

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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Case No.
In re Application of SHANGHAI XIAOSHENG :
INDUSTRIAL INVESTMENT CO., LTD., for an : **DECLARATION OF**
Order Pursuant to 28 U.S.C. § 1782 to Conduct : **SHEN JINRONG**
Discovery for Use in Foreign Proceedings, :
:
Petitioner. :
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I, SHEN JINRONG, declare under the penalty of perjury under the laws of the United States of America the following is true and correct:

1. I am an authorized representative of Shanghai Xiaosheng Industrial Investment Co., Ltd. (the “Petitioner”), and fully familiar with the facts set forth herein. I respectfully submit this declaration in support of Petitioner’s application for discovery pursuant to 28 U.S.C. § 1782.

Underlying Facts

2. Petitioner is and was a foreign business entity organized under the laws of a foreign state with an address in Shanghai, China. It is controlled by two shareholders: Shanghai Zhongqinglv Construction Engineering Co., Ltd. (formerly known as Shanghai Zhongqinglv Decoration Engineering Co., Ltd.) (“Zhongqinglv”), holding eighty (80%) percent of voting rights, and Shanghai Shenxiang Investment Co., Ltd. (“Shenxiang”), holding twenty (20%) percent of the remaining voting rights.

3. Pursuant to a Resolution of Shareholders’ Meeting on or about July 20, 2015, Petitioner was to acquire 9th Base Investment Limited (“9th Base”) from Kailai Investments II, L.P. (“Kailai”), the sole shareholder.

4. In 2015, Petitioner signed a Sold and Bought note to acquire 9th Base.

5. However, Kailai never registered the share transfer, despite its obligation to do so.

6. As a result, 9th Base remains wholly owned by Kailai.

7. Based upon Petitioners' belief that it acquired interest in 9th Base, it agreed to transfer 400,000,000 CNY (approximately US\$60,177,650.22) (the "Investment"), in two equal installments (equaling 200,000,000 CNY each or approximately US\$30,090,932,18) into 9th Base's bank account.

8. The purpose of the Investment was for 9th Base to acquire shares in Kailai Oil & Gas Holdings, Ltd. ("Kailai Oil"), a company dedicated to systematic oil and gas exploration and development in Papua, Indonesia.

9. Specifically, 9th Base, through its sole shareholder Kailai, induced Petitioner to tender the Investment based on its representation that: (1) Petitioner acquired ownership interest in 9th Base; (2) Kailai Oil would be issuing new stock; and (3) Petitioner's Investment would be used only to acquire newly issued stock in Kailai Oil, equaling 28.57% interest in the company.

10. Relying on 9th Base's foregoing representation, on or about October 12, 2015, Petitioner transferred US\$31,250,000.00 (the "Funds"), equaling the first installment of the Investment, from China Construction Bank Corporation to 9th Base's New York bank account at J.P. Morgan Chase Bank, N.A. ("J.P. Morgan"). A copy of the Application for Funds Transfer is annexed hereto as Exhibit 1.

11. After transferring the Funds, Petitioner learned: (1) it did not maintain any ownership interest in 9th Base as Kailai never registered the share transfer; and (2) Kailai Oil never issued shares to 9th Base.

12. Upon information and belief, 9th Base, through its sole shareholder Kailai, misrepresented the intended use of the Funds and Petitioner's ownership interest in the company to materially induce Petitioner to invest in the company.

13. Upon information and belief, because the Funds were not used to acquire shares in Kailai Oil, it is believed the Funds were used for other, unauthorized, purposes.

14. Upon information and belief, 9th Base, through its sole shareholder Kailai, fraudulently induced Petitioner to transfer the Funds to 9th Base's J.P. Morgan bank account by misrepresenting Petitioner's ownership interest in the company and the intended use of the Funds and then misappropriating the Funds for other, unauthorized, purposes.

Contemplated Foreign Proceeding

15. Petitioner intends to commence a foreign proceeding in China against 9th Base and assert a claim for fraud or unjust enrichment.

16. It does not intend to commence a lawsuit against J.P. Morgan in China relating to the underlying facts; rather, Petitioner merely seeks documents from J.P. Morgan to support its claims against 9th Base.

17. To do so, Petitioner has conducted a diligent investigation to substantiate the foregoing underlying facts.

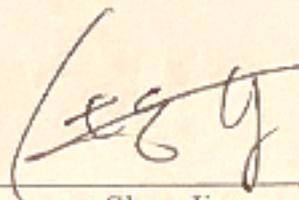
18. Specifically, it acquired the most recent annual report of Kailai Oil and confirmed it did not issue stock to 9th Base.

19. It also confirmed Kailai failed to register the share transfer in 9th Base to Petitioner, despite its contrary representation.

20. Based on the foregoing facts, Petitioner retained counsel in China to proceed with a lawsuit against 9th Base.

21. Once the critical evidence is obtained by way of the instant application, Petitioner has directed its attorneys to immediately proceed with the lawsuit against 9th Base.

Dated: New York, New York
December 20, 2017



Shen Jinrong