

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE  
JUSTICE P. M. PERELL

) Monday, THE 26<sup>th</sup>  
)  
) DAY OF August, 2013

BETWEEN:

JERZY ROBERT ZANIEWICZ and EDWARD C. CLARKE

Plaintiffs

- and -

ZUNGUI HAIXI CORPORATION, ERNST & YOUNG LLP, FENGYI CAI, JIXU CAI, YANDA  
CAI, MICHELLE GOBIN, MICHAEL W. MANLEY, PATRICK A. RYAN, ELLIOTT WAHLE,  
MARGARET CORNISH, CIBC WORLD MARKETS INC., CANACCORD GENUITY CORP.  
(f.k.a. CANACCORD FINANCIAL LTD), GMP SECURITIES LP and MACKIE RESEARCH  
CAPITAL CORPORATION  
(f.k.a. RESEARCH CAPITAL CORPORATION)

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION**, made by the Plaintiffs for an Order approving (i) a Settlement Agreement dated February 13, 2013 with the defendant, Ernst & Young LLP, (ii) a Settlement Agreement dated April 26, 2013 with the defendants, Matthew Gottlieb as Litigation Receiver of Zungui Haixi Corporation, Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle and Margaret Cornish, and (iii) a Settlement Agreement dated August 19, 2013 with the defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation, was heard this day at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

**ON READING** the materials filed, including the Settlement Agreement dated February 13, 2013 attached hereto as **Schedule “A”** (“Auditor Agreement”), the Settlement Agreement dated April 26, 2013 attached hereto as **Schedule “B”** (“Zungui Agreement”), the Settlement Agreement dated August 19, 2013 attached hereto as **Schedule “C”** (“Underwriter Agreement”, collectively with the Auditor Agreement and Zungui Agreement, the “Agreements”, and any one which is an “Agreement”), the affidavits of J. Robert Zaniewicz and Edward C. Clarke sworn June 24, 2013 and June 28, 2013, respectively, and the affidavits of Nicholas C. Baker sworn June 28, 2013 and August 20, 2013, and on hearing the submissions of Class Counsel and counsel for the defendants who have appeared in the Action and are signatories under an Agreement (such defendants being “Settling Defendants”);

**ON BEING ADVISED** that the Settling Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and Mackie Research Capital Corporation consent to the certification of the Action against them, solely for the purposes of settlement;

**AND ON BEING ADVISED** that the Settling Defendants consent to the relief sought in respect of the Agreements, notice and administration of the Settlements;

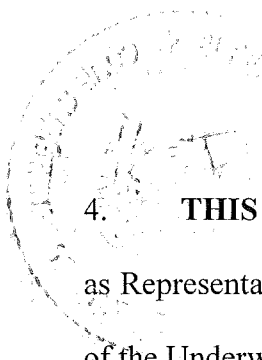
**AND ON BEING ADVISED** that NPT RicePoint Class Action Services Inc. has consented to being appointed the Administrator pursuant to each of the Agreements;

1. **THIS COURT DECLARES** that except as otherwise stated, this Order incorporates and adopts the definitions set out in the Agreements, respectively.

2. **THIS COURT ORDERS** that this action is certified as a class proceeding as against the Settling Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and

Mackie Research Capital Corporation for the purpose of settlement only, pursuant to the *Class Proceedings Act, 1992*, S.O. 1992 c.6 (“CPA”), ss. 2 and 5, but subject to Articles 8.3 and 10 of the Underwriter Agreement.

3. **THIS COURT ORDERS** that the class certified (“Class”), for the purpose of settlement in accordance with the terms of the Underwriter Agreement is defined as:



All persons or entities wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.

4. **THIS COURT ORDERS** that Jerzy Robert Zaniewicz and Edward C. Clarke are appointed as Representative Plaintiffs for the Class for the purpose of settlement in accordance with the terms of the Underwriter Agreement.

5. **THIS COURT ORDERS** that the following issue is common to the Class for the purposes of settlement in accordance with the terms of the Underwriter Agreement:

Did the IPO Prospectus contain one or more misrepresentations within the meaning of the Securities Act, R.S.O. 1990, c. S.5, as amended, or at common law?

6. **THIS COURT ORDERS** that notice of the certification of the Action against the Settling Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation is hereby dispensed pursuant to section 17(2) of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.

7. **THIS COURT DECLARES** that the Agreements, individually and collectively, are fair, reasonable and in the best interests of the Class.

8. **THIS COURT ORDERS** that the Agreements are approved pursuant to section 29 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.

9. **THIS COURT DECLARES** that all provisions of each of the Agreements in its entirety (including the Recitals and Definitions set out in sections 1 and 2 of each) form part of this Order and are binding upon the Settling Defendants (and the Related Defendants for purposes of section 13 of the Auditor Agreement) in accordance with the terms thereof, and upon the Plaintiffs and all Class Members that did not opt-out of this Action in accordance with paragraph 6 of the Certification and First Notice Orders in this Action, both of which were dated May 21, 2013, including those persons that are minors or mentally incapable.

10. **THIS COURT ORDERS** that all claims, direct and indirect, including but not limited to claims for contribution and indemnity or other claims over, whether asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims and any other claims which were or could have been brought in this Action or otherwise by any Defendant or any other Person against any other Defendant are barred, prohibited and enjoined.

11. **THIS COURT DECLARES** that compliance with the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, R.R.O. Reg. 194 is hereby dispensed with.

12. **THIS COURT ORDERS** that each Agreement shall be implemented in accordance with its terms.

13. **THIS COURT DECLARES** that the Plan of Allocation, attached hereto as **Schedule "D"**, is fair and appropriate.

14. **THIS COURT ORDERS** that the Plan of Allocation is approved and that the Settlement Amount under each Agreement shall be distributed in accordance with the terms of the applicable

Agreement, following payment of Class Counsel Fees (to be approved) and Administration Expenses.

15. **THIS COURT ORDERS** that NPT RicePoint Class Action Services Inc. is hereby appointed as the Administrator pursuant to each Agreement.

16. **THIS COURT ORDERS** that the Plan of Notice, attached hereto as **Schedule "E"**, is hereby approved for the purpose of the publication and dissemination of the Short Form Notice of Settlement, Long Form Notice of Settlement and Claim Form.

17. **THIS COURT ORDERS** that the form and content of the Short Form Notice of Settlement, attached hereto as **Schedule "F"** is hereby approved.

18. **THIS COURT ORDERS** that the form and content of the Long Form Notice of Settlement, attached hereto as **Schedule "G"**, is hereby approved.

19. **THIS COURT ORDERS** that the form and content of the Claim Form, attached hereto as **Schedule "H"**, is hereby approved.

20. **THIS COURT ORDERS** that the Plaintiffs and the Settling Defendants may, on notice to the Court but without the need for a further order of the Court, agree to reasonable extensions of time to carry out any of the provisions of the Agreements.

21. **THIS COURT ORDERS AND DECLARES** that, other than as provided in section 4.1 of each Agreement, respectively, the Releasees (however defined) have no responsibility for and no liability whatsoever with respect to the administration of the Agreement pursuant to which they have been released.

22. **THIS COURT ORDERS AND DECLARES** that, upon the Effective Date, the Releasors under each Agreement shall release and discharge, and shall be conclusively deemed to have fully, finally and forever released and discharged the Releasees under each Agreement from the Released Claims (however defined) in each Agreement.

23. **THIS COURT ORDERS** that, within ten (10) business days of this Order, the insurer of Zungui Haixi Corporation shall pay to Siskinds LLP in trust the sum of CAD \$100,000.00 which shall be added to the existing Settlement Amount paid under the Zungui Agreement.

24. **THIS COURT ORDERS** that, upon the Effective Date, the Action shall be dismissed against all Defendants with prejudice and without costs.

25. **THIS COURT ORDERS** that, upon the Effective Date, the Bardi Action be dismissed with prejudice and without costs.

*Perell J*

\_\_\_\_\_  
THE HONOURABLE JUSTICE P.M. PERELL

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.  
AUG 27 2013  
AS DOCUMENT NO.:  
À TITRE DE DOCUMENT NO.  
PER / PAR:

SCHEDULE "A" - AUDITOR AGREEMENT

**ZUNGUI HAIXI CORPORATION CLASS ACTION SETTLEMENT AGREEMENT**

Made as of February 13, 2013

**B E T W E E N:**

Jerzy Robert Zaniewicz and Edward C. Clarke and any other proposed representative plaintiffs in  
Ontario Superior Court Action No. CV-11-436360-00CP  
in their personal and proposed representative capacities

(the "Plaintiffs")

-and-

Ernst & Young LLP

(the "Settling Defendant")

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## SETTLEMENT AGREEMENT

Subject to the approval of the Court as provided herein, the Plaintiffs and the Settling Defendant hereby stipulate and agree that, in consideration of the promises and covenants set forth in this Agreement and upon the Approval Order approving the Settlement and directing the implementation of the terms and conditions of the Settlement as set forth in this Agreement becoming final, this Action as against the Settling Defendant will be settled and compromised on the terms and conditions contained herein.

### SECTION 1 - RECITALS

#### 1.1 WHEREAS:

1. The Plaintiffs commenced the Action in Ontario alleging, among other things,
  - (a) that Zungui's IPO Prospectus dated December 11, 2009 and other disclosure documents released by Zungui including its audited and unaudited financial statements contained representations that were untrue, including that its financial statements were prepared in accordance with generally accepted accounting principles;
  - (b) that the Settling Defendant was negligent in failing to carry out its audits of Zungui's financial statements in a manner that complied with Canadian generally accepted auditing standards ("GAAS");
  - (c) that the Settling Defendant misrepresented that it had conducted its audits in accordance with GAAS; and
  - (d) that purchasers of shares of Zungui were harmed as a result of the foregoing.

2. The Southern Zungui Acquirors, who acquired a legal and/or beneficial interest in shares of Zungui pursuant to a share exchange agreement completed on or about December 21, 2009 between Zungui and Southern Trends, have asserted that they have claims and causes of action against the Settling Defendant arising out of their acquisition of shares of Zungui, which claims and causes of action are not pleaded in the Action or in any other action.
3. The Settling Defendant expressly denies and does not admit, through the execution of this Agreement or otherwise, all allegations of breach of duty and wrongdoing made in the Action or otherwise asserted, including by the Southern Zungui Acquirors, and any liability of any kind to the Class and to the Southern Zungui Acquirors.
4. The Parties and Class Counsel agree that neither this Settlement Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendant or evidence of the truth of any of the allegations made by the Plaintiffs and the Southern Zungui Acquirors against the Settling Defendant, which the Settling Defendant expressly denies.
5. Protracted, arm's length settlement negotiations have occurred between Class Counsel, on behalf of the Class (including the Southern Zungui Acquirors), and counsel for the Settling Defendant, resulting in this Settlement Agreement.
6. The Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement Agreement and, based on their analyses of the facts and law applicable to the claims, demands and causes of action of the Plaintiffs and of the Southern Zungui Acquirors, both asserted and unasserted, whether pleaded in the Action or not, and having regard to the extensive burdens, risks and expense of litigation, including the risks and uncertainties associated with trials and appeals, the Plaintiffs, with the benefit of advice from Class Counsel, and the Southern

Zungui Acquirors have concluded that this Settlement Agreement is fair, reasonable and in their best interest and the best interest of the Class that the Plaintiffs seek to represent.

7. The Settling Defendant is entering into this Settlement Agreement in order to achieve a final resolution of all Released Claims and the Action, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation.

8. The Parties therefore wish to, and hereby do, finally resolve, without admission of liability, the Action as against the Settling Defendant and all Released Claims of the Releasers.

9. For the purposes of settlement only and contingent upon approval by the Court as provided for in this Settlement Agreement, the Parties have consented to certification of the Action as a class proceeding on the terms provided herein;

10. The Plaintiffs assert that they are adequate class representatives for the Class and will seek to be appointed representative plaintiffs in the Action;

**NOW THEREFORE**, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties stipulate and agree that these Minutes of Settlement represent the agreement between the Parties reached on February 13, 2013 to resolve and release, fully and finally, in accordance with the terms more particularly set out herein, all Released Claims, and subject to the approval of the Court as provided herein, to obtain an Approval Order that is a Final Order dismissing the Action as against the Settling Defendant with prejudice and without costs.

## **SECTION 2 - DEFINITIONS**

2.1 In this Settlement Agreement, including the Recitals and Schedules hereto:

1. ***Action*** means the action styled *Zaniewicz et al. v. Zungul Haixi Corporation et al.* filed in the Ontario Superior Court of Justice (Toronto Registry), and bearing Court File. No. CV-11-436360-00CP.
2. ***Administration Expenses*** means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable in relation to the notice, approval, implementation and administration of the Settlement, including the costs of publishing and delivery of notices, fees, disbursements and taxes paid to the Notice Advisor and to the Administrator, and any other expenses approved by the Court which shall be paid from the Settlement Amount. For greater certainty, Administration Expenses do not include Class Counsel Fees.
3. ***Administrator*** means the third party professional firm selected at arm's length by Class Counsel and appointed by the Court to administer this Settlement Agreement in accordance with the Plan of Allocation, and any employees of such firm.
4. ***Agreement*** means this settlement agreement, including the recitals and schedules.
5. ***Approval Motion*** means a motion to be brought by the Plaintiffs in the Court for the Approval Order.
6. ***Approval Order*** means an order made by the Court:
  - (a) approving this Settlement;
  - (b) appointing the Administrator;
  - (c) approving the form of the Second Notice;

- (d) approving the Plan of Notice for the purpose of the publication of the Second Notice; and
- (e) approving the Plan of Allocation;

in a form satisfactory to the Settling Defendant or as fixed by the Court.

7. *Auditors' Reports* means:

- (a) the Settling Defendant's audit report to the board of directors of Zungui and to the board of directors of Southern Trends identified in the Settling Defendant's Consent at page A-1 of the long form prospectus of Zungui dated December 11, 2009 issued in connection with the IPO;
- (b) the Settling Defendant's audit report to the shareholders of Zungui, dated September 29, 2010, in respect of the consolidated balance sheets of Zungui as at June 30, 2010 and 2009 and the consolidated statements of income and comprehensive income, shareholders' equity and cash flows for the years then ended; and
- (c) unsigned audit reports contained in Zungui's preliminary long form prospectus dated November 2, 2009 attached as Appendix A to the Share Exchange Agreement.

