



**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
GREENSTAR AGRICULTURAL CORPORATION AND LIANYUN GUAN**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

I. OVERVIEW

1. GreenStar Agricultural Corporation ("GreenStar") was formed through a reverse takeover ("RTO") of a Capital Pool Company on May 31, 2011. GreenStar's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the symbol "GRE" and it is a reporting issuer in Ontario, Alberta and British Columbia.
2. GreenStar securities have been subject to a cease trade order made by the Ontario Securities Commission (the “Commission”) since June 3, 2014 for failing to file continuous disclosure materials and GreenStar’s common shares are currently suspended from trading on the TSX-V. GreenStar’s shares have also been cease traded by the Alberta Securities Commission and the British Columbia Securities Commission.
3. GreenStar's RTO was carried out in connection with the acquisition of Sino Elite Group Limited ("Sino Elite") and its two subsidiaries: a) Pucheng Hongli Agriculture Products Technology Development Co., Ltd. ("Pucheng Hongli"), a wholly foreign owned enterprise registered in the People’s Republic of China (the “PRC”); and b) Fujian

Pucheng Star of Green Foodstuff Co., Ltd. (“Fujian Pucheng”), a private company incorporated on March 31, 2003 under the laws of the PRC. Lianyun Guan (“Guan”) is the Chief Executive Officer of GreenStar and controls the day-to-day operations of Fujian Pucheng.

4. GreenStar is a holding company and conducts substantially all of its business and operations through Fujian Pucheng. Fujian Pucheng’s management and all of its operations are located in the PRC. Greenstar includes all of GreenStar’s subsidiaries and companies that it controls as set out in its public disclosure record and as the context within this Statement of Allegations requires.
5. On April 28, 2014, GreenStar issued a press release announcing that Schwartz Levitsky Feldman LLP (“SLF”), GreenStar’s auditors, would not be able to complete all their audit procedures and render an audit opinion by the filing deadline with respect to the audit of GreenStar’s financial statements for the year ended December 31, 2013 (the “2013 Audit”).
6. SLF had several concerns as a result of certain audit procedures performed in conducting the 2013 Audit, including: (i) discrepancies noted while conducting the audit procedures related to GreenStar’s bank balances as at December 31, 2013; and (ii) the validity of tax payments made and the official receipts issued by various taxation authorities (the “Auditors’ Concerns”).
7. In light of the Auditors’ Concerns, SLF requested that the audit committee of GreenStar (the “Audit Committee”) conduct an independent investigation (the “Investigation”) into these matters and report their findings prior to resuming the 2013 Audit. The Audit Committee was comprised of three independent Canadian directors.
8. Despite Guan providing assurances that he would provide his cooperation, he failed to cooperate with and obstructed the Investigation. In addition, according to GreenStar’s press release dated September 4, 2014 (the “September 4 Press Release”), Chinese

management, which included Guan, made numerous conflicting representations to SLF, legal counsel, the directors as well as to members of the management team. Ultimately, SLF and all of GreenStar's Canadian-based directors and management resigned, leaving GreenStar with no auditors, no directors or senior officers located in Canada, no independent Canadian directors and no audit committee.

9. Guan's conduct was abusive to investors and the capital markets and/or contrary to the public interest.
10. The specific allegations against GreenStar and Guan are as follows:

GreenStar

- GreenStar failed to file continuous disclosure materials including:
 - its audited annual financial statements for the year ended December 31, 2013 and the related Management's Discussion and Analysis (the "MD&A");
 - its interim financial statements for the three-month periods ended March 31, 2014, June 30, 2014 and September 30, 2014 and related MD&A; and
 - the certifications of annual and interim filings required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").
- In addition, GreenStar failed to:
 - maintain an audit committee in accordance with section 2.1 of National Instrument NI 52-110 *Audit Committees* ("NI 52-110");
 - file a change of auditor notice in accordance with subsection 4.11(5)(b) of NI 51-102 *Continuous Disclosure Obligations* ("NI 51-102"); and

- pay its participation fee in accordance with sections 2.2 and 2.3 of OSC Rule 13-502 *Fees* (“Rule 13-502”).

