file annual report, just 12 days prior to the Auction, and on November 12, 2021, it was restored. Witcool changed its name to LRC Prosperity Partners Corporation on May 30, 2024.

54. CKD and Zhonghe knew that a sale of CDI's shares at $55,000 to Witcool was well under value. The relationship between Witcool, CKD and Zhonghe has not been disclosed or denied by any of them.

55. Despite the fact that $55,000 would not provide any funds to pay down Zhonghe's Judgment, Zhonghe brought an application in the Zhonghe Action to approve this sale of CDI's shares in CKD to Witcool.

The CCAA Proceedings

56. On June 9, 2022, CDI sought and obtained an order approving a debtor-in-possession credit facility from Mrs. Liu (in such capacity, the "**Interim Lender**") in the maximum amount of $350,000 (the "**DIP Facility**"). Since the commencement of the proceedings, the Interim Financing Facility and the Interim Lender's charge have been increased on a number of occasions.

57. On November 30, 2022, the court approved a Modified Sales and Investment Solicitation Process (the "**SISP**"). Mrs. Liu provided an initial loan of $350,000 to CDI pursuant to the DIP Facility, which was subsequently increased to $1,680,000.

58. As a result of Mrs. Liu's involvement in the SISP, including increasing her loan pursuant to the DIP Facility to nearly $1.5 million, the initial offer for the Wapiti and Bullmoose assets of $400,000, made by West Moberly First Nations through Tanemahuta Capital Ltd., was ultimately increased to $2,450,000.

59. On February 3, 2025, the court approved the sale and purchase agreement between CDI, Wapiti and Bullmoose, and West Moberly First Nations for the purchase of the assets of Wapiti and Bullmoose.

60. On March 28, 2025, the sale of CDI's interest in the Wapiti Project and the Bullmoose Project completed.

61. Mrs. Liu's DIP loan along with the amount secured by the Administrative Charge was repaid in full leaving substantial funds in the hands of CDI.

Mrs. Liu Makes Stalking Horse Bids

62. On April 22, 2025, Mrs. Liu and CDI negotiated stalking horse sale agreements for the Murray River Project (the "**Murray River APA**") and the Other Assets.

63. The Murray River APA provides for a purchase price of $1,400,000, with a deposit of $140,000 paid and held in trust by DLA Piper.

64. The Other Assets APA provides for a purchase price of $400,000, with a deposit of $40,000 paid and held in trust by DLP Piper.

65. Mrs. Liu has agreed to increase the maximum amount available under the DIP Facility to $1,900,000 to ensure there is sufficient funding available to CDI to complete the CCAA proceeding. She has provided a further $400,000 to DLA Piper in the expectation that the DIP Facility will be increased.

66. Pending this increase, Mrs. Liu has provided, in addition to the deposits, the further sum of $180,000 pursuant to the DIP Facility to DLA Piper.

67. CDI is seeking the approval of the court for a sale and investment solicitation process to deal with Murray River and the Other Assets (the "**Murray River and Other SISP**").

The Monitor Supports CDI's Application for a Revised SISP

68. On April 21, 2025, the Monitor provided the supplement to the 26th Report in the CCAA, in which the Monitor supports the approval of the Murray River and Other Assets SISP and the Murray River and Other Assets APAs and has expressed concern regarding the uncertainties of a bankruptcy.

69. The proposed Murray River and Other Assets SISP is likely to result in a significant return for creditors in contrast to the bankruptcy sought by Shougang which is likely to result in no benefit to creditors, apart from Shougang and Zhonghe.

70. In its application for bankruptcy, Shougang sets out the following:

(a) as at March 2, 2022, CDI was, and remains, justly and truly indebted to Shougang in the amount of $20,821,091.49, being the outstanding amount of the judgment granted on January 19, 2021, by the Supreme Court of British Columbia, plus post-judgment interest and legal costs associated with the judgment; and

(b) CDI ceased to meet its liabilities by failing to pay the Shougang Judgment and the Zhonghe Judgment.

71. However, for the reasons set out above, there is a substantial dispute with respect to the Shougang and Zhonghe Judgments, in particular:

(a) Shougang obtained by default the Chinese Arbitration Award for the refund of the Deposit, despite the fact the Wapiti JVA provides if CDI fails to return the Deposit and accrued interest within 3 months, Shougang has the right to carry out an auction of the interest held by CDI in the Wapiti Project, the Gething Coal Project and other projects, but not to seek an arbitration award for full repayment of the Deposit and interest;

(b) Zhonghe obtained the Zhonghe Judgment by way of default. In its Notice of Civil Claim, Zhonghe made no reference to the Bullmoose JVA, the Bullmoose Project, or the terms of the Bullmoose JVA which provide that Zhonghe's remedy was against CDI's shares of CKD. Moreover, CDI provided the Zhonghe and HBIS Promissory Notes under duress and on the basis that no action would be taken on them until CDI was in a position to pay; and

(c) as set out above, CDI did not take any actions in response to the Shougang Arbitration Award, the Shougang Judgment, or the Zhonghe Judgment due to fear of actions that would be taken against Mr. Liu, and his family, by the Chinese government.