8. *Authorized Claimant* means any Class Member who has submitted a completed Claim Form which, pursuant to the terms of the Agreement, has been approved for compensation by the Administrator in accordance with the Plan of Allocation.

9. ***Bardi Action*** means the action styled *Lulgi Bardi v. Zungui Hatxi Corporation*, filed in the Ontario Superior Court of Justice (Windsor Registry), and bearing Court File No. CV-11-16764.
10. ***Certification and First Notice Motion*** means a motion brought before the Court for an order in a form satisfactory to the Settling Defendant or as fixed by the Court.
11. ***Claim Form*** means the form to be approved by the Court which, when completed and submitted in a timely manner to the Administrator, constitutes a Class Member's claim for compensation pursuant to the settlement.
12. ***Claims Bar Deadline*** means the date by which each Class Member must file a Claim form and all supporting documentation with the Administrator; which date shall be one hundred and twenty (120) days after the date on which the Second Notice is first published.
13. ***Class* or *Class Members*** means all persons or entities wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.
14. ***Class Counsel*** means Siskinds LLP.
15. ***Class Counsel Fees*** means the fees, disbursements, costs, interest, HST and other applicable taxes or charges of Class Counsel as approved by the Court.
16. ***Class Period*** means the period from and including August 11, 2009 to and including August 22, 2011.
17. ***Common Issue*** means: Did the Auditors' Reports contain one or more misrepresentations within the meaning of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, or at common law?



18. ***Counsel for the Settling Defendant*** means Lenczner Slight Royce Smith Griffin LLP.
19. ***Court*** means the Ontario Superior Court of Justice.
20. ***CPA*** means the *Class Proceeding Act, 1992*, S.O. 1992, c. 6, as amended.
21. ***Defendant*** means any Defendant named as a defendant in the Action.
22. ***Effective Date*** means the date on which all of the following occur or have occurred:
  - a) the Settling Defendant has paid the Settlement Amount into the Escrow Account; and
  - b) the Settling Defendant's right to terminate the Settlement Agreement has expired and the Approval Order becomes a Final Order.
23. ***Eligible Shares*** means the Shares acquired by a Class Member or Opt-Out Party during the Class Period.
24. ***Escrow Account*** means an interest bearing trust account at a Canadian Schedule 1 bank in Ontario initially under the control of Class Counsel and then transferred to the control of the Administrator not later than ten (10) days after the Effective Date.
25. ***Escrow Settlement Amount*** means the Settlement Amount plus any interest accruing thereon.
26. ***Excluded Persons*** means each Defendant, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, agents, successors and assigns of Zungui and any member of each Defendant's families, their heirs, successors or assigns, and

includes any Southern Zungui Acquirers who acted as a consultant or provided other professional services to Zungui or its subsidiaries in connection with the IPO.

27. *Final Order* means any order of the Court contemplated by this Settlement Agreement from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or a notice of appeal.

28. *First Notice* means the Notice of Certification and Notice of Court Hearing for Settlement Approval.

29. *IPO* means the initial public offering of securities of Zungui pursuant to a long form prospectus of Zungui dated on or about December 11, 2009 and filed with SEDAR on or about that date, offering 11,500,000 common shares for gross proceeds of \$37,375,000, plus an additional 759,500 shares via an over-allotment option, for total proceeds of \$39,843,375.

30. *Long Form Notice of Settlement* means notice to the Class of the Approval Order in a form satisfactory to the Settling Defendant or as fixed by the Court.

31. *Mengshida* means Mengshida Shoes Co., Ltd. Shishi City, also known as Shishi Mengshida Shoes Co., Ltd.

32. *Newspapers* means the following newspaper publications:

- (a) in Canada: National Post, Globe & Mail and La Presse; and
- (b) in the People's Republic of China: South China Morning Post (Hong Kong).

33. *Non-Settling Defendant* means a Defendant that is neither a Settling Defendant nor an Other Settling Defendant.

34. *Notice Advisor* means the third party professional firm selected at arm's length by Class Counsel to effect the publication of the First Notice.

35. *Notice of Certification and Notice of Court Hearing for Settlement Approval* means notice to the Class of:

- (a) the certification of the Action as against the Settling Defendant and, as may be the case, any Other Settling Defendant, for settlement purposes only;
- (b) the procedure to obtain an Opt-Out Form and become an Opt-Out Party; and
- (c) the Approval Motion;

in a form satisfactory to the Settling Defendant.

36. *Opt-Out Deadline* means the date sixty (60) days after the date on which the First Notice is first published in the Newspapers.

37. *Opt-Out Form* means the document in a form to be approved by the Court that if validly completed and submitted by a Class Member to Class Counsel before the expiry of the Opt-Out Deadline, excludes that Class Member from the Class and participation in the Settlement.

38. *Opt-Out Party* means any person who would otherwise be a Class Member and who submits a valid Opt-Out Form to Class Counsel by the Opt-Out Deadline.

39. ***Opt-Out Period*** means the period up to and including the Opt-Out Deadline, during which Opt-Out Forms may be submitted by persons who fall within the Class and wish to opt-out of the Proceeding.

40. ***Opt-Out Threshold*** means the total number of Eligible Shares required to be held by all Opt-Out Parties in order to trigger the Settling Defendant's right to terminate this Agreement in accordance with Sections 10.5 to 10.7 hereof, as particularized in the Collateral Agreement.

41. ***Other Actions*** means any action or proceeding relating to the Released Claims, other than the Action, commenced by a Class Member or Southern Zungui Acquiror either before or after the Effective Date, including the Bardi Action.

42. ***Other Settlement Agreement*** means a settlement agreement that the Plaintiffs have entered into with any other Defendant(s) as at the date of execution of this Agreement, within 7 days thereof, or as extended by agreement of the Parties, to finally settle the Action and achieve a final resolution of, *inter alia*, the Plaintiff's claims and those of the Class Members as against those other Defendant(s).

43. ***Other Settling Defendant*** means any Defendant other than the Settling Defendant that has entered into an Other Settlement Agreement that results in an order from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or notice of appeal, approving the Other Settlement Agreement and directing that it be consummated and implemented in accordance with its terms, and directing that the Action be dismissed with prejudice and without costs as against the Other Settling Defendant.

44. *Parties* mean the Plaintiffs and the Settling Defendant.
45. *Plaintiffs* mean Jerzy Robert Zaniewicz and Edward C. Clarke, individually and collectively.
46. *Plan of Allocation* means the distribution plan stipulating the proposed distribution of the net settlement amount, in a form satisfactory to the Settling Defendant or as fixed by the Court.
47. *Plan of Notice* means the plan for disseminating the First Notice and disseminating the Second Notice to the Class in a form satisfactory to the Settling Defendant or as fixed by the Court.
48. *Proportionate Liability* means the proportion of liability to the Class that, had the Settling Defendant not settled the Action, the Court would have apportioned to the Settling Defendant at trial of the Action.
49. *Released Claims* (or Released Claim) mean any and all manner of claims, demands, actions, suits, proceedings, causes of action, whether class, individual derivative or otherwise in nature, whether personal or subrogated, damages whenever incurred, liabilities of any nature whatsoever, including interest, costs, expenses, Administration Expenses, penalties, and Class Counsel Fees and lawyers' fees known or unknown, suspected or unsuspected, actual or contingent, liquidated or unliquidated, whether pleaded in the Action or not, in law, under statute or in equity, in any jurisdiction, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall, or may have as against the Releasees or any one or more of them relating in any way to or arising out, of the purchase, sale, acquisition, exchange, pricing, marketing or distribution of Eligible Shares during

the Class Period, the Releasees' relationship with Zungui, audit opinions rendered to Zungui, Southern Trends or Mengshida by the Releasees, the Auditors' Reports, or any acts or omissions of, or representations made by the Releasees, directly or indirectly, to anyone about or relating to Zungui or Southern Trends or their subsidiaries, including Mengshida, or in respect of their operations, bank accounts and records, their consolidated or unconsolidated financial results, or the Eligible Shares, or relating to any conduct alleged or which could have been asserted in this Action, or in an action by the Southern Zungui Acquirors as a result of the purchase or acquisition of the Eligible Shares or the receipt of Eligible Shares under the Share Exchange Agreement in the Class Period, and any claims of a derivative nature that could have been brought by Zungui.

50. *Releasees* mean, jointly and severally, individually and collectively, the Settling Defendant and Ernst & Young Global Limited and all member firms thereof, and all present and former affiliated entities, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each.

51. *Releasers* mean, jointly and severally, individually and collectively, the Plaintiffs, the Class Members, and any person having a legal and/or beneficial interest in the Eligible Shares purchased or acquired by the Class Members, and each of their respective past and present directors, officers, employees, agents, trustees, servants, consultants, underwriters, advisors, representatives, heirs, executors, attorneys, administrators, guardians, estate trustees, successors and assigns, as the case may be, but excluding Opt-Out Parties.

52. *Second Notice* means the Short Form Notice of Settlement and the Long Form Notice of Settlement.

53. *Settlement* means the settlement provided for in this Settlement Agreement.
54. *Settlement Amount* means \$2,000,000 in Canadian currency to be paid by the Settling Defendant, inclusive of Administration Expenses, Class Counsel Fees, and any other costs or expenses otherwise related to the Action.
55. *Settling Defendant* means Ernst & Young LLP.
56. *Share Exchange Agreement* means the Securities Exchange Agreement among Southern Trends, Zungui, Haixi Holding Company Inc., Fengyi Cai and the other Southern Zungui Acquirors, dated November 2, 2009 and completed December 21, 2009.
57. *Shares* means common shares of Zungui, including shares in the capital of Southern Trends that were converted to shares of Zungui under the Share Exchange Agreement.
58. *Short Form Notice of Settlement* means notice to the Class of the Approval Order in a form satisfactory to the Settling Defendant or as fixed by the Court.
59. *Southern Trends* means Southern Trends International Holding Company Limited, a corporation incorporated under the laws of the British Virgin Islands.
60. *Southern Zungui Acquirors* means persons who acquired a legal or beneficial interest in Shares pursuant to the Share Exchange Agreement. For greater certainty, Southern Zungui Acquirors include Haixi Holding Company Inc., Legendary Trends Limited, Ou Yang Siu Sum, Choi Ching Lau, HaiXin Capital Group, Seshadri Chari, Avinder Grewal, The Winnington Capital Group Inc., The O'Sullivan Family Trust, Challisbury Developments Limited, Kinghall

Limited, Blue Heron Ventures Inc., France Crawford, Randall Smallbone, Morganbridge Communications Inc., and Michelle Gobin.

61. *Zungui* means Zungui Haixi Corporation, a corporation incorporated under the laws of the Province of Ontario, and all of its predecessors, successors, affiliates, parent companies, subsidiary companies and assigns.

### **SECTION 3 – APPROVAL AND NOTICE PROCESS**

#### **Best Efforts**

3.1 The Parties shall use their best efforts to effectuate this Settlement and to secure the Approval Order.

3.2 If the Plaintiffs have entered into any Other Settlement Agreement(s), the Parties shall take steps to effectuate this Settlement as contemplated herein and to secure the Approval Order in conjunction with, and at the same time as, steps taken to effectuate the Other Settlement Agreement(s) including the scheduling of motions and publication of notices, and to avoid unnecessary duplication of costs, legal fees, disbursements and Administration Expenses to the extent reasonably practicable and as agreed by the Parties.

3.3 Until the Approval Order becomes a Final Order or the termination of the Settlement Agreement, whichever occurs first, the Parties agree to hold in abeyance all other steps in the Proceeding as they relate to the Settling Defendant, other than the motions provided for in this Settlement Agreement and such other matters required to implement the terms of this Agreement.



### **Certification and First Notice Motion**

3.4 Prior to the Certification and First Notice Motion and as soon as reasonably possible following the execution of this Agreement, and solely for the purpose of implementing this Settlement Agreement, the Plaintiffs shall amend the Amended Fresh As Amended Statement of Claim in a form satisfactory to the Settling Defendant to:

- (a) define "Class" or "Class Members" as meaning all persons or entities (other than Excluded Persons) wherever they may reside or be domiciled who acquired securities of Zungui during the Class Period; and
- (b) plead the claims asserted by the Southern Zungui Acquirors against the Settling Defendant on behalf of any person who acquired shares of Zungui in the Share Exchange Agreement.

3.5 The amendments contemplated in section 3.4 and all other provisions of this Settlement Agreement are entirely without prejudice to the Settling Defendant's right to challenge the definition of "Class", "Class Member", and "Class Period", and any claims asserted by the Plaintiffs and Southern Zungui Acquirors for any reason if this Agreement is terminated.

3.6 The Plaintiffs will, as soon as is reasonably practicable following the execution of this Agreement, and the amendments contemplated in Section 3.4, bring the Certification and First Notice Motion. Subject to the content of the First Notice and the order sought in the Certification and First Notice Motion being satisfactory to the Settling Defendant, and for the purpose of this Agreement only, the Settling Defendant will consent to the order being sought.

3.7 The Notice Advisor shall cause the First Notice to be published in accordance with the Plan of Notice and the directions of the Court and the costs of so doing shall be paid from the Escrow Account by Class Counsel as and when incurred, except where coordination of the provision of the First Notice pertaining to this Settlement with the provision of a first notice for any other settlements memorialized in any Other Settlement Agreement would be desirable, in which case the costs of providing the First Notice shall be allocated proportionally among the settlements based on their respective values.

#### **Approval Motion and Notice**

3.8 The Plaintiffs will thereafter bring the Approval Motion before the Court in accordance with the Court's directions. The Settling Defendant will consent to the Approval Order, subject to the content of the Approval Order sought at the Approval Motion being satisfactory to the Settling Defendant, and for the purposes of the Settlement Agreement only.

3.9 Upon the granting of the Approval Order, Class Counsel or the Administrator, as the case may be, shall cause the Second Notice to be published and disseminated in accordance with the Plan of Notice as approved by the Court and the costs of so doing shall be paid from the Escrow Account as and when incurred, except where coordination of the provision of the Second Notice pertaining to this Settlement with the provision of a second notice for any Other Settlement Agreement that may have been or may be reached in the Proceeding would be desirable, in which case the costs of providing the Second Notice shall be allocated proportionally among the settlements based on their respective values.