Guan

- Guan, being a director and the Chief Executive Officer of GreenStar, authorized, permitted or acquiesced in the commission of the violations by GreenStar, set out above, contrary to section 129.2 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) and contrary to the public interest;
- In addition, Guan:
 - failed to file an amended Appointment of Agent for Service of Process (“Appointment of Agent”) in accordance with National Instrument 41-101 *Prospectus Contents – Non-Financial Matters* (“NI 41-101”);
 - authorized, permitted or acquiesced in Fujian Pucheng’s failure to file an amended Appointment of Agent, contrary to section 129.2 of the Act and contrary to the public interest; and
 - engaged in conduct contrary to the public interest by (i) failing to provide cooperation and funding for the 2013 Audit; and (ii) failing to provide cooperation and funding for the Investigation.

II. THE RESPONDENTS

GreenStar

11. Aquarius Capital Corp. (“Aquarius”) was incorporated under the Business Corporation Act, R.S.O. 1990 c. B-16 and was a Capital Pool Company as defined pursuant to policy 2.4 of the TSX-V. On May 31, 2011, Aquarius completed a Qualifying Transaction with Sino Elite and acquired Sino Elite and its subsidiary Pucheng Hongli. Aquarius changed

its name to “China Green Star Agricultural Corporation” and then to “GreenStar Agricultural Corporation” on July 5, 2013.

12. GreenStar’s common shares have been listed on the TSX-V under the symbol “GRE” since June 7, 2011. The last known registered address of GreenStar is at 100 King Street West, Suite 5700, Toronto, Ontario, M5X 1C7.
13. According to the MD&A for the three months ended September 30, 2013, the principal activities of GreenStar and its subsidiaries are agricultural farming and food processing in the PRC. As noted above, the principal activities are mainly conducted through Fujian Pucheng.

Guan

14. Guan is a resident of the PRC and has been the President, Chief Executive Officer and Chairman of the Board of GreenStar since May 2011. Guan has been acting as the sole director and general manager of Fujian Pucheng since 2004. According to GreenStar’s management information circular dated May 22, 2013, Guan beneficially owns or exercises control or direction over 24.7% of the outstanding common shares of GreenStar.

III. BACKGROUND

The 2013 Audit

15. According to GreenStar’s historical financial statements filed with the Commission, cash represented a significant portion of GreenStar’s assets. Based on the most recently filed consolidated financial statements for the interim period ended September 30, 2013, GreenStar had \$16.7 million of cash representing approximately 27% of GreenStar’s assets.
16. During their field work for the 2013 Audit, SLF encountered several difficulties when performing their audit procedures, including verifying the balances in the GreenStar bank

accounts and obtaining official tax receipts. Guan did not cooperate with the auditors by failing to make the necessary arrangements for them to visit GreenStar's bank and the tax bureau to perform certain audit procedures. Guan also failed to cooperate with the auditors by failing to provide copies of official tax receipts and failing to ensure information and documents required by the auditors in performing their audit were provided on a timely basis.

17. On April 28, 2014, GreenStar issued a press release announcing:
 - that the filing of its annual financial statements, MD&A and related officer certifications would be delayed beyond the filing deadline of April 30, 2014;
 - SLF would not be able to complete all their audit procedures with respect to the 2013 Audit and render an audit opinion by the filing deadline; and
 - GreenStar intended to make an application to the Commission for a management cease trade order ("MCTO").
18. Following the announcement, the market price of the GreenStar shares dropped from \$0.90 per share to \$0.69 per share (approximately 23%) representing approximately a \$6.4 million loss in market capitalization in a single day of trading.
19. On April 28, 2014, GreenStar applied for an MCTO and on May 5, 2014, a temporary MCTO was issued by the Commission for a period of fifteen days. As GreenStar continued to fail to file continuous disclosure materials, an MCTO was issued by the Commission on May 16, 2014.
20. On May 21, 2014, GreenStar issued a further press release (the "May 21 Press Release") which provided, among other things, that:
 - the Audit Committee had been following up with the auditors and management in the PRC to complete the audit and in doing so, identified

“certain corporate governance and administrative deficiencies” which contributed to the delay in the audit; and

