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Regulations and Private Bills**

**Comité permanent des
règlements et des projets
de loi d'intérêt privé**

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Wednesday 13 April 2022

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Mercredi 13 avril 2022

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE
ON REGULATIONS
AND PRIVATE BILLS**

Wednesday 13 April 2022

**COMITÉ PERMANENT DES
RÈGLEMENTS ET DES PROJETS
DE LOI D'INTÉRÊT PRIVÉ**

Mercredi 13 avril 2022

The committee met at 0900 in committee room 2.

The Chair (Mr. Aris Babikian): Good morning. The Standing Committee on Regulations and Private Bills is in session. We are joined by staff from legislative counsel, legislative research, Hansard, and broadcasting and recording. Please wait until I recognize you before starting to speak. As always, all comments should go through the Chair. Are there any questions before we begin? I see none.

Mr. Michael Mantha: Chair, do you mind if we close the door—

The Chair (Mr. Aris Babikian): Yes, sure. I will wait until the Clerk is back in his chair.

**LUNOVA MACHINERY IMPORT
AND EXPORT LTD. ACT, 2022**

Consideration of the following bill:

Bill Pr68, An Act to revive Lunova Machinery Import and Export Ltd.

The Chair (Mr. Aris Babikian): Okay, we're back on track. Our first item on the agenda is the consideration of Bill Pr68, An Act to revive Lunova Machinery Import and Export Ltd. I would like to invite Tina Liu, the solicitor, to take her seat at the witness chair, next to MPP Smith. MPP Smith is subbing for MPP Bouma. Would you like to make the introduction, please?

Mr. Dave Smith: Thank you, Chair. I move consideration of Bill Pr68, An Act to revive Lunova Machinery Import and Export Ltd.

The Chair (Mr. Aris Babikian): Now I would like to ask the applicant to introduce herself for the record.

Ms. Tina Liu: Hi, everyone. I'm Tina Liu. I'm the solicitor for the applicant. I'm with Bennett Jones.

The Chair (Mr. Aris Babikian): Okay. Would you like to make any comments to the committee?

Ms. Tina Liu: Sure. I would just like to briefly introduce the background of this bill. Lunova Machinery was a shareholder of Yantai Hongyuan, which is a Chinese company, back a number of years ago when it was dissolved in 2010. Now this Chinese company, Yantai Hongyuan, is in the process of doing an IPO in China. As part of the requirements, they need to make a submission to the China Securities Regulatory Commission for their shareholder status history. Lunova Machinery is one of their historical shareholders. For the Chinese law requirements, any

shareholder, being an historical shareholder or a present shareholder, has to be legally existing. That's the driving reason behind this bill.

I just also want to emphasize that the reason for the dissolution of Lunova back in 2010 was for the non-compliance of the company with the Canadian residency requirement for the directors. But last year, this requirement, the local Canadian residency requirement for directors, was removed from the OBCA, so this is no longer an issue if the company were existing today. That's the background.

The Chair (Mr. Aris Babikian): Okay, thank you.

Are there any other interested parties that would like to make a statement or comment? Seeing none, I will call upon the government side, if they have any questions or comments. MPP Smith, go ahead.

Mr. Dave Smith: Thank you, Chair. Through you to the applicant, my understanding is that this company was a shareholder in a Chinese company that is going to have an initial public offering. I understand there are challenges because shareholders of those private companies in China have to show their history and so on. If we allow this to be revived, what happens to the company moving forward? Do you keep this company alive in Ontario, or are you going to divest yourself of the share of the company in China and then close the company again here in Ontario?

Ms. Tina Liu: My understanding is that for the near future, they will keep the company, but I don't know for how long. The company has the right to dissolve themselves voluntarily. For the near term, my understanding is that they will still be alive. They were dissolved involuntarily because of non-compliance with the director local residency requirements. Now, that requirement has been removed from the OBCA.

Mr. Dave Smith: So what did the company do previously?

Ms. Tina Liu: Import and export.

Mr. Dave Smith: Okay. And are you planning on continuing that business, or is it just going to be a company that sits here in Ontario doing nothing if it's brought back to life?

Ms. Tina Liu: I need to find out. My client is Yantai Hongyuan, and Yantai Hongyuan is a Chinese company. They have been in talks with this applicant, the individual, Xiaoming Lu, who was a shareholder of this Ontario company, Lunova.

Mr. Dave Smith: Again, from my understanding on this, this was an Ontario company that held shares in a private Chinese company. There are some jurisdictional issues because of the Chinese government regulations on the initial public offering of a private company. Obviously China cannot dictate what's going to happen in Ontario, but because of the rules around the initial public offering, they have to have something with the shares being dealt with. Why weren't the shares dealt with prior to the company having to be dissolved in Ontario?

Ms. Tina Liu: That's a good question. Apparently, this individual had spent most of their time in China, and like I said, did go back and forth. Then, when in 2010 the hearing notice was issued for them to defend themselves, they were not in Ontario, so they missed that window and then the company was dissolved.

But the fact that the company was dissolved didn't really affect—because they didn't know—their shareholding back in this Chinese company. So they now need to make valid or make good of what should happen with the company's shareholder record.

Mr. Dave Smith: In Ontario, to keep a company alive, you have to file your income taxes every year for it, even if there's no income from it.

Ms. Tina Liu: That's right.