### **Notice of Termination**

3.10 If this Agreement is terminated after the First Notice has been published and disseminated, a notice of the termination will be given to the Class. Class Counsel will cause the notice of termination, in a form approved by the Court, to be published and disseminated as the Court directs.

### **Report to the Court**

3.11 After publication and dissemination of each of the notices required by this Section, Class Counsel, the Notice Advisor or the Administrator, as the case may be, shall file with the Court an affidavit confirming publication and dissemination.

## **SECTION 4 – SETTLEMENT BENEFIT**

### **Payment of Settlement Amount**

4.1 Within fourteen (14) business days after execution of this Settlement Agreement, the Settling Defendant shall pay the Settlement Amount to Class Counsel for deposit into the Escrow Account, in full satisfaction of the Released Claims against the Releasees.

4.2 The Settling Defendant shall have no obligation to pay any amount in addition to the Settlement Amount for any reason whatsoever, including any amount for interest, legal fees (including Class Counsel fees), disbursements, taxes of any kind, costs and expenses relating in any way to the Action, including as described in sections 3.4 to 3.10, the Released Claims, the Settlement, and Administration Expenses.

4.3 If any Other Settlement Agreement is entered into, the Administration Expenses charged to the Escrow Account shall be a percentage of the total of all administrative expenses relating to

all settlements in proportion to the Settlement Amount divided by the total of all settlement amounts paid to Class Counsel for the benefit of the Class Members.

4.4 In no event shall the total Administrative Expenses relating to this Settlement and any Other Settlement Agreement exceed \$150,000 prior to the Effective Date.

4.5 Class Counsel shall account to the Court and the Settling Defendant for all payments it makes from the Escrow Account. In the event this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after the termination.

4.6 Any dispute concerning the entitlement to or quantum of expense incurred by Class Counsel and/or the Administrator shall be dealt with by a motion to the Court on notice to the Parties.

**Settlement Amount to be Held in Trust**

4.7 Class Counsel, and then the Administrator after the Settlement becomes final, shall maintain the Escrow Account and hold the Settlement Amount in trust in the Escrow Account as provided for in this Settlement Agreement. No amount shall be paid out from the Escrow Account, except in accordance with this Settlement Agreement, or in accordance with an order of the Court obtained on notice to the Parties.

**Taxes on Interest**

4.8 Except as expressly provided herein all interest earned on the Settlement Amount shall accrue to the benefit of the Class and shall become and remain part of the Escrow Account.

4.9 Subject to section 4.10, all taxes payable on any interest which accrues on or otherwise in relation to the Settlement Amount in the Escrow Account shall be the responsibility of the Class. Class Counsel or the Administrator, as appropriate, shall be solely responsible to fulfil all tax reporting and payment requirements arising from the Settlement Amount in the Escrow Account, including any obligation to report taxable income and make tax payments. All taxes (including interest and penalties) due with respect to the income earned by the Settlement Amount shall be paid from the Escrow Account.

4.10 The Settling Defendant shall have no responsibility to make any filings relating to the Escrow Account, to pay tax on any income earned by the Settlement Amount, or to pay any taxes on the monies in the Escrow Account, unless this Settlement Agreement is terminated, in which case any interest earned on the Settlement Amount in the Escrow Account shall be paid to the Settling Defendant who, in such case, shall be responsible for the payment of any taxes on such interest not previously paid by Class Counsel.

#### **SECTION 5 – NO REVERSION**

5.1 Unless this Agreement is terminated as provided herein, the Settling Defendant shall not be entitled to the repayment of any portion of the Settlement Amount and then only to the extent of and in accordance with the terms provided herein.

#### **SECTION 6 – DISTRIBUTION OF THE SETTLEMENT AMOUNT**

6.1 On or after the Effective Date, the Administrator shall distribute the balance of the Settlement Amount remaining in the Escrow Account in accordance with the following priorities:

- (a) to pay Class Counsel Fees;
- (b) to pay all of the costs and expenses reasonably and actually incurred in connection with the provision of the Second Notice, locating Class Members for the sole purpose of providing notice to them, soliciting Class Members to submit a Claim Form, including the notice expenses reasonably and actually incurred by the Administrator and brokerage firms in connection with the provision of the Second Notice to Class Members (provided, however, that the Administrator shall not pay in excess of fifteen thousand Canadian dollars (CAD\$15,000.00) in the aggregate to all brokerage firms and, if the aggregate amount claimed by such brokerage firms exceeds fifteen thousand Canadian dollars (CAD\$15,000.00), then the Administrator shall distribute the sum of fifteen thousand Canadian dollars (CAD\$15,000.00) to such brokerage firms on a *pro rata* basis). The Settling Defendant is specifically excluded from eligibility for any payment of notice expenses under this subsection;
- (c) to pay all of the Administration Expenses except that part paid by Class Counsel pursuant to Section 3.7. For greater certainty, the Settling Defendant and the Class are specifically excluded from eligibility for any payment of costs and expenses under this subsection;
- (d) to pay any taxes required by law to be paid to any governmental authority; and
- (e) to pay a *pro rata* share of the balance of the Settlement Amount to each Authorized Claimant in proportion to his, her or its claim as recognized in accordance with the Plan of Allocation.

## **SECTION 7 – EFFECT OF SETTLEMENT**

### **No admission of Liability**

7.1 Whether or not this Settlement Agreement is terminated, this Settlement Agreement, anything contained in it, any and all negotiations, discussions, and communications associated with this Settlement Agreement, shall not be deemed, construed or interpreted to be an admission by the Releasees of any fault, omission, wrongdoing or liability by the Releasees, or of the truth of any of the claims or allegations made in the Proceeding or otherwise asserted by the Plaintiffs and the Southern Zungui Acquirors. Without limiting the generality of the foregoing, nothing in this Settlement Agreement or the negotiation of it shall be used or construed as any admission by the Releasees:

- (a) of any fault, omission, liability or wrongdoing in connection with the purchase, sale, acquisition, exchange or distribution of securities of Zungui, or associated with any work performed by the Releasees or any of them for Zungui, Southern Trends and Mengshida; and
- (b) of any misrepresentation made directly or indirectly, concerning Zungui, Southern Trends and Mengshida, their operations, financial statements or financial results,

and in fact the Releasees continue to vigorously dispute, deny and contest the allegations made in the Proceeding and otherwise by the Plaintiffs and the Southern Zungui Acquirors.

### **Agreement Not Evidence**

7.2 The Parties agree that, whether or not it is terminated, this Agreement and anything contained herein, any and all negotiations, documents, discussions and proceedings associated

with this Agreement, and any action taken to implement this Agreement, shall not be referred to, offered as evidence or received in evidence in any pending or future civil, criminal, quasi-criminal, administrative action or disciplinary investigation or proceeding.

7.3 Notwithstanding section 7.2 this Agreement may be referred to or offered as evidence in order to obtain the orders or directions from the Court contemplated by this Agreement, in a proceeding to approve or enforce this Agreement, to defend against the assertion of Released Claims, or as otherwise required by law.

#### **Restrictions On Further Litigation**

7.4 Class Counsel, and anyone currently or hereafter employed by, associated with, or a partner with Class Counsel may not, directly or indirectly participate or be involved in, or in any way assist with respect to any claim made by any person in relation to the purchase, sale, acquisition, exchange or distribution of securities of Zungui, any representations made directly or indirectly, concerning Zungui, Southern Trends and Mengshida, their operations, financial statements or financial results, or any services rendered by the Releasees to Zungui, Southern Trends and Mengshida, except in relation to the continued prosecution of the Action against any Non-Settling Defendant and any proceeding relating to the approval of any Other Settlement Agreement.

7.5 Class Counsel also is prohibited from divulging to anyone for any purpose any information obtained in the course of the negotiation, preparation or execution of this Settlement Agreement, without the prior written consent of the Settling Defendant or unless ordered to do so by a court.



## **SECTION 8 – CERTIFICATION FOR SETTLEMENT ONLY**

### **Consent to Certification**

8.1 The Settling Defendant will consent to certification of the Action as a class proceeding, pursuant to Sections 2, 5 and 6 of the CPA, solely for the purpose of effecting this Agreement.

8.2 The Parties agree that the only common issue that the Plaintiffs will seek to define is the Common Issue and the only class that they will assert is the Class.

### **Certification Without Prejudice**

8.3 The Parties agree that the certification of the Action as a class proceeding in accordance with Sections 8.1 and 8.2 hereof is for the sole purpose of effecting the Settlement. In the event that this Agreement is terminated as provided herein, the Certification Order shall be vacated or set aside as set out herein, and shall be without prejudice to any position that any of the Parties may later take on any issue in the Action including in a subsequent certification motion. In particular, the fact of the Settling Defendant's consent to certification for settlement purposes shall not be referenced in any way in the further prosecution of the Action, nor shall such consent be deemed to be an admission by the Settling Defendant that the Plaintiffs have met any of the requisite criteria for certification of the Action as a class proceeding.

## **SECTION 9 - OPTING OUT**

### **Awareness of any Potential Opt-Outs**

9.1 The Plaintiffs and Class Counsel represent and warrant that:

- (a) they are unaware of any Class Member who has expressed an intention to opt out of the Class; and

- (b) they will not encourage or solicit any Class Member to opt out of the Class.

**Opt-Out Procedure**

9.2 Each Class Member who wishes to exclude themselves from the Class must submit a properly completed Opt-Out Form along with all required supporting documents to Class Counsel on or before the Opt-Out Deadline.

9.3 In order to remedy any deficiency in the completion of the Opt-Out Form, Class Counsel may require and request that additional information be submitted by a Class Member who submits an Opt-Out Form.

9.4 If a Class Member fails to submit a properly completed Opt-Out Form and/or all required supporting documents to Class Counsel or fails to remedy any deficiency by the Opt-Out Deadline, the Class Member shall not have opted out of the Proceeding, subject to any order of the Court to the contrary, and will in all other respects to be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

9.5 The Opt-Out Deadline will not be extended unless the Court orders otherwise.

9.6 Opt-Out Parties will be excluded from any and all rights and obligations arising from the Settlement. Class Members who do not opt out shall be bound by the Settlement and the terms of this Settlement Agreement regardless of whether the Class Member files a Claim Form or receives compensation from the Settlement.

**Notification of Number of Opt-Outs**

9.7 Within fifteen (15) days after the Opt-Out Deadline, Class Counsel shall report to the Court and the Parties the number of Eligible Shares held by each Opt-Out Party, a summary of the information delivered by each Opt-Out Party, and the total number of Eligible Shares held by the Opt-Out Parties.

9.8 Class Counsel shall also provide to the Settling Defendant copies of all of the Opt-Out Forms submitted by Opt-Out Parties at the same time as the report in section 9.7.

**SECTION 10 – TERMINATION OF THE AGREEMENT**

**General**

10.1 This Agreement shall, without notice, be automatically terminated if:

- (a) An order substantially in the form of the Approval Order satisfactory to the Settling Defendant is not granted by the Court; or
- (b) the Approval Order is reversed on appeal and the reversal becomes a Final Order.

10.2 This Agreement shall be terminated if the Settling Defendant elects to terminate the Agreement in accordance with section 10.5 forthwith upon delivery to Class Counsel of the notice of election to terminate contemplated by that section.

10.3 In the event this Agreement is terminated in accordance with its terms:

- (a) the Parties will be restored to their respective positions prior to the execution of this Agreement;

- (b) the Plaintiffs and the Settling Defendant will consent to an Order vacating or setting aside of any order certifying this Action as a class proceeding for the purposes of implementing this Agreement and such order shall include a declaration that the prior consent certification of this Action for settlement purposes shall not be deemed to be an admission by the Settling Defendant that the Action met any of the criteria for certification as a class action, and no Party to this Action and that no other person may rely upon the fact of the prior consent certification order for any purpose whatsoever;
- (c) the Escrow Settlement Amount will be returned to the Settling Defendant in accordance with section 10.9(d) hereof;
- (d) this Agreement will have no further force and effect and no effect on the rights of the Parties except as specifically provided for herein;
- (e) all statutes of limitation applicable to the claims asserted in the Proceeding shall be deemed to have been tolled during the period beginning with the execution of this Agreement and ending with the day on which the orders contemplated by section 10.9 are entered;
- (f) any costs reasonably incurred by the Administrator and paid out of the Escrow Account for performing the services required to prepare to implement this Settlement, and amounts paid for the publication and dissemination of notices are non-recoverable from the Plaintiffs, the Class Members, the Administrator or Class Counsel;

(g) this Agreement and the consent certification order will not be introduced into evidence or otherwise referred to in any litigation against the Settling Defendant.

10.4 Notwithstanding the provisions of section 10.3(d), if this Agreement is terminated, the provisions of this section 10 and sections 1, 2, 3.5, 3.10, 4.2, 4.9, 4.10, 5.1, 7.1, 7.2, 7.3, 7.5, 8.3, 10.8, 10.9, 10.10, 10.11 and 17 shall survive termination and shall continue in full force and effect.

**Effect of Exceeding the Opt-Out Threshold, Conditions Precedent and Right to Terminate**

10.5 Notwithstanding any other provision in this Agreement, the Settling Defendant may, in its sole discretion, elect to terminate the Agreement if the total number of Eligible Shares held by Opt-Out Parties exceeds the Opt-Out Threshold, provided that notice of the election to terminate is provided to Class Counsel within twenty (20) days of Class Counsel notifying the Settling Defendant of the number of Opt-Outs pursuant to section 9.7, after which date its right to terminate the Agreement will have expired.

10.6 If the Opt-Out Threshold is not exceeded, the Settling Defendant's right to terminate this Agreement pursuant to the provisions of this Section is inoperative and of no force and effect.

10.7 The Opt-Out Threshold shall be stated in the Collateral Agreement signed contemporaneously with the execution of this Agreement. The Collateral Agreement will state the Opt-Out Threshold shall be kept confidential by the Parties and their counsel, and may be shown to the Court solely for purposes of the Settlement Approval Hearing but shall not be otherwise disclosed by the Parties and their counsel, unless disclosure is ordered by the Court or the Settling Defendant provides prior written consent to disclosure.