- the Audit Committee was continuing to try and resolve this matter with Guan and the Audit Committee believed that Guan was working to resolve this situation, “but there can be no assurance of success”.
21. On May 16, 2014, pending the issuance of the May 21 Press Release, trading of the GreenStar shares was halted on the TSX-V. Following the issuance of the May 21 Press Release, trading resumed and the market price of the GreenStar shares dropped by over 39% to \$0.41 per share from the last closing price of \$0.68 per share, representing approximately an \$8.2 million loss in market capitalization in a single day of trading.
 22. The following day, on May 22, 2014, GreenStar issued a further press release which provided, among other things, that “[t]he Company continues to work on moving forward in an effort to complete its audited financial statements. The Board has been assured by CEO Mr. Guan Lianyun, that he will provide his full cooperation in an effort to undertake all steps necessary to complete the audit. The Audit Committee has not found any evidence of fraud, and it is the goal and expectation of the Board that the audit will be completed in due course.”
 23. Following this announcement, the volume weighted average closing price for GreenStar’s common shares, over the next nine trading days (until June 3, 2014, the last trading date of GreenStar’s shares) was \$0.40 per share. On the last trading date of GreenStar’s shares, the stock closed at \$0.415 per share.
 24. On June 3, 2014, the Commission issued a temporary cease trade order for a period of fifteen days and on June 16, 2014 the Commission issued a permanent cease trade order.

The Investigation

25. As noted above, SLF had several concerns as a result of conducting the 2013 Audit, and requested that the Audit Committee conduct the Investigation and report their findings prior to resuming the 2013 Audit.
26. Between May 1, 2014 and August 5, 2014, the Audit Committee engaged three separate law firms in the PRC, one after the other, to assist the Audit Committee in conducting the Investigation. Guan frustrated the efforts of each of these law firms to conduct their investigation by failing to provide proper funding and/or failing to facilitate obtaining information located in the PRC. In particular:
 - Zhong Lun Law Firm (“Zhong Lun”) terminated its investigation as they were unable to proceed due to the lack of cooperation by Guan and his objecting to Zhong Lun conducting the Investigation.
 - The Audit Committee then engaged Zeijiang Zeda Law Firm (“Zeda”) to commence the Investigation. However, as Guan did not provide Zeda with the retainer on the agreed upon date, they could not begin the work.
 - Finally, the Audit Committee engaged Jun He Law Office (“Jun He”) to conduct the Investigation. On or about August 5, 2014, Guan visited Jun He counsel and provided him with conflicting and contradictory information regarding GreenStar’s operations, banking activities and financial condition. In addition, Guan declined to agree to Jun He personnel travelling to Pucheng to start the Investigation.
27. As the three law firms were unable to assist the Audit Committee conclude the Investigation, SLF agreed to send staff to Pucheng, after Guan paid a portion of SLF’s past due invoices and provided an undertaking to pay the balance on the arrival of the SLF staff in Pucheng. However, when SLF staff arrived in Pucheng, Guan failed to

provide the amount he undertook to pay SLF and SLF refused to conduct any further work.

28. The September 4 Press Release noted the lack of co-operation from the China-based management team (which included Guan) and set out steps taken in attempt to advance the 2013 Audit. The press release states, in part,:

... due to a lack of co-operation from its China-based management team, [GreenStar] has not been able to advance the audit for the 2013 financial year. The audit committee, Canadian management, auditors and Canadian legal counsel are all continuing to work to try and move the 2013 audit forward, but there is no visibility on if, or when the 2013 audit will be completed.

All efforts over the past two months, by GreenStar's Audit Committee, with assistance from Chinese legal counsel retained by the Audit Committee to conduct an independent investigation to verify certain critical documentation at GreenStar's banks and the local tax authority, have to date been frustrated by the China-based management team. **China based management has to date, failed to co-operate with the investigation process, or provide the necessary funding to the Audit Committee or the independent Chinese counsel that has been engaged to conduct the investigation.** [emphasis added]

29. On September 11, 2014, GreenStar issued a further press release (the "September 11 Press Release") which disclosed that real property of Fujian Pucheng was put up for auction in connection with a judgment granted by the local courts (the "Auction"). The September 11 Press Release also states that Guan advised the board of directors that the Auction was the result of enforcement of security granted to the local credit union for "certain unpaid loans the full details of which have not been provided to the Board and Canadian management".
30. Guan did not disclose to SLF, Canadian management or the Audit Committee that GreenStar's real property was encumbered until the Auction was publicly disclosed in a newspaper.