Mr. Dave Smith: Was there any attempt made from the time it was dissolved to now to submit the taxes? If the address had been incorrect—if it had been a Toronto address, for example, but the gentleman had moved back to China—was there any attempt made to be compliant in Ontario on the income tax side of it so that the government of Ontario would have had updated records to send information to them?

Ms. Tina Liu: Definitely. This individual, in my understanding, is back in Ontario now for good. I don't think they are permanently relocated to China. This individual is back in Ontario, but for language and other issues, they need me to represent them.

So yes, tax is no problem. If there's income—

Mr. Dave Smith: I'm not interested in whether or not they paid their taxes. The report that has come to us is that there are no taxes owing. It's more that one of the requirements in Ontario to keep a business open is that you have to file your income taxes every year, whether or not you have any income. That's one of the ways that we, as the government of Ontario, know that we have proper mailing information to contact someone if something goes awry.

I do recognize that there was a regulatory change or a legislative change a number of years ago that would prevent foreign nationals from owning shares in companies if they were the only shareholders, here in Ontario. That has been changed, and I think that was a good idea in terms of spurring on investment in Ontario, so I'm not disputing any of that. I'm going back to prior to it being dissolved. One of the requirements in Ontario is that you have to file your income taxes every year, and part of the reasoning for that is it gives us up-to-date information so that if we, as the province of Ontario, have

to contact someone about their company, we have updated information.

0910

The concern I have is the company was dissolved in 2010 because they didn't meet the requirements at that time for shareholder residency. We would have notified them of it, and you're telling us now that they never received that notification because they were in China. But I come back to, had they continued to file income taxes correctly, we would have had that correct information to provide them with the opportunity to ensure that the notification came to them.

So again, I'm going to come back to it: Was there an attempt made to file their taxes on an annual basis and they weren't able to, perhaps, because the company had been dissolved? Perhaps they didn't think it was an issue because they were not conducting business at that point in Ontario? I'm just trying to gain an understanding of how diligent the individual shareholder was at that point.

Ms. Tina Liu: I probably am not in a position to answer that question because I didn't do that investigation. But what we have received as a request before the bill was put forward was there was a request from the Ministry of Finance asking for the CT23 tax return to be filed, because that was something missing. The shareholder, Mr. Xiaoming Lu, has done that. And then they retained MNP to help them with that, so that was in compliance, at least retroactively.

But going forward, certainly, I'm able to tell the applicant that if they want to maintain the company in good standing, they need to do all the annual returns and annual resolutions which we can do, and the tax filings.

Mr. Dave Smith: It's frustrating from our perspective because we have a number of companies that come in, and invariably what they say to us is, "We never received the information from the government of Ontario." From our perspective, the only way we can provide you with the information is if we have an up-to-date address, and the way that we get the up-to-date address is if somebody fills out their income tax and submits it appropriately. If they don't and they move, we have no way of knowing that we don't have a current address on file for them, and when Canada Post returns it to us, we have no recourse for finding out how to get the information.

So my strong recommendation to you is that if we revive the company, even if there is no income ever from this point forward, please file the income tax so that we have the information to be able to give you up-to-date information from us, so that you don't find yourself in the position 12 years later where there's a notice that should have come to you and it can't because we don't know where you are.

Ms. Tina Liu: Yes, that's definitely taken note of. Actually before I came over today, I was exchanging messages with my client and I said, "If it's desirable, we can change the company's registered address to our office address," in which case we can be immediately notified of any changes or requirements from the government, which is something they will be considering.

Mr. Dave Smith: To play devil's advocate, what happens if we say no? What happens to the initial public offering in China?

Ms. Tina Liu: That is a Chinese counsel's question. I don't know.

Mr. Dave Smith: All right. Thank you very much. I appreciate that. No further questions from me.

The Chair (Mr. Aris Babikian): Thank you, MPP Smith. Any other comments from the committee members? I see none. Thank you, Ms. Liu. You're free from the witness chair. If you would like to sit down in the back and continue monitoring or watching the proceedings, you're welcome to do so. Otherwise, you're free to go.

Ms. Tina Liu: Okay. Thank you, everyone.

The Chair (Mr. Aris Babikian): Are members ready to vote? Yes?

Bill Pr68, An Act to revive Lunova Machinery Import and Export Ltd.: We will start with section 1 of the bill. Shall section 1 carry? Any comments? Any questions? All in favour, please raise your hand. Any opposition? Seeing none, section 1 is carried.

Section 2: Shall section 2 carry? All in favour? Section 2 is carried.

We move to section 3. Shall section 3 carry? Any questions? Any comments? I see none. All in favour? Any opposition? None. Section 3 is carried.

Shall the preamble of the bill carry? Any comments? Any questions? None? All in favour, please raise your hand. Any opposition? None. The preamble is carried.

Shall the title of the bill carry? Any comments? Any questions? I see none. All in favour, please raise your hand. Any opposition? None. The title of the bill is carried.

Shall the bill carry? Any questions? Any comments? I see none. All in favour? Any opposition? I see none. The bill is carried.

Shall I report the bill to the House? Any comments? Any questions? I see none. All in favour, please raise your hand. Any opposition? None. I will report the bill to the House.

Now we will pause for a moment as we move into closed session for report writing. Thank you.

The committee continued in closed session at 0918.

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