**Allocation of Monies in the Escrow Account Following Termination**

10.8 The Administrator and/or Class Counsel shall account to the Court and the Parties for the amounts maintained in and disbursed from the Escrow Account. If this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after such termination.

10.9 If this Settlement Agreement is terminated, the Settling Defendant shall, within thirty (30) days after termination, apply to the appropriate Court, on notice to the Plaintiffs and the Administrator, as may be necessary, for an order:

- (a) declaring this Settlement Agreement null and void and of no force or effect except for the provisions of those sections listed in section 10.4;
- (b) determining whether a notice of termination shall be sent out to the Class Members and, if so, the form and method of disseminating such a notice;
- (c) requesting an order setting aside, *nunc pro tunc*, all prior orders or judgments entered by the Court in accordance with the terms of this Agreement, including any order certifying the Action as a class proceedings for the purposes of implementing this Agreement; and
- (d) authorizing the payment of all remaining funds in the Escrow Account, including accrued interest, to the Settling Defendant.

10.10 Subject to section 10.11, the Parties shall consent to the orders sought in any motion made by the Settling Defendant pursuant to section 10.9.

**Disputes Relating to Termination**

10.11 If there is any dispute about the termination of this Agreement, the Court shall determine any dispute by motion made by a Party on notice to the other Parties.

**No Right to Terminate**

10.12 For greater certainty, no dispute or disagreement among the Plaintiffs and/or members of the Class or any of them about the proposed distribution of the Settlement Amount or the Plan of Allocation shall give rise to a right to terminate this Agreement.

**SECTION 11 – DETERMINATION THAT THE SETTLEMENT IS FINAL**

11.1 The Settlement shall be considered final on the Effective Date.

11.2 Within ten (10) days after the Effective Date, Siskinds LLP shall transfer the Escrow Account to the Administrator.

**SECTION 12 – RELEASES AND JURISDICTION OF THE COURT**

**Release of Releasees**

12.1 As of the Effective Date the Releasers forever and absolutely release, waive and forever discharge the Releasees from the Released Claims.

12.2 The Releasers acknowledge that they are aware that they may hereafter discover facts in addition to, or different from, those facts which they know or believe to be true with respect to the Action and the subject matter of the Settlement Agreement, and that it is their intention to release fully, finally and forever all Released Claims, and in furtherance of such intention, this release and, subject to the provisions of section 10, this Settlement Agreement, shall be and

remain in effect notwithstanding the discovery or existence of any such additional or different facts.

**Covenant Not to Sue**

12.3 Notwithstanding Section 12.1, for any Class Members resident in any province or territory where the release of one tortfeasor in an action is a release of all other tortfeasors in the same action, the Releasers do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in, or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

**No Further Claims**

12.4 As of the Effective Date, the Releasers and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Ontario or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any of the Releasees or any other person who may claim contribution or indemnity from any of the Releasees in respect of any Released Claim or any matter related thereto, except for the continuation of the Action against any Non-Settling Defendant.

12.5 Should any such claim be commenced between the date of this Agreement and the Effective Date, the Plaintiffs shall support a motion by the Settling Defendant to dismiss or permanently stay such proceedings.



**Dismissal of the Action**

12.6 Except as otherwise provided in this Agreement and the Approval Order, this Action shall be dismissed as against the Settling Defendant without costs and with prejudice no earlier than the Effective Date.

12.7 On or as soon as practicable after the Effective Date, the Plaintiffs shall amend the Statement of Claim as amended pursuant to section 3.4 to give effect to this Settlement and the Approval Order, and in particular to limit the scope of the Action to claims against the Non-Settling Defendants related to their own negligent and proportionate liability.

12.8 The Settling Defendants shall, by motion on notice to the Plaintiffs, seek directions of the Court in the event of a disagreement between the Parties as to the sufficiency of the amendment to be issued under Section 12.7.

**Dismissal of the Bardi Action**

12.9 The Plaintiffs shall seek the dismissal of the Bardi Action as part of the Approval Order.

**No Claims in Interim**

12.10 As of the date of this Agreement, Class Counsel do not represent plaintiffs in any other proceeding related to any matter at issue in this Action.

**SECTION 13 – BAR ORDER, OTHER CLAIMS AND DISCOVERY**

13.1 The Releasers shall exclude from any of their claims which continue against any Defendant that is not a Settling Defendant that portion of any damages that corresponds to the proportional share of liability of the Settling Defendant, proven at trial or otherwise.

13.2 The Plaintiffs shall, in the Approval Motion, seek a bar order from the Court providing for the following:

- (i) all claims against the Releasees for contribution, indemnity or other relief, whether direct or indirect, by statute or at common law, asserted or unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, that could have been asserted by any Non-Settling Defendant, any Other Settling Defendant, Haixi Holding Company Inc., Challisbury Developments Limited or Wesbridge Capital Corporation (collectively the "Related Defendants"), or by any person or company owned or controlled (within the meaning of Section 89(3) of the *Securities Act*, R.S.O. 1990, c. S.5 as amended) by any of the Related Defendants, by crossclaim, third party claim, or otherwise, arising from or relating in any way to the events, actions, and omissions underlying or matters in issue in the Action, are barred, prohibited and enjoined in accordance with the terms of this section;
- (ii) If the Court ultimately determines there is a right of contribution and indemnity or other claim over, whether in equity or in law, by statute or otherwise between any or all of the Defendants:
  - (A) the Class Members shall not be entitled to claim or recover from any Non-Settling Defendant or other Settling Defendant, that portion of any damages (including punitive damages, if any), restitution, disgorgement, interest and costs that corresponds to the

Proportionate Liability of the Releasees proven at trial or otherwise; and

- (B) the Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of the Action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to the Action and any determination by the Court in respect of the Proportionate Liability shall only apply in the Action and shall not be binding on the Releasees in any other proceedings.

13.3 The form and content of the bar order contemplated in this Section shall be considered a material term of the Agreement and the failure of the Court to approve the bar order contemplated herein shall give rise to a right of termination by the Settling Defendant pursuant to Section 10 of this Settlement Agreement.

**Non-Settling Defendants' Discovery Rights Preserved**

13.4 A Non-Settling Defendant may, upon motion on at least thirty (30) days notice to Counsel for the Settling Defendant and not to be brought unless and until the Action against the Non-Settling Defendants has been certified under the CPA by the Court and all appeals or times to appeal from such certification orders have been exhausted, seek an order from the Court for the following:

- (A) documentary discovery and an affidavit of documents in accordance with the relevant rules of civil procedure from the Settling Defendant;
- (B) oral discovery of a single representative of the Settling Defendant, the transcript of which may be read in at trial;
- (C) leave to serve a request to admit on the Settling Defendant in respect of factual matters; and/or
- (D) the production of a single representative of the Settling Defendant to testify at trial, with such witness to be subject to cross-examination by counsel for the Non-Settling Defendants.

13.5 The Settling Defendant retains all rights to oppose any such motion(s) brought under 13.4, and shall not by the terms hereof be deemed to have agreed to or acknowledged that any Non-Settling Defendant is entitled to such relief and in fact it is denied.

13.6 A Non-Settling Defendant may effect service of the motion(s) referred to in Section 13.4 on the Settling Defendant by service on Counsel for the Settling Defendant.

13.7 To the extent that an order is granted on a motion brought pursuant to Section 13.4 and discovery is provided to a Non-Settling Defendant, a copy of all documentary discovery provided shall be delivered by the Non-Settling Defendant to Class Counsel at the Plaintiffs' expense, and if the Non-Settling Defendant fails to provide to the Settling Defendant forthwith a copy of the transcript of any examination for discovery of the Settling Defendant, then the Plaintiffs shall do so, at no cost to the Settling Defendant.

13.8 If the court grants an order as the result of a motion brought pursuant to section 13.4 in favour of a Non-Settling Defendant, the Settling Defendant shall consent to an order on substantially the same terms in favour of the Plaintiffs.

## **SECTION 14 – PRODUCTION**

### **Production**

14.1 Within 30 days of the Effective Date, the Settling Defendant shall provide to Class Counsel,

- (i) a copy of all correspondence that it exchanged with the underwriters named as Defendants (“the underwriters”) and any notes or record of its communications with the underwriters in relation to Zungui and its subsidiaries; and
- (ii) a copy of all audit summary review memoranda and documents delivered to the board of directors of Zungui or to any committee of the board in relation to the Auditors’ Reports described in section 2.1.7(a) of this Settlement Agreement.

14.2 Any documents or information produced pursuant to sections 13 and 14 shall be subject to Rule 30.1.01 of the Ontario *Rules of Civil Procedure* and the implied undertaking rule.

14.3 Nothing in this Settlement Agreement shall be construed to require the Settling Defendant to perform any act, including the transmittal or disclosure of any information, which would violate any federal, provincial, or local privacy law, or any other law of any jurisdiction.

14.4 Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information prepared by or for Counsel for the Settling Defendant, or to disclose or produce any documents or information in breach of any order, regulatory directive, rule or law of this or any jurisdiction, or subject to solicitor-client privilege, litigation privilege, or any other privilege, or to disclose or produce any information or documents they obtained on a privileged or co-operative basis from any party to any action or proceeding who is not the Settling Defendant.

14.5 The Settling Defendant's obligations to produce documents as particularized in this Section shall not be affected by the release provisions contained in section 12 of this Agreement.

**Limits on Use of Documents**

14.6 The Parties agree that all documents provided by the Settling Defendant to the Plaintiffs and Class Counsel under this Agreement shall be used only in connection with the prosecution of the claims in the Action against Non-Settling Defendants, and shall not be used directly or indirectly for any other purpose. The Plaintiffs and Class Counsel agree they will not publicize the documents and information provided by the Settling Defendant beyond what is reasonably necessary for the prosecution of the Action against any Non-Settling Defendant or as otherwise required by law.

**SECTION 15 – ADMINISTRATION**

**Appointment of the Administrator**

15.1 The Court will appoint the Administrator to serve until such time as the Settlement Amount is distributed in accordance with the Plan of Allocation, to implement the Agreement

and the Plan of Allocation, on the terms and conditions and with the powers, rights, duties and responsibilities set out in this Agreement and in the Plan of Allocation.

15.3 If the approval of the Settlement becomes final as contemplated by section 11.1 the Court will fix the Administrator's compensation and payment schedule.

#### **Claims Process**

15.4 In order to seek payment from the Settlement Amount, a Class Member must submit a completed Claim Form to the Administrator, in accordance with the provisions of the Plan of Allocation, on or before the Claims Bar Deadline. Class Members shall be bound by the terms of the Settlement regardless of whether they submit a completed Claim Form or receive payment from the Settlement Amount.

15.5 In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within this period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court to the contrary, but will in all other respects be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

15.6 By agreement between the Administrator and Class Counsel, and on Notice to Counsel for the Settling Defendant, the Claims Bar Deadline may be extended. Class Counsel and the Administrator shall agree to extend the Claims Bar Deadline if, in their opinions, doing so will

not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

#### **Disputes Concerning the Decisions of the Administrator**

15.7 In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, the Class Member may appeal the decision to the Court in accordance with the provisions in the Plan of Allocation. The decision of the Court will be final with no right of appeal.

15.8 No action shall lie against Class Counsel or the Administrator for any decision made in the administration of the Settlement Agreement and Plan of Allocation without an order from the Court authorizing such an action.

#### **Conclusion of the Administration**

15.9 Following the Claims Bar Deadline, and in accordance with the terms of this Settlement Agreement, the Plan of Allocation, and such further approval or order of the Court as may be necessary, or as circumstances may require, the Administrator shall distribute net Escrow Settlement Amount to Authorized Claimants.

15.10 No claims or appeals shall lie against Class Counsel or the Administrator based on distributions made substantially in accordance with the Settlement Agreement, the Plan of Allocation, or with any other order or judgment of the Court.

15.11 If the Escrow Account is in a positive balance (whether by reason of tax refunds, uncashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of



the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall donate such balance to the Small Investor Protection Association (Canada), *cy pres*.

15.12 Upon the conclusion of the administration, and before distribution of the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall report to the Court on the administration and shall account for all monies it has received, administered and proposes to distribute in accordance with this Agreement and the Plan of Allocation.

#### **SECTION 16 – THE FEE AGREEMENT AND CLASS COUNSEL FEES**

##### **Motion for Approval of Class Counsel Fees**

16.1 At the Approval Hearing Class Counsel may seek the approval of Class Counsel Fees to be paid as a first charge on the Settlement Amount. Class Counsel are not precluded from making additional applications to the Court for expenses incurred as a result of implementing the terms of the Agreement. All amounts awarded on account of Class Counsel Fees shall be paid from the Settlement Amount.

16.2 The Settling Defendant acknowledges that it is not a party to the motion concerning the approval of Class Counsel Fees, they will have no involvement in the approval process to determine the amount of Class Counsel Fees and they will not take any position or make any submissions to the Court concerning Class Counsel Fees, except as requested and required by the Court.

16.3 The procedure for, and the allowance or disallowance by the Court of any requests for Class Counsel Fees to be paid out of the Settlement Amount are not part of the Settlement provided for herein, except as expressly provided in section 6.1, and are to be considered by the

Court separately from its consideration of the fairness, reasonableness, and adequacy of the Settlement provided for herein.

16.4 Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Settlement Agreement or affect or delay the finality of the Approval Order and the Settlement of this Action provided herein.

**Payment of Class Counsel Fees**

16.5 Forthwith after the Settlement becomes final, as contemplated in section 11.1, and the time for the Settling Defendant to elect to terminate pursuant to section 10.5 has expired or the Settling Defendant has waived its right to elect to terminate the Agreement, the Administrator shall pay to Class Counsel in trust the Class Counsel Fees approved by the Court from the Escrow Account.

**SECTION 17 – MISCELLANEOUS**

**Motions for Directions**

17.1 Any one or more of the Parties, Class Counsel, or the Administrator may apply to the Court for directions in respect of any matter in relation to this Agreement and Plan of Allocation.

17.2 All motions contemplated by this Agreement shall be on notice to the Parties.

**Settling Defendant Has No Responsibility or Liability for Administration**

17.3 Except for the obligations in respect of the performance of the obligations under Sections 4.1 and 14, the Settling Defendant shall have no responsibility for and no liability whatsoever

with respect to the administration or implementation of this Agreement and Plan of Allocation, including, without limitation, the processing and payment of claims by the Administrator.