31. Finally, on September 25, 2014, GreenStar issued a further press release, advising that:

- the Canadian directors of GreenStar, including the three members of the Audit Committee, resigned;
- the four Canadian management personnel resigned;
- GreenStar's Canadian legal counsel provided notice that they intended to withdraw their services;
- The resignations were the result of a lack of co-operation, support and funding from Guan in order to complete the 2013 Audit;
- Despite repeated requests from SLF, the Board of Directors, the Audit Committee, Canadian management and Canadian legal counsel, and continuous verbal assurances from Guan to cooperate in completing the 2013 Audit, Guan had not provided either funds or co-operation to allow for the Audit Committee or the auditors to proceed with completion of the audit; and
- GreenStar also announced the resignation of SLF, who advised GreenStar that they had no forward visibility regarding the possibility of completing the 2013 Audit, as they were not able to obtain the information requested from the Investigation.

IV. ALLEGATIONS

Breaches of Ontario Securities Law by GreenStar

- **Failure to File Audited Annual Financial Statements for the Year Ended December 31, 2013**

32. As a venture issuer, GreenStar is required to file audited annual financial statements on or before the 120th day after the end of its most recently completed financial year pursuant to section 4.1 and subsection 4.2(b) of NI 51-102. Accordingly, GreenStar's audited

annual financial statements for the year ended December 31, 2013 were due on April 30, 2014. GreenStar failed to file these annual financial statements and is in default of its filing obligations, contrary to Ontario securities law and contrary to the public interest.

- **Failure to File Interim Financial Reports for the Interim Periods Ended March 31, 2014, June 30, 2014 and September 30, 2014**

33. As a venture issuer, GreenStar is required to file interim financial reports on or before the 60th day after the end of an interim period pursuant to subsections 4.3(1), (2), (2.1) and (3) and subsection 4.4(b) of NI 51-102. Accordingly, GreenStar's interim financial reports for the interim periods ended March 31, 2014, June 30, 2014 and September 30, 2014 were due on May 30, 2014, August 29, 2014 and December 1, 2014, respectively. GreenStar failed to file these interim financial reports and is in default of its filing obligations, contrary to Ontario securities law and contrary to the public interest.

- **Failure to File Annual and Interim MD&A for the Year Ended December 31, 2013 and the Interim Periods Ended March 31, 2014, June 30, 2014 and September 30, 2014**

34. GreenStar is required to file MD&A pursuant to section 5.1 of NI 51-102 on or before the filing deadline for the filing of its audited annual financial statements or its interim financial reports, respectively. Accordingly, GreenStar's MD&A for the year ended December 31, 2013 was due on April 30, 2014 and its MD&A for the interim periods ended March 31, 2014, June 30, 2014 and September 30, 2014 were due on May 30, 2014, August 29, 2014 and December 1, 2014, respectively. GreenStar failed to file the annual and interim MD&A and is in default of its filing obligations, contrary to Ontario securities law and contrary to the public interest.

- **Failure to File Certifications of Annual and Interim Filings for the Year Ended December 31, 2013 and the Interim Periods Ended March 31, 2014, June 30, 2014 and September 30, 2014**

35. GreenStar is required to file annual certificates for each certifying officer pursuant to section 4.1 of NI 52-109 on the date it files its annual financial statements and MD&A.

Accordingly, GreenStar's certifications of annual filings for the year ended December 31, 2013 were due on April 30, 2014. GreenStar failed to file these certifications of annual filings and is in default of its filing obligations, contrary to Ontario securities law and contrary to the public interest.

36. GreenStar is required to file interim certificates for each certifying officer pursuant to section 5.1 of NI 52-109 on the date it files its interim financial statements and MD&A. Accordingly, GreenStar's certifications of interim filings for the interim periods ended March 31, 2014, June 30, 2014 and September 30, 2014 were due on May 30, 2014, August 29, 2014 and December 1, 2014, respectively. GreenStar failed to file these certifications of interim filings and is in default of its filing obligations, contrary to Ontario securities law and contrary to the public interest.

- **Failure to Maintain an Audit Committee**

37. As GreenStar is a “reporting issuer” as that term is defined in Ontario securities law, it is required to have an audit committee that complies with NI 52-110. As noted above, the independent directors that comprised GreenStar’s audit committee resigned on September 24, 2014. Since that time, GreenStar has not appointed an audit committee in compliance with NI 52-110, contrary to Ontario securities law and contrary to the public interest.

- **Failure to File a Change of Auditor Notice**

38. As GreenStar is a “reporting issuer” as that term is defined in Ontario securities law, it is required to file a change of auditor notice within 30 days after the resignation of an auditor pursuant to subsection 4.11(5)(b) of NI 51-102. On September 25, 2014, GreenStar announced the resignation of SLF. Accordingly, the change of auditor notice was due on October 25, 2014. GreenStar failed to file a change of auditor notice, contrary to Ontario securities law and contrary to the public interest.

- **Failure to Pay its Participation Fee**

39. As GreenStar is a “reporting issuer” as that term is defined in Ontario securities law, it is required to make a participation fee payment pursuant to sections 2.2 and 2.3 of Rule 13-502 by the date on which its annual financial statements are required to be filed. Accordingly, GreenStar's participation fee payment was due on April 30, 2014. GreenStar failed to pay its participation fee, contrary to Ontario securities law and contrary to the public interest.

Breaches of Ontario Securities Law and Conduct Contrary to the Public Interest by Guan

- **Authorized, Permitted or Acquiesced in Violations by GreenStar**

40. As a director and the Chief Executive Officer of GreenStar, Guan authorized, permitted or acquiesced in the commission of the violations by GreenStar, set out above, contrary to section 129.2 of the Act and contrary to the public interest;

- **Failure to File an Amended Appointment of Agent**

41. In connection with GreenStar’s filing of a non-offering prospectus dated March 31, 2011, Guan filed a Non-Issuer Form of Submission to Jurisdiction and Appointment of Agent for Service of Process dated March 30, 2011 as required by NI 41-101. Paragraph 15 of the Appointment of Agent states:

Until six years after completion of the distribution of the Securities under the Prospectus, the Filing Person shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before a change in the name or above address of the Agent.

42. On November 21, 2014, Staff was informed that Guan’s agent had resigned. Guan failed to file an amended Appointment of Agent at least 30 days before the resignation, contrary to Ontario securities law and contrary to the public interest.

- **Authorized, Permitted or Acquiesced in Fujian Pucheng's Failure to File an Amended Appointment of Agent**

43. In connection with GreenStar's filing of a non-offering prospectus dated March 31, 2011, Guan, on behalf of Fujian Pucheng filed an Appointment of Agent dated March 30, 2011 as required by NI 41-101. Paragraph 15 of the Appointment of Agent states:

Until six years after completion of the distribution of the Securities under the Prospectus, the Filing Person shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before a change in the name or above address of the Agent.

44. On December 7, 2014, Staff was informed that the agent for Fujian Pucheng had resigned. Fujian Pucheng breached Ontario securities law by failing to file an amended Appointment of Agent at least 30 days before the resignation. Guan authorized, permitted or acquiesced in this violation, contrary to section 129.2 of the Act and contrary to the public interest.

- **Failure to Provide Cooperation and Funding for the 2013 Audit and the Investigation**

45. The Audit Committee and Canadian management repeatedly sought the cooperation of Guan in conducting the Investigation to address the Auditors' Concerns. This included requesting that Guan fund, assist and facilitate the 2013 Audit as well as the Investigation, which was initiated by the Audit Committee at the request of SLF.
46. Despite repeated requests, Guan failed to provide the level of cooperation and funding necessary to complete the 2013 Audit. In particular, as set out above, Guan failed to cooperate with the Investigation, failed to arrange for the auditors to visit GreenStar's bank and the tax bureau, failed to provide copies of official tax receipts, failed to provide information and documents to the auditors on a timely basis, failed to disclose the encumbrance of GreenStar's real property and failed to provide sufficient funds to the auditors to continue with the 2013 Audit.

47. Guan also failed to cooperate with the Investigation and to provide sufficient funding for the Investigation. In particular, as set out above, Guan frustrated the efforts of three separate independent law firms in China to conduct the Investigation on behalf of the Audit Committee and failed to provide a retainer to one of the law firms.
48. The conduct of Guan described above was abusive to investors in GreenStar securities and the capital markets and/or contrary to the public interest.

V. STAFF'S INVESTIGATION IS ONGOING

49. The conduct of GreenStar and Guan outlined above has been, and continues to be, abusive to investors and the capital markets and/or contrary to the public interest. At this time, Staff request that the Commission make certain orders in the public interest to, among other things, prohibit GreenStar and Guan's participation in Ontario's capital markets.
50. However, Staff's investigation in relation to GreenStar is ongoing and Staff may bring further allegations and/or seek further orders in respect of GreenStar and Guan and/or other parties as a result of such investigation.

VI. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

51. Based on the foregoing, GreenStar and Guan breached Ontario securities law and/or acted in a manner that is contrary to the public interest.
52. Such further and other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, March 11, 2015.