72. In contrast to the proposed bankruptcy:

(a) CDI has a real plan to maximize return for its creditors. Mrs. Liu has agreed to provide additional funding under the DIP Facility once approved by the court, to support the CCAA proceedings and facilitate the sale of CDI's remaining assets;

(b) Mrs. Liu has entered into stalking horse asset purchase agreements for CDI's interest in Murray River and the Other Assets for a total of $1.8 million;

(c) If the court grants the Murray River and Other Assets SISP, there will be a clear path to monetizing the Murray River and Other Assets for the benefit of CDI's creditors, and CDI will be in a position to monetize its interest in CKD;

(d) Shougang has not provided any coherent proposal for a bankruptcy, in particular, how a bankruptcy trustee would be funded and value realized for CDI's assets; and

(e) given Zhonghe and Shougang's conflict of interest, placing CDI into bankruptcy would result in no return for CDI's creditors despite the substantial potential value of CDI's assets.

Part 2: LEGAL BASIS

73. Pursuant to *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "***BIA***"), section 43:

> (6) At the hearing of the application, the court shall require proof of the facts alleged in the application and of the service of the application, and, if satisfied with the proof, may make a bankruptcy order.
>
> **Dismissal of application**
>
> (7) If the court is not satisfied with the proof of the facts alleged in the application or of the service of the application, or is satisfied by the debtor that the debtor is able to pay their debts, or that for other sufficient cause no order ought to be made, it shall dismiss the application.
>
> (7) If the court is not satisfied with the proof of the facts alleged in the application or of the service of the application, or is satisfied by the debtor that the debtor is able to pay their debts, or that for other sufficient cause no order ought to be made, it shall dismiss the application.
>
> **Stay of proceedings if facts denied**
>
> **(10)** If the debtor appears at the hearing of the application and denies the truth of the facts alleged in the application, the court may, instead of dismissing the application, stay all proceedings on the application on any terms that it may see fit to impose on the applicant as to costs or on the debtor to prevent alienation of the debtor's property and for any period of time that may be required for trial of the issue relating to the disputed facts.
>
> **Stay of proceedings for other reasons**
>
> **(11)** The court may for other sufficient reason make an order staying the proceedings under an application, either altogether or for a limited time, on any terms and subject to any conditions that the court may think just.

74. Pursuant to s. 43(10) of the ***BIA***, the court has discretion to stay the Bankruptcy Application or order such further discovery procedures to be undertaken.

75. Section 43 of the ***BIA*** sets out the specific cases in which a debtor commits an act of bankruptcy, and the two relevant subsections for the purpose of Shougang's bankruptcy application are ss 42(1)(e) and (j), which read as follows:

> **Acts of bankruptcy**
>
> 42 (1) A debtor commits an act of bankruptcy in each of the following cases:
>
> ...
>
> (e) if the debtor permits any execution or other process issued against the debtor under which any of the debtor's property is seized, levied on or taken in execution to remain unsatisfied until within five days after the time fixed by the executing officer for the sale of the property or for fifteen days after the seizure, levy or taking in execution...
>
> ...
>
> (j) if he ceases to meet his liabilities generally as they become due.

76. As of April 6, 2022, the date of the Bankruptcy Application, Shougang has failed to prove that CDI has committed an act of bankruptcy within the six months proceeding the filing of the Bankruptcy Application.

77. In this proceeding, there are significant reasons that justify the granting of a stay of the Bankruptcy Application, including:

(a) the dispute concerning the merits of the Shougang Judgment and Zhonghe Judgment;

(b) the conflict of interest on the part of Shougang and Zhonghe with respect to CDI's interest in CKD; and

(c) CDI's plan to maximize return for its creditors in the CCAA proceedings and the absence of any plan presented by Shougang.

78. The Application Respondent has standing to oppose Shougang's Application as she is a shareholder and unsecured creditor of CDI, a secured creditor pursuant to the DIP Facility and a potential purchaser of CDI's assets pursuant to the Murray River and Other Assets APAs.

Part 3: MATERIAL TO BE RELIED ON

1. Affidavit #1 of Naishun Liu made May 31, 2022, in the CCAA proceeding.

2. Affidavit #1 of Naishun Liu made May 19, 2025.

3. Affidavit #1 of Qu Bo Liu made May 20, 2025.

4. 26th Report of the Monitor, in the CCAA proceeding.

5. Supplement to the 26th Report of the Monitor, in the CCAA proceeding.

☒ The application respondent has not filed in this proceeding a document that contains an address for service. The application respondent ADDRESS FOR SERVICE is:

Attention: R. Barry Fraser
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Date: May 20, 2025

Signature of Lawyer for Application Respondent
Lawyer: R. Barry Fraser

This APPLICATION RESPONSE is prepared by R. Barry Fraser of the firm of **Fraser Litigation Group** whose place of business is 1100-570 Granville Street, Vancouver, British Columbia, V6C 1P3 (Direct #:604.343.3119, Fax #: 604.343.3101, Email: bfraser@fraserlitigation.com) (File #: 60913-001).