**Headings, etc.**

**17.4 In this Agreement:**

- (a) the division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (b) the terms “the Settlement Agreement”, “this Agreement”, “herein”, “hereto” and similar expressions refer to this Settlement Agreement and not to any particular section or other portion of the Agreement;
- (c) all amounts referred to are in lawful money of Canada; and
- (e) “person” means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies.

**17.5 In the computation of time in this Agreement, except where a contrary intention appears:**

- (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

**Governing Law**

17.6 The Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.

17.7 The Parties agree that the Court shall retain exclusive and continuing jurisdiction over this Proceeding, the Parties and Class Members to interpret and enforce the terms, conditions and obligations under this Agreement and the Approval Order.

**Severability**

17.8 Any provision hereof that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be severable from the remaining provisions which shall continue to be valid and enforceable to the fullest extent permitted by law.

**Entire Agreement**

17.9 This Agreement constitutes the entire agreement among the Parties and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Agreement, unless expressly incorporated herein. This Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Court.

**Binding Effect**

17.10 If the Settlement is approved by the Court and becomes final as contemplated in section 11, this Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Class Members, the Settling Defendant, Class Counsel, the Releasees and the Releasers or, any of them, and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiffs shall be binding upon all Releasers and each and every covenant and agreement made herein by the Settling Defendant shall be binding upon all of the Releasees.

**Survival**

17.11 The representations and warranties contained in this Agreement shall survive its execution and implementation.

**Negotiated Agreement**

17.12 This Agreement and the underlying settlement have been the subject of arm's-length negotiations and many discussions among the undersigned and counsel. Each of the undersigned has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of this Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of the Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Agreement.

**Recitals**

17.13 The recitals to this Agreement are true, constitute material and integral parts hereof and are fully incorporated into, and form part of, this Agreement.

**Acknowledgements**

17.14 Each Party hereby affirms and acknowledges that:

- (a) its signatory has the authority to bind the Party for which it is signing with respect to the matters set forth herein and has reviewed this Agreement; and
- (b) the terms of this Agreement and the effects thereof have been fully explained to it by his or its counsel;
- (c) he, she or its representative fully understands each term of this Agreement and its effect.

**Counterparts**

17.15 This Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Agreement.

**Confidentiality and Communications**

17.16 In any public discussion of, comment on, press release or other communication of any kind (with the media or otherwise) about this Agreement and the Plan of Allocation, the

Plaintiffs and Class Counsel agree and undertake to describe the Settlement and the terms of this Agreement as fair, reasonable and in the best interests of the Class.

17.17 Nothing in this section shall prevent the Parties or their counsel, or any of them, from reporting to their clients, from complying with any order of the Court, or from making any disclosure or comment required by this Agreement, or from making any necessary disclosure or comment for the purposes of any applicable securities or tax legislation or from making any disclosure or comment to Class Members or the Court or for the purposes of any proceedings as between the Defendants.

17.18 Without limiting the generality of the foregoing, the Parties specifically agree that the Parties will not make any public statements, comment or any communication of any kind about any negotiations or information exchanged as part of the settlement process. In addition, to the extent that there is public discussion of, comment on or communication of any kind about this Agreement, the Parties and their counsel agree and undertake to make no statement or comment that the Agreement is other than fair, reasonable and in the best interests of the Class.

**Notice**

17.19 Any notice, instruction, motion for Court approval or motion for directions or Court orders sought in connection with this Agreement or any other report or document to be given by any party to any other party shall be in writing and delivered personally, by facsimile or e-mail during normal business hours, or sent by registered or certified mail, or courier postage paid:

**For Plaintiffs and for Class Counsel:**

Charles Wright  
Siskinds LLP  
100 Lombard Street  
Suite 302  
Toronto, ON M5C 1M3

Telephone: 416-362-8334  
Facsimile: 416-362-2610  
Email:

**For the Settling Defendant:**

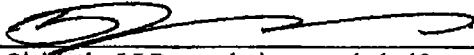
Peter Griffin and Linda Fuerst  
Lenczner Slaght Royce Smith Griffin LLP  
130 Adelaide Street West  
Suite 2600  
Toronto, ON M5H 3P5

Telephone: 416-865-3091  
Facsimile: 416-865-2869  
Email: lfuerst@litigate.com

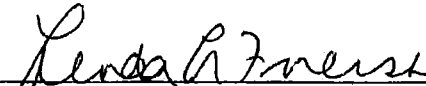
**Date of Execution**

17.20 The Parties have executed this Settlement Agreement as of the date on the cover page.

04/26/2013  
Date

  
Siskinds LLP on their own behalf, as Class Counsel  
and as counsel for Jerzy Robert Zaniewicz and Edward  
C. Clarke

April 30, 2013  
Date

  
Lenczner Slaght Royce Smith Griffin LLP as Counsel  
for Ernst & Young LLP, and Ernst & Young Global  
Limited and all member firms thereof



**SETTLEMENT AGREEMENT**

Made as of the 26<sup>th</sup> day of April, 2013

Between

**Jerzy Robert Zaniewicz  
Edward C. Clarke**

**(the "Plaintiffs")**

and

**Matthew Gottlieb as the Litigation Reciever of Zungui Haixi Corporation**

**Michelle Gobin  
Michael W. Manley  
Patrick A. Ryan  
Elliott Wahle  
Margaret Cornish**

**(the "Settling Defendants")**

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## SETTLEMENT AGREEMENT

Subject to the approval of the Court as provided herein, the Plaintiffs and the Settling Defendants hereby stipulate and agree that, in consideration of the promises and covenants set forth in this Agreement and upon the Approval Order approving the Settlement and directing the implementation of the terms and conditions of the Settlement as set forth in this Agreement becoming final, this Action as against the Settling Defendants will be settled and compromised on the terms and conditions contained herein.

### SECTION 1 – RECITALS

#### WHEREAS:

- A. Jerzy Robert Zaniewicz and Edward C. Clarke commenced this Action against the Defendants alleging, among other things, that Zungui's IPO Prospectus and certain of Zungui's secondary securities market disclosure documents were materially misleading.
- B. The Settling Defendants have denied and continue to deny all the Plaintiffs' claims in this Action, have vigorously denied any wrongdoing or liability of any kind, or whatsoever, and would have actively and diligently pursued affirmative defences and other defences had this Action not been settled.
- C. Based upon an analysis of the facts and law applicable to the issues in this Action, and taking into account the extensive burdens, complexities, risks and expense of continued litigation, including the determination of the Settling Defendants' liability and potential limits thereto, the determination of damages to the Class, any potential appeals,

as well as the fair, cost-effective and assured method of resolving the claims of the Class, the Plaintiffs, with the benefit of advice from Class Counsel, concluded that this Agreement is fair and reasonable, and in the best interests of the Class.

D. The Settling Defendants similarly have concluded that this Agreement is desirable in order to avoid the time, risk and expense of continuing with the litigation, including any potential appeals, and any other present or future litigation arising out of the facts that gave rise to this litigation, and to resolve finally and completely the pending claims raised or that could have been raised in this proceeding.

E. The Plaintiffs and the Settling Defendants have engaged in hard-fought arm's length negotiations.

F. The Plaintiffs and the Settling Defendants intend to and hereby do finally resolve this Action and all the claims that were or could have been asserted in the Action against the Settling Defendants, Zungui, and the Cai Brothers, subject to the approval of the Court as hereinafter provided, without any admission of liability or wrongdoing whatsoever by the Settling Defendants.

G. The Plaintiffs assert that they are suitable representatives for the Class and will seek to be appointed as the representative plaintiffs in the Action.

**NOW, THEREFORE, FOR VALUE RECEIVED,** the Plaintiffs and the Settling Defendants stipulate and agree, subject to the approval of the Court, that any and all claims made or that could have been made against the Settling Defendants, Zungui

and the Cai Brothers in this Action, whether known or unknown, shall be finally settled and resolved on the terms and conditions set forth in this Agreement.

## **SECTION 2 – DEFINITIONS**

### **2.1 Definitions**

In this Agreement, including the recitals hereto:

(1) *Action* means the action styled *Zaniewicz et al. v. Zungui Haixi Corporation et al.*, filed in the Ontario Superior Court of Justice (Toronto Registry), and bearing Court File No. CV-11-436360-00CP.

(2) *Administration Expenses* means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable relating to notice, approval, implementation and administration of the Settlement including the fees, disbursements and taxes paid to the Notice Advisor and to the Administrator, and any other expenses approved by the Court which shall all be paid from the Settlement Amount. For greater certainty, Administration Expenses do not include Class Counsel Fees.

(3) *Administrator* means the third-party professional firm selected at arm's length by Class Counsel and appointed by the Court to administer this Agreement and the Plan of Allocation, and any employees of such firm.

(4) *Agreement* means this settlement agreement, including the recitals and schedules.

(5) *Approval Hearing* means the hearing of the Approval Motion by the Court.

(6) *Approval Motion* means a motion to be brought by the Plaintiffs in the Court for the Approval Order.

- (7) **Approval Order** means the order made by the Court:
- (a) approving this Settlement;
  - (b) appointing the Administrator;
  - (c) approving the form of the Second Notice;
  - (d) approving the Plan of Notice for the purpose of the publication of the Second Notice; and
  - (e) approving the Plan of Allocation;

such order shall be substantially in the form attached hereto as Schedule “A” or as fixed by the Court.

(8) **Authorized Claimant** means any Class Member who has submitted a completed Claim Form which, pursuant to the terms of this Agreement, has been approved for compensation by the Administrator in accordance with the Plan of Allocation.

(9) **Bardi Action** means the action styled *Luigi Bardi v. Zungui Haixi Corporation*, filed in the Ontario Superior Court of Justice (Windsor Registry), and bearing Court File No. CV-11-16764.

(10) **Cai Brothers** means Fengui Cai, Jixu Cai and Yanda Cai.

(11) **Certification and First Notice Motion** means a motion brought before the Court for an order substantially in the form attached hereto as Schedule “B” or as fixed by the Court:



- (a) certifying this Action as a class proceeding under the *CPA* as against the Settling Defendants for settlement purposes only;
- (b) approving the Opt-Out Form;
- (c) setting the date for the hearing of the Approval Motion in the Court;
- (d) appointing the Notice Advisor;
- (e) approving the Plan of Notice for the purpose of:
  - i. the publication and dissemination of the First Notice; and
  - ii. the dissemination of the Opt-Out Form; and
- (f) approving the form of the First Notice.

(12) ***Claim Form*** means the form to be approved by the Court which, when completed and submitted in a timely manner to the Administrator, constitutes a Class Member's claim for compensation pursuant to this Settlement.

(13) ***Claims Bar Deadline*** means the date by which each Class Member must file a Claim Form and all required supporting documentation with the Administrator, which date shall be one hundred and twenty (120) days after the date on which the Second Notice is first published.

(14) ***Class or Class Members*** means all persons, wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.

(15) ***Class Counsel*** means Siskinds LLP.

(16) ***Class Counsel Fees*** means the fees, disbursements, costs, HST and other applicable taxes or charges of Class Counsel, as approved by the court.

(17) ***Class Period*** means the period from August 11, 2009 through August 22, 2011 inclusive.

(18) ***Collateral Agreement*** means the agreement executed contemporaneously with this Agreement, which sets the Opt-Out Threshold, the terms of which shall be kept confidential unless the Court requires disclosure thereof, or as may be required by section 10.4 hereof.

(19) ***Common Issue*** means: Did Zungui's Class Period disclosure documents contain one or more misrepresentations within the meaning of the *Securities Act*, R.S.O. 1990, c. B-16, as amended, or at common law?

(20) ***Court*** means the Ontario Superior Court of Justice.

(21) ***CPA*** means the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, as amended.

(22) ***Effective Date*** means the date on which all of the following occur or have occurred:

- (a) the Settling Defendants have paid the Settlement Amount into the Escrow account; and

(b) the Settling Defendants' right to terminate this Settlement has expired and the Approval Order becomes a Final Order.

(23) *Eligible Shares* means the Shares acquired by a Class Member or Opt-Out party during the Class Period, including all shares of the capital of Southern Trends that were converted to shares of Zungui under the Share Exchange Agreement.

(24) *Escrow Account* means the interest bearing trust account with one of the Canadian Schedule 1 banks in Ontario initially under the control of Class Counsel and then transferred to the control of the Administrator not later than ten (10) days after the Effective Date.

(25) *Escrow Settlement Amount* means the Settlement Amount plus any interest accruing thereon.

(26) *Excluded Persons* means each Defendant, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, agents, successors and assigns of Zungui and any member of each Defendants' families, their heirs, successors or assigns, and includes any Southern Zungui Acquirers who acted as a consultant or provided other professional services to Zungui or its subsidiaries in connection with the initial public offering of Zungui.

(27) *Final Order* means any order contemplated by this Agreement from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or a notice of appeal.

(28) *First Notice* means the Notice of Certification and Notice of Court Hearing for Settlement Approval.

(29) *Long Form Notice of Settlement* means notice to the Class of the Approval Order, substantially in the form attached as Schedule “D” or as fixed by the Court.

(30) *Newspapers* means the following newspaper publications:

- (a) in Canada: National Post, Globe & Mail and La Presse; and
- (b) in the People’s Republic of China: South China Morning Post (Hong Kong).

(31) *Non-Settling Defendants* means Ernst & Young LLP, CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and Mackie Research Capital Corporation.

(32) *Notice Advisor* means the third party professional firm selected at arm’s length by Class Counsel to effect the publication of the First Notice.

(33) *Notice of Certification and Notice of Court Hearing for Settlement Approval* means notice to the Class of:

- (a) the certification of this Action as against the Settling Defendants for settlement purposes only;
- (b) the procedure to obtain an Opt-Out Form and become an Opt-Out Party;  
and
- (c) the Approval Motion.

(34) **Opt-Out Deadline** means the date sixty (60) days after the date on which the First Notice is first published.

(35) **Opt-Out Form** means the document in a form to be approved by the Court that if validly completed and submitted by a Class Member to Class Counsel before the Opt-Out Deadline, excludes that Class Member from the Class and from participation in the Settlement.

(36) **Opt-Out Party** means any person who would otherwise be a Class Member who submits a valid Opt-Out Form to Class Counsel by the Opt-Out Deadline.

(37) **Opt-Out Threshold** means the total number of Eligible Shares required to be held by all Opt-Out Parties in order to trigger the Settling Defendants' right to terminate this Agreement in accordance with Section 10.2 hereof, as particularized in the Collateral Agreement.

(38) **Parties** means the Plaintiffs and the Settling Defendants.

(39) **Plaintiffs** means Jerzy Robert Zaniewicz and Edward C. Clarke.

(40) **Plan of Allocation** means the distribution plan stipulating the proposed distribution of the net Settlement Amount, in a form satisfactory to the Settling Defendants or as fixed by the Court.

(41) **Plan of Notice** means the plan for disseminating the First Notice and disseminating the Second Notice to the Class which shall be substantially in the form attached hereto as Schedule "C" or as fixed by the Court.

(42) ***Proportionate Liability*** means the proportion of liability to the Class that, had they not settled, the Court would have apportioned to the Settling Defendants, Zungui and the Cai Brothers at trial.

(43) ***Released Claims*** (or ***Released Claim*** in the singular) means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual, derivative or otherwise in nature, whether personal or subrogated, damages whenever incurred, and liabilities of any nature whatsoever, including interest, costs, expenses, Administration Expenses, penalties, Class Counsel Fees and lawyers' fees, known or unknown, suspected or unsuspected, in law, under statute or in equity, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall, or may have as against the Releasees or any one or more of the Releasees, relating in any way to the acquisition, purchase, sale, pricing, marketing or distributing of Eligible Shares during the Class Period, or to any representations made by the Releasees during the Class Period to anyone concerning Zungui or Southern Trends or their subsidiaries, including the operating company Mengshida Shoes Co., Ltd. Shishi City, or in respect of their operations and bank accounts and records, their consolidated financial results, or the Eligible Shares, or relating to any conduct alleged (or which could have been alleged) in this Action, including, without limitation, any such claims which have been asserted, would have been asserted or could have been asserted as a result of the purchase of Eligible Shares or the receipt of Eligible Shares under the Share Exchange Agreement with Zungui in the Class Period, and any claims of a derivative nature that could have been brought by Zungui against any of the Settling Defendants.

(44) **Releasees** means the Settling Defendants, the Cai Brothers, Zungui, including the past and present affiliates and subsidiaries, and all of their respective past and present directors, officers, partners, employees, trustees, servants, consultants, including Challisbury Developments Limited and Wesbridge Capital Corporation, agents, advisors, lawyers, representatives, successors, assigns and their heirs, executors, administrators, successors, and any insurers, including the directors' and officers' liability insurers of the Settling Defendants. For greater certainty, Releasees excludes Non-Settling Defendants.

(45) **Releasors** means, jointly and severally, the Plaintiffs, the Class Members (excluding Opt-Out Parties) including any person having a legal and/or beneficial interest in the Eligible Shares purchased or acquired by the Class Members, and their respective past and present directors, officers, employees, agents, trustees, servants, consultants, underwriters, advisors, representatives, heirs, executors, attorneys, administrators, guardians, estate trustees, successors and assigns, as the case may be.

(46) **Second Notice** means the Short Form Notice of Settlement and the Long Form Notice of Settlement.

(47) **Settling Defendants** means Matthew Gottlieb as Litigation Receiver of Zungui, Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle and Margaret Cornish.

(48) **Settlement** means the settlement provided for in this Agreement.

(49) *Settlement Amount* means \$8,000,000 plus any accrued interest since February 22, 2013 inclusive of the Administration Expenses, Class Counsel Fees, and any other costs or expenses otherwise related to this Action.

(50) *Share Exchange Agreement* means the share exchange agreement among Southern Trends, Zungui, Haixi Holding Company Inc., Fengyi Cai and the other Southern Zungui Acquirers, dated November 2, 2009 and completed December 21, 2009.

(51) *Shares* means common shares of Zungui, including shares in the capital of Southern Trends that were converted to shares of Zungui under the Share Exchange Agreement.

(52) *Short Form Notice of Settlement* means notice to the Class of the Approval Order, substantially in the form attached hereto as Schedule "E" or as fixed by the Court.

(53) *Southern Zungui Acquirers* means persons who acquired a legal or beneficial interest in Shares pursuant to the Share Exchange Agreement. For greater certainty, Southern Zungui Acquirers includes Haixi Holding Company Inc., Legendary Trends Limited, Ou Yang Siu Sum, Choi Ching Lau, HaiXin Capital Group, Seshadri Chari, Avinder Grewal, The Winnington Capital Group Inc., The O'Sullivan Family Trust, Challisbury Developments Limited, Kinghall Limited, Blue Heron Ventures Inc., France Crawford, Randall Smallbone, Morganbridge Communications Inc., and Michelle Gobin.

(54) *Southern Trends* means Southern Trends International Holding Company Limited, a corporation incorporated under the laws of the British Virgin Islands.



(55) *Zungui* means Zungui Haixi Corporation, a corporation incorporated under the laws of the Province of Ontario, and all of its predecessors, successors, affiliates, parent companies, subsidiary companies and assigns.

### **SECTION 3 – APPROVAL AND NOTICE PROCESS**

#### **3.1 Certification and First Notice Motion**

(1) The Plaintiffs shall, as soon as reasonably possible following the execution of this Agreement, amend the Statement of Claim to assert a claim for negligent misrepresentation on behalf of the Class from the outset of the Class Period.

(2) The Plaintiffs will, as soon as is reasonably possible following the execution of this Agreement, bring the Certification and First Notice Motion. Subject to the content of the First Notice and the order sought in the Certification and First Notice Motion being satisfactory to the Settling Defendants, and for the purpose of this Agreement only, the Settling Defendants will consent to the order being sought.

(3) The Notice Advisor shall cause the First Notice to be published in accordance with the Plan of Notice, and in accordance with the directions of the Court and the costs of so doing shall be paid from the Escrow Account by Class Counsel as and when incurred, except where coordination of the provision of the First Notice pertaining to this Settlement with the provision of a first notice for any other settlements that may have been or may be reached in this Action would be desirable, in which case the costs of providing the First Notice shall be allocated proportionally among the settlements based on their respective values.

#### **3.2 Approval Motion and Notice**

(1) The Plaintiffs will thereafter bring the Approval Motion before the Court in accordance with the Court's directions. The Settling Defendants will consent to the Approval Order, subject to the content of the Approval Order sought at the Approval Motion being satisfactory to the Settling Defendants, and for the purposes of this Agreement only.

(2) Upon the granting of the Approval Order, Class Counsel or the Administrator, as the case may be, shall cause the Second Notice to be published and disseminated in accordance with the Plan of Notice as approved by the Court and the costs of so doing shall be paid from the Escrow Account as and when incurred, except where coordination of the provision of the Second Notice pertaining to this Settlement with the provision of a second notice for any other settlements that may have been or may be reached in this Action would be desirable, in which case the costs of providing the Second Notice shall be allocated proportionally among the settlements based on their respective values.

### **3.3 Notice of Termination**

(1) If this Agreement is terminated after the First Notice has been published and disseminated, a notice of the termination will be given to the Class. Class Counsel will cause the notice of termination, in a form approved by the Court, to be published and disseminated as the Court directs. The cost of such notice shall be paid from the Escrow Account.

### **3.4 Report to the Court**

(1) After publication and dissemination of each of the notices required by this Section, Class Counsel, the Notice Advisor or the Administrator, as the case may be, shall file with the Court an affidavit confirming publication and dissemination.

**SECTION 4 – THE SETTLEMENT BENEFITS**

**4.1 Payment of Settlement Amount**

(1) Within fifteen (15) business days after execution of this Agreement, the Settling Defendants' insurer shall cause the Settlement Amount to be paid into the Escrow Account.

(2) In no event shall Administrative Expenses totalling more than \$150,000 be incurred prior to the Effective Date.

(3) Class Counsel shall account to the Court and the Settling Defendants for all payments it makes from the Escrow Account. In the event this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after the termination.

(4) Any dispute concerning the entitlement to or quantum of expense incurred by Class Counsel and/or the Administrator shall be dealt with by a motion to the Court on notice to the Parties.

**4.2 Settlement Amount to be held in Trust**

(1) Class Counsel, and then the Administrator after the Settlement becomes final, shall hold the Settlement Amount in trust and in the Escrow Account and shall not pay out any amount from the Escrow Account, except in accordance with the terms of this Agreement, or pursuant to an order of the Court made on notice to the Parties.

#### **4.3 Taxes on Interest**

(1) Except as provided in Section 4.3(2), all taxes payable on any interest which accrues in relation to the Settlement Amount, shall be the responsibility of the Class and shall be paid by Class Counsel or the Administrator, as appropriate, from the Escrow Settlement Amount, or by the Class as the Administrator considers appropriate.

(2) If the Administrator or Class Counsel returns any portion of the Settlement Amount plus accrued interest to the Settling Defendants' insurer, pursuant to the provisions of this Agreement, the taxes payable on the interest portion of the returned amount shall be the responsibility of the insurer.

#### **SECTION 5 – NO REVERSION**

(1) Unless this Agreement is terminated as provided herein, the Settling Defendants' insurer shall not, under any circumstances, be entitled to the repayment of any portion of the Settlement Amount and then only to the extent of and in accordance with the terms provided herein.

#### **SECTION 6 - DISTRIBUTION OF THE SETTLEMENT AMOUNT**

(1) On or after the Effective Date, the Administrator shall distribute the remainder of the Settlement Amount in accordance with the following priorities:

- (a) to pay Class Counsel Fees as approved by the Court;
- (b) to pay all of the costs and expenses reasonably and actually incurred in connection with the provision of the Second Notice, locating Class Members for the sole purpose of providing notice to them, soliciting

Class Members to submit a Claim Form, including the notice expenses reasonably and actually incurred by the Administrator and brokerage firms in connection with the provision of the Second Notice to Class Members (provided, however, that the Administrator shall not pay in excess of fifteen thousand Canadian dollars (CAD\$15,000.00) in the aggregate to all brokerage firms and, if the aggregate amount claimed by such brokerage firms exceeds fifteen thousand Canadian dollars (CAD\$15,000.00), then the Administrator shall distribute the sum of fifteen thousand Canadian dollars (CAD\$15,000.00) to such brokerage firms on a *pro rata* basis). The Settling Defendants are specifically excluded from eligibility for any payment of notice expenses under this subsection;

- (c) to pay all of the Administration Expenses except that part paid by Class Counsel pursuant to Section 3.1(3). For greater certainty, the Settling Defendants and the Class are specifically excluded from eligibility for any payment of costs and expenses under this subsection;
- (d) to pay any taxes required by law to be paid to any governmental authority; and
- (e) to pay a *pro rata* share of the balance of the Escrow Settlement Amount to each Authorized Claimant in proportion to his, her or its claim as recognized by the Administrator in accordance with the Plan of Allocation.

## **SECTION 7 – EFFECT OF SETTLEMENT**

### **7.1 No Admission of Liability**

(1) Neither this Agreement nor anything contained herein, shall be interpreted as a concession or admission of wrongdoing or liability by the Releasees, or as a concession or admission by the Releasees of the truthfulness of any claim or allegation asserted in this Action. Neither this Agreement nor anything contained herein shall be used or construed as an admission by the Releasees of any fault, omission, liability or wrongdoing in connection with any statement, release, written document, offering document or financial report, or otherwise, and in fact the Settling Defendants continue to vigorously dispute and contest the allegations made in this Action.

### **7.2 Agreement Not Evidence**

(1) Neither this Agreement, nor anything contained herein, or in any schedule hereto nor any of the negotiations or proceedings connected with it, nor any related document, nor any other action taken to carry out this Agreement shall be referred to, offered as evidence or received in evidence in any pending or future civil, criminal, quasi-criminal, administrative or disciplinary action or proceeding.

(2) Notwithstanding Section 7.2(1), this Agreement may be referred to or offered as evidence in order to obtain the orders or directions from the Court contemplated by this Agreement, in a proceeding to approve or enforce this Agreement, or to defend against the assertion of Released Claims, or as otherwise required by law.

### **7.3 Best Efforts**

(1) The Parties shall use their best efforts to implement the terms of this Agreement. The Parties agree to hold in abeyance all steps in the Action against the Settling

Defendants other than proceedings provided for in this Agreement (the Certification and First Notice Motion, the Approval Motion and such other proceedings as contemplated in this Agreement), until the date the Settlement becomes final or the termination of this Agreement, whichever occurs last. For greater certainty, the agreement to hold in abeyance all steps in the Action does not include holding in abeyance all steps in the Action as against the Non-Settling Defendants.

## **SECTION 8 – CERTIFICATION FOR SETTLEMENT ONLY**

### **8.1 Consent to Certification**

(1) The Settling Defendants will consent to the certification of this Action as a class proceeding, pursuant to Sections 2, 5 and 6 of the *CPA*, only for the purposes of effecting this Agreement;

(2) The Parties agree that the only common issue the Plaintiffs will seek to certify is the Common Issue and the only class that they will assert is the Class.

### **8.2 Certification Without Prejudice**

(1) The Parties agree that the certification of this Action as a class proceeding in accordance with Section 8.1 hereof is for the sole purpose of effecting the Settlement. In the event this Agreement is terminated as provided herein, the certification order will be vacated or set aside as set out herein, and shall be without prejudice to any position that any of the Parties may later take on any issue in the Action including in a subsequent certification motion. Particularly, the fact of the Settling Defendants' consent to certification for settlement purposes shall not be referenced in any way in the further prosecution of the action, nor shall such consent be deemed to be an admission by any

Settling Defendant that the Plaintiffs have met any of the requisite criteria for certification of the Action as a class proceeding.

## **SECTION 9 – OPTING OUT**

### **9.1 Opt-Out Procedure**

(1) Each Class Member who wishes to exclude themselves from the Class must submit a properly completed Opt-Out Form along with all required supporting documents to Class Counsel on or before the Opt-Out Deadline.

(2) In order to remedy any deficiency in the completion of the Opt-Out Form, Class Counsel may require and request that additional information be submitted by a Class Member who submits an Opt-Out Form.

(3) If a Class Member fails to submit a properly completed Opt-Out Form and/or all required supporting documents to Class Counsel, or fails to cure any deficiency by the Opt-Out Deadline, the Class Member shall not have opted out of the Action, subject to any order of the Court to the contrary, and will in all other respects be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

(4) The Opt-Out Deadline will not be extended unless the Court orders otherwise.

(5) Opt-Out Parties will be excluded from any and all rights and obligations arising from this Settlement. Class Members who do not opt out shall be bound by this Settlement and the terms of this Agreement regardless of whether the Class Member files a Claim Form or receives compensation from the Settlement.

### **9.2 Notification of Number of Opt-Outs**



(1) Within fifteen (15) days after the Opt-Out Deadline, Class Counsel shall report to the Court and the Parties the number of Eligible Shares held by each Opt-Out Party, a summary of the information delivered by each Opt-Out Party and the total number of Eligible Shares held by the Opt-Out Parties.

(2) Class Counsel shall also provide to the Settling Defendants copies of the Opt-Out Forms submitted by Opt-Out Parties.

## **SECTION 10 – TERMINATION OF THIS AGREEMENT**

### **10.1 General**

(1) This Agreement shall, without notice, be automatically terminated if:

- (a) An order substantially in the form of the Approval Order attached as Schedule “A” hereto is not granted by the Court; or
- (b) the Approval Order is reversed on appeal and the reversal becomes a Final Order.

(2) This Agreement shall, with notice to the Plaintiffs, be terminated if the Settling Defendants elect to terminate this Agreement if the Opt-Out Threshold is exceeded.

(3) In the event this Agreement is terminated in accordance with its terms:

- (a) the Plaintiffs and the Settling Defendants will be restored to their respective positions prior to the execution of this Agreement;
- (b) the Plaintiffs and the Settling Defendants will consent to an Order vacating or setting aside any order certifying this Action as a class

proceeding for the purposes of implementing this Agreement and such order shall include a declaration that the prior consent certification of this Action for settlement purposes shall not be deemed to be an admission by the Settling Defendants that the Action met any of the criteria for certification as a class action, and no Party to this Action or other person may rely upon the fact of the prior consent certification order for any purpose whatsoever;

- (c) the Escrow Settlement Amount will be returned to the insurer in accordance with Section 10.3(2)(c) hereof;
- (d) this Agreement will have no further force and effect and will not affect the rights of the Plaintiffs or the Defendants except as specifically provided for herein;
- (e) all statutes of limitation applicable to the claims asserted in this Action shall be deemed to have been tolled during the period beginning with the execution of this Agreement and ending with the day on which the orders contemplated by Section 10.3(2)(b) are entered;
- (f) any costs reasonably incurred by the Administrator and paid out of the Escrow Account for performing the services required to prepare to implement this Settlement, and amounts paid for the publication and dissemination of notices are non-recoverable from the Plaintiffs, the Class Members, the Administrator or Class Counsel;

(g) this Agreement and the consent certification order will not be introduced into evidence or otherwise referred to in any litigation against the Defendants.

(4) Notwithstanding the provisions of Section 10.1(3)(d), if this Agreement is terminated, the provisions of this Section 10 and Sections 1, 2, 4.2, 4.3, 7.1, 7.2, 8.2, and 17.4 shall survive termination and shall continue in full force and effect.

**10.2 Effect of Exceeding the Opt-Out Threshold, Conditions Precedent and Right to Terminate**

(1) Notwithstanding any other provision in this Agreement, the Settling Defendants in their sole discretion, may elect to terminate this Agreement if the total number of Eligible Shares held by Opt-Out Parties exceed the Opt-Out Threshold, provided that their election is made within twenty (20) days of Class Counsel notifying them of the number of Opt-Outs pursuant to Section 9.2 after which date their right to terminate this Agreement will have expired.

(2) The right of termination provided in Section 10.2(1) shall be effected only in the event that all of the Settling Defendants elect to terminate in accordance with the terms of that provision.

(3) If the Opt-Out Threshold is not exceeded, the Settling Defendants' right to terminate this Agreement pursuant to the provisions of this Section is inoperative and of no force and effect.

(4) The Opt-Out Threshold shall be stated in the Collateral Agreement signed contemporaneously with the execution of this Agreement. The Collateral Agreement will state the Opt-Out Threshold shall be kept confidential by the Parties and their counsel, and may be shown to the Court but shall not be otherwise disclosed, unless disclosure is ordered by the Court.

### **10.3 Allocation of Monies in the Escrow Account Following Termination**

(1) The Administrator and/or Class Counsel shall account to the Court and the Parties for the amounts maintained in and disbursed from the Escrow Account. If this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after such termination.

(2) If this Agreement is terminated, the Settling Defendants shall, within thirty (30) days after termination, apply to the appropriate Court, on notice to the Plaintiffs and the Administrator, as may be necessary, for an order:

- (a) declaring this Agreement null and void and of no force or effect except for the provisions of those Sections listed in Section 10.1(4);
- (b) requesting an order setting aside, *nunc pro tunc*, all prior orders or judgments entered by the Court in accordance with the terms of this Agreement including any order certifying the Action as a class proceeding for the purposes of implementing this Agreement; and
- (c) authorizing the payment of all funds remaining in the Escrow Account, including accrued interest, to the Settling Defendants' insurer.

(3) Subject to Section 10.4, the Parties shall consent to the orders sought in any motion made by the Settling Defendants pursuant to Section 10.3(2).

**10.4 Disputes Relating to Termination**

(1) If there is any dispute about the termination of this Agreement, the Court shall determine any dispute by motion made by a Party on notice to the other Parties.

**SECTION 11 - DETERMINATION THAT THE SETTLEMENT IS FINAL**

(1) The Settlement shall be considered final on the Effective Date.

(2) Within ten (10) days after the Effective Date, Class Counsel shall transfer the Escrow Account to the Administrator.

**SECTION 12 - RELEASES AND JURISDICTION OF THE COURT**

**12.1 Release of Releasees**

(1) As of the Effective Date the Releasors forever and absolutely release, waive and forever discharge the Releasees from the Released Claims.

**12.2 Covenant Not To Sue**

(1) Notwithstanding Section 12.1(1), for any Class Members resident in any province or territory where the release of one tortfeasor in an action is a release of all other tortfeasors in the same action, the Releasors do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in, or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

**12.3 No Further Claims**

(1) As of the Effective Date, the Releasors and Class Counsel shall not institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any Releasee or any other person who may claim contribution or indemnity from any Releasee in respect of any Released Claim or any matter related thereto.

**12.4 Dismissal of the Action against the Settling Defendants and Amendment**

(1) Except as otherwise provided in this Agreement and the Approval Order, this Action shall be dismissed as against the Settling Defendants, Zungui and the Cai Brothers without costs and with prejudice.

(2) On or as soon as practicable after the Effective Date, the Plaintiffs shall amend the then current Statement of Claim to give effect to this Settlement and the Approval Order, and in particular to limit the scope of the claim to claims against the Non-Settling Defendants related to their own negligence and proportionate liability.

(3) The Settling Defendants shall, by motion on notice to the Plaintiffs, seek directions of the Court in the event of a disagreement between the Parties as to the sufficiency of the amendment to be issued under Section 12.4(2).

**12.5 Dismissal of the Bardi Action**

(1) The Plaintiffs shall seek the dismissal of the Bardi action as part of the Approval Order.

**SECTION 13 – BAR ORDER, OTHER CLAIMS AND DISCOVERY**

**13.1 Bar Order**

(1) The Plaintiffs shall, in the Approval Motion, seek a bar order from the Court providing for the following:

- (a) All claims, direct and indirect, including but not limited to claims for contribution, indemnity or other claims over, whether asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims and any other claims which were or could have been brought in this Action or otherwise by any Non-Settling Defendant or any other Person against a Releasee, or by a Releasee against any Non-Settling Defendant are barred, prohibited and enjoined in accordance with the terms of this Agreement.
  
- (b) If the Court ultimately determines there is a right of contribution and indemnity or other claim over, whether in equity or in law, by statute or otherwise between any or all of the Defendants:
  - i. the Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitution, disgorgement, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise; and
  
  - ii. the Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of the Action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to the Action and any

determination by the Court in respect of the Proportionate Liability shall only apply in the Action and shall not be binding on the Releasees in any other proceedings.

- (c) The form and content of the bar order contemplated in this Section shall be considered a material term of this Agreement and the failure of the Court to approve the bar order contemplated herein shall give rise to a right of termination by the Settling Defendants pursuant to Section 10 of this Settlement Agreement.

### **13.2 Non-Settling Defendants' Discovery Rights Preserved**

(1) Any Non-Settling Defendant may, on motion to the Court brought with at least 30 days notice to the Parties, and not to be brought unless and until the Action against the Non-Settling Defendants has been certified under the *CPA* by the Court and all appeals or times to appeal from such certification orders have been exhausted, seek an order for any of the following:

- (a) documentary discovery and an affidavit of documents in accordance with the relevant rules of civil procedure from any Settling Defendant;
- (b) oral discovery of any Settling Defendant other than Matthew Gottlieb as the Litigation Receiver of Zungui, the transcript of which may be read in at trial by the Non-Settling Defendant;



- (c) the production of any Settling Defendant other than Matthew Gottlieb as the Litigation Receiver of Zungui to testify at trial and to be cross-examined by counsel for any Non-Settling Defendant.
- (2) The Settling Defendants retain all rights to oppose any such motion(s) brought under Section 13.2(1), and shall not by the terms hereof be deemed to have agreed to or acknowledged that any Non-Settling Defendant is entitled to any such relief, and in fact it is denied.
- (3) A Non-Settling Defendant may serve the motion(s) referred to in Section 13.2(1) on any Settling Defendant by service on counsel of record for that Settling Defendant.
- (4) To the extent that an order is granted on a motion brought pursuant to Section 13.2(1) and discovery is provided to a Non-Settling Defendant, a copy of all documentary discovery provided shall be delivered by the Non-Settling Defendant to Class Counsel at the Plaintiffs' expense, and if the Non-Settling Defendant fails to provide to the Settling Defendant forthwith a copy of the transcript of any examination for discovery of the Settling Defendant, then the Plaintiffs shall do so, at no cost to the Settling Defendant.

## **SECTION 14 - PRODUCTION**

### **14.1 Extent of Production**

- 1) The Settling Defendants shall, upon written request from the Plaintiffs within 180 days of the Effective Date, cause the delivery, on a without prejudice and without waiver

of privilege basis, of any and all relevant, non-privileged documents, in whatever form and including those stored on computer hard drives and other electronic devices, in their possession relating to the then remaining certified common issues in this Action. For greater certainty, such production shall be indexed and include, but not be limited to:

- (a) Relevant documents provided to the Ontario Securities Commission as part of the regulatory proceedings against Zungui, Yanda Cai and Fengyi Cai;
- (b) relevant documents provided to KPMG Forensic to be stored on a litigation hold;
- (c) correspondence between any Settling Defendant and any Non-Settling Defendant, directly or indirectly (including between any Settling Defendant's counsel and any Non-Settling Defendant's counsel or in-house counsel that are not privileged);
- (d) internal memoranda or other notes of any kind of discussions between any Settling Defendant and any Non-Settling Defendant that are not privileged; and
- (e) documents provided to or received from Non-Settling Defendants including between any Settling Defendant's counsel and any Non-Settling Defendant's counsel or in-house counsel that are not privileged.

2) Nothing in this Settlement Agreement shall be construed to require a Settling Defendant to perform any act, including the transmittal or disclosure of any information, which would violate any federal, provincial or local privacy law, or any other law of any applicable jurisdiction.

3) Nothing in this Settlement Agreement shall require, or shall be construed to require a Settling Defendant to disclose or produce any documents or information prepared by or for counsel for a Settling Defendant, or to disclose or produce any documents or information in breach of any order, regulatory directive, rule or law of this or any jurisdiction, or subject to solicitor-client privilege, litigation privilege, or any other privilege, or to disclose or produce any information or documents they obtained on a privileged or co-operative basis from any party to any action or proceeding who is not a Settling Defendant.

4) The Settling Defendants' obligations to produce documents as particularized in this Section shall not be affected by the release provisions contained in Section 12 of this Agreement.

#### **14.2 Limits on Use of Information and Documents**

1) The Parties agree that all documents provided by the Settling Defendants to the Plaintiffs and Class Counsel under this Agreement shall be used only in connection with the prosecution of the claims in the Action against the Non-Settling Defendants, and shall not be used directly or indirectly for any other purpose. The Plaintiffs and Class Counsel agree they will not publicize the documents and information provided by the Settling

Defendants beyond what is reasonably necessary for the prosecution of the Action against the Non-Settling Defendants or as otherwise required by law.

2) For greater certainty, any documents or information produced pursuant to Sections 13 and 14 of this Agreement shall be subject to Rule 30.1.01 of the Ontario *Rule of Civil Procedure* and the implied undertaking rule.

## **SECTION 15 – ADMINISTRATION**

### **15.1 Appointment of the Administrator**

(1) The Court will appoint the Administrator to serve until such time as the Escrow Settlement Fund is distributed in full in accordance with the Plan of Allocation, to implement this Agreement and the Plan of Allocation, on the terms and conditions and with the powers, rights, duties and responsibilities set out in this Agreement and in the Plan of Allocation.

(2) If the approval of the Settlement becomes final as contemplated by Section 12, the Court will fix the Administrator's compensation and payment schedule.

### **15.2 Information and Assistance from the Settling Defendants**

(1) Matthew Gottlieb as litigation receiver of Zungui, shall, within five (5) business days of the Effective Date make best efforts to authorize and direct Zungui's transfer agent to deliver an electronic list of the names and addresses of persons who purchased Eligible Shares during the Class Period in its possession to Class Counsel and the Administrator.

(2) Class Counsel and/or the Administrator may use the information obtained in accordance with Sections 15.2(1) for the purpose of delivering the Second Notice and for the purposes of administering and implementing this Agreement, the Plan of Notice and the Plan of Allocation.

(3) Any information obtained or created in the administration of this Agreement is confidential and, except as required by law, shall be used and disclosed only for the purpose of distributing notices and the administration of this Agreement and the Plan of Allocation.

### **15.3 Claims Process**

(1) In order to seek payment from the Settlement Amount, a Class Member must submit a completed Claim Form to the Administrator, in accordance with the provisions of the Plan of Allocation, on or before the Claims Bar Deadline. Class Members shall be bound by the terms of the Settlement regardless of whether they submit a completed Claim Form or receive payment from the Settlement Amount.

(2) In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within this period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court to the contrary, but will in all

other respects be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

(3) By agreement between the Administrator and Class Counsel, the Claims Bar Deadline may be extended. Class Counsel and the Administrator shall agree to extend the Claims Bar Deadline if, in their opinions, doing so will not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

#### **15.4 Disputes Concerning the Decisions of the Administrator**

(1) In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, the Class Member may appeal the decision to the Court in accordance with the provisions in the Plan of Allocation. The decision of the Court will be final with no right of appeal.

(2) No action shall lie against Class Counsel or the Administrator for any decision made in the administration of this Agreement and Plan of Allocation without an order from the Court authorizing such an action.

#### **15.5 Conclusion of the Administration**

(1) Following the Claims Bar Deadline, and in accordance with the terms of this Agreement, the Plan of Allocation, and such further approval or order of the Court as may be necessary, or as circumstances may require, the Administrator shall distribute the net Escrow Settlement Amount to Authorized Claimants.

(2) No claims or appeals shall lie against Class Counsel or the Administrator based on distributions made substantially in accordance with this Agreement, the Plan of Allocation, or with any other order or judgment of the Court.

(3) If the Escrow Settlement Account is in a positive balance (whether by reason of tax refunds, un-cashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall donate such balance to the Small Investor Protection Association (Canada), *cy pres*.

(4) Upon the conclusion of the administration, and before distribution of the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall report to the Court on the administration and shall account for all monies it has received, administered and proposes to distribute in accordance with this Agreement and the Plan of Allocation.

## **SECTION 16 – THE FEE AGREEMENT AND CLASS COUNSEL FEES**

### **16.1 Motion for Approval of Class Counsel Fees**

(1) At the Approval Hearing Class Counsel may seek the approval of Class Counsel Fees to be paid as a first charge on the Settlement Amount. Class Counsel are not precluded from making additional applications to the Court for expenses incurred as a result of implementing the terms of this Agreement. All amounts awarded on account of Class Counsel Fees shall be paid from the Settlement Amount.

(2) The Settling Defendants acknowledge that they are not parties to the motion concerning the approval of Class Counsel Fees, they will have no involvement in the approval process to determine the amount of Class Counsel Fees and they will not take

any position or make any submissions to the Court concerning Class Counsel Fees, except as requested or required by the Court.

(3) The procedure for, and the allowance or disallowance by the Court of any requests for Class Counsel Fees to be paid out of the Settlement Amount are not part of the Settlement provided for herein, except as expressly provided in Section 6, and may be considered by the Court separately from its consideration of the fairness, reasonableness, and adequacy of the Settlement provided for herein.

(4) Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Agreement or affect or delay the finality of the Approval Order and the Settlement of this Action provided herein.

## **16.2 Payment of Class Counsel Fees**

(1) Forthwith after the Settlement becomes final, as contemplated in Section 11, and the time for the Settling Defendants to elect to terminate pursuant to the provisions of Section 10 has expired or the Settling Defendants have waived their right to elect to terminate the Agreement, the Administrator shall pay to Class Counsel in trust the Class Counsel Fees approved by the Court from the Escrow Account.

## **SECTION 17 – MISCELLANEOUS**

### **17.1 Motions for Directions**

(1) Any one or more of the Parties, Class Counsel, or the Administrator may apply to the Court for directions in respect of any matter in relation to this Agreement and the Plan of Allocation.



- (2) All motions contemplated by this Agreement shall be on notice to the Parties.

**17.2 Settling Defendants Have No Responsibility or Liability for Administration**

(1) Except in respect of the performance of the obligations under Sections 4.1, 14.1 and 15.2, the Settling Defendants shall have no responsibility for and no liability whatsoever with respect to the administration or implementation of this Agreement and the Plan of Allocation, including, without limitation, the processing and payment of claims by the Administrator.

**17.3 Headings, etc.**

- (1) In this Agreement:
- (a) the division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
  - (b) the terms “this Agreement”, “herein”, “hereto” and similar expressions refer to this Agreement and not to any particular Section or other portion of this Agreement;
  - (c) all amounts referred to are in the lawful currency of Canada; and
  - (d) “person” means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies.

(2) In the computation of time in this Agreement, except where a contrary intention appears:

- (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

**17.4 Governing Law**

(1) This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.

(2) The Parties agree that the Court shall retain exclusive and continuing jurisdiction over the Action, the Parties and Class Members to interpret and enforce the terms, conditions and obligations under this Agreement and the Approval Order.

**17.5 Severability**

(1) Any provision hereof that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be severable from the remaining provisions which shall continue to be valid and enforceable to the fullest extent permitted by law.

**17.6 Entire Agreement**

(1) This Agreement constitutes the entire agreement among the Parties and supersedes all prior and contemporaneous understandings, undertakings, negotiations,

representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Agreement, unless expressly incorporated herein. This Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Court.

**17.7 Binding Effect**

(1) If the Settlement is approved by the Court and becomes final as contemplated in Section 12, this Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Class Members, the Settling Defendants, the Releasees, the Releasers, the insurer and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiffs shall be binding upon all Releasers and each and every covenant and agreement made herein by the Settling Defendants shall be binding upon all of the Releasees.

**17.8 Survival**

(1) The representations and warranties contained in this Agreement shall survive its execution and implementation.

**17.9 Negotiated Agreement**

(1) This Agreement and the underlying settlement have been the subject of arms-length negotiations and many discussions among the undersigned. Each of the undersigned has been represented and advised by competent counsel, so that any statute,

case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of this Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of this Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Agreement.

**17.10 Recitals**

(1) The recitals to this Agreement are material and integral parts hereof and are fully incorporated into, and form part of, this Agreement.

**17.11 Acknowledgements**

(1) Each Party hereby affirms and acknowledges that:

- (a) he, she or its representative has the authority to bind the Party with respect to the matters set forth herein has read and understood this Agreement;
- (b) the terms of this Agreement and the effects thereof have been fully explained to him, her or its representative by his, her or its counsel;
- (c) he, she or its representative fully understands each term of this Agreement and its effect.

**17.12 Authorized Signatures**

(1) Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Agreement on behalf of the Party for whom he or she is signing.

**17.13 Counterparts**

(1) This Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Agreement.

**17.14 Confidentiality and Communications**

(1) In any public discussion of, comment on, press release or other communication of any kind (with the media or otherwise) about this Agreement and Plan of Allocation, the Parties and their respective counsel agree and undertake to describe the Settlement and the terms of this Agreement as fair, reasonable and in the best interests of the Class.

(2) The Parties' obligations under this Section shall not prevent them, or any of them, from reporting to their clients, from complying with any order of the Court, or from making any disclosure or comment required by this Agreement, or from making any necessary disclosure or comment for the purposes of any applicable securities or tax legislation or from making any disclosure or comment to Class Members or the Court or for the purposes of any proceedings as between the Defendants.

(3) Without limiting the generality of the foregoing, the Parties specifically agree that the Parties will not make any public statements, comment or any communication of any kind about any negotiations or information exchanged as part of the settlement process. In addition, to the extent that there is public discussion of, comment on or communication of any kind about this Settlement Agreement, the Parties and their counsel agree and undertake to describe the Settlement Agreement as fair, reasonable and in the best interests of the Class.

**17.15 Notice**

(1) Any notice, instruction, motion for Court approval or motion for directions or Court orders sought in connection with this Agreement or any other report or document to be given by any party to any other party shall be in writing and delivered personally, by facsimile or e-mail during normal business hours, or sent by registered or certified mail, or courier postage paid:

For Plaintiffs and for Class Counsel:

Charles M. Wright

Douglas M. Worndl

Nicholas C. Baker

Siskinds LLP

680 Waterloo Street

London, ON N6A 3V8

Telephone: 519.660.7868

Fax: 519.660.7869

Email: [nicholas.baker@siskinds.com](mailto:nicholas.baker@siskinds.com)

Deborah Berlach  
Stieber Berlach LLP  
130 Adelaide Street West, 18<sup>th</sup> Floor  
Toronto, ON M5H 3P5

Telephone: 416.366.1400  
Fax: 416.366.1466  
Email: dberlach@sblegal.ca

Lawyer for Matthew Gottlieb as the  
Litigation Receiver of Zungui Haixi  
Corporation

Michael A. Eizenga  
Bennett Jones LLP  
Barristers and Solicitors  
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Toronto, ON M5X 1A4

Telephone: 416.863.1200  
Fax: 416.863.1716  
Email: eizengam@bennettjones.com

Lawyer for Michael Manley

Margaret Waddell  
Paliare Roland Rosenberg Rothstein  
LLP  
Barristers and Solicitors  
155 Wellington St. W., 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1

Telephone: 416.646.4329  
Fax: 416.646.4301

Lawyer for Michelle Gobin

Patrick J. O'Kelly  
Stikeman Elliott LLP  
Barristers and Solicitors  
5300 Commerce Court West, 199 Bay  
St.  
Toronto, ON M5L 1B9

Telephone: 416.869.5500  
Fax: 416.947.0866  
Email: pokelly@stikeman.com

Lawyers for Patrick A. Ryan, Elliott  
Wahle, Margaret Cornish

The Parties have executed this Agreement as of the date on the cover page.

For Zungui Haixi Corporation

By: Deborah Berlach  
Name: Deborah Berlach  
Title: Stieber Berlach LLP

For Michelle Gobin

By: \_\_\_\_\_  
Name:

Deborah Berlach  
Stieber Berlach LLP  
130 Adelaide Street West, 18<sup>th</sup> Floor  
Toronto, ON M5H 3P5

Telephone: 416.366.1400  
Fax: 416.366.1466  
Email: dberlach@sblegal.ca

Lawyer for Matthew Gottlieb as the  
Litigation Receiver of Zungui Haixi  
Corporation

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Lawyer for Michael Manley

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Paliare Roland Rosenberg Rothstein  
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Lawyer for Michelle Gobin

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St.  
Toronto, ON M5L 1B9

Telephone: 416.869.5500  
Fax: 416.947.0866  
Email: pokelly@stikeman.com

Lawyers for Patrick A. Ryan, Elliott  
Wahle, Margaret Cornish

The Parties have executed this Agreement as of the date on the cover page.

For Zungui Haixi Corporation

By: \_\_\_\_\_  
Name:  
Title:

For Michelle Gobin

By: Waddell  
Name: Margaret L. Waddell  
Paliare Roland LLP



Title:

For Michael Manley

By: Mike Egan  
Name: Michael Egan  
Title: Bennett Jones

For Patrick Ryan, Elliott Wahle and Margaret  
Cornish

By: \_\_\_\_\_  
Name:  
Title:

For the Plaintiffs and Class Counsel

By: \_\_\_\_\_  
Name:  
Title:

Title:

For Michael Manley

By: \_\_\_\_\_

Name:

Title:

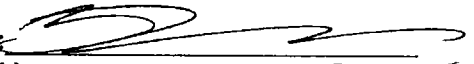
For Patrick Ryan, Elliott Wahle and Margaret  
Cornish

By: \_\_\_\_\_

Name:

Title:

For the Plaintiffs and Class Counsel

By: 

Name: *Nicholas C. Baker*

Title: *Associate, Siskind LLP*

Title:

For Michael Manley

By: \_\_\_\_\_

Name:

Title:

For Patrick Ryan, Elliott Wahle and Margaret Cornish

By:  \_\_\_\_\_

Name: Patrick J. O'Kelly

Title: Stikeman Elliott LLP

For the Plaintiffs and Class Counsel

By: \_\_\_\_\_

Name:

Title:

**SCHEDULE "A" – SETTLEMENT APPROVAL ORDER**

Court File No. CV-11-436360-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE ) \_\_\_\_\_, THE \_\_\_\_\_  
 )  
MR. JUSTICE P. M. PERELL ) DAY OF \_\_\_\_\_, 2013

**B E T W E E N:**

**JERZY ROBERT ZANIEWICZ and EDWARD C. CLARKE**

**Plaintiffs**

**- and -**

**ZUNGUI HAIXI CORPORATION, ERNST & YOUNG LLP, FENGYI CAI, JIXU CAI, YANDA CAI, MICHELLE GOBIN, MICHAEL W. MANLEY, PATRICK A. RYAN, ELLIOTT WAHLE, MARGARET CORNISH, CIBC WORLD MARKETS INC., CANACCORD GENUITY CORP. (f.k.a. CANACCORD FINANCIAL LTD)., GMP SECURITIES LP and MACKIE RESEARCH CAPITAL CORPORATION (f.k.a. RESEARCH CAPITAL CORPORATION)**

**Defendants**

*Proceeding under the Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION**, made by the Plaintiffs for an Order approving a Settlement Agreement dated April 26, 2013 with the Defendants Zungui Haixi Corporation (by its litigation receiver, Matthew Gottlieb), Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle and Margaret Cornish (collectively, the "Settling Defendants"), was heard this day at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

**ON READING** the materials filed, including the Settlement Agreement, dated April 26, 2013, attached hereto as **Schedule "A"** (the "Agreement") and on hearing the submissions of Counsel for the Class and Counsel for the Settling Defendants;

## SCHEDULE "A" – SETTLEMENT APPROVAL ORDER

**AND ON BEING ADVISED** that the Settling Defendants consent to this Order;

**AND ON BEING ADVISED** that NPTRicePoint Class Action Services ("NPTRicePoint") has consented to being appointed the Administrator pursuant to the Settlement Agreement:

1. **THIS COURT DECLARES** that except as otherwise stated, this Order incorporates and adopts the definitions set out in the Agreement.
2. **THIS COURT DECLARES** that the Agreement is fair, reasonable and in the best interests of the Class.
3. **THIS COURT ORDERS** that the Agreement is approved pursuant to section 29 of the *Class Proceedings Act, 1992*, S.O. 1992, c.6.
4. **THIS COURT ORDERS** that the Agreement shall be implemented in accordance with its terms.
5. **THIS COURT DECLARES** that the Agreement, in its entirety, forms part of this Order and is binding upon the Settling Defendants, the Plaintiffs, and upon all Class Members who did not validly exclude themselves from the action in accordance with paragraph eight (6) of the Order dated May ●, 2013, including those persons who are minors or mentally incapable, and that the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure* are hereby disposed of.
6. **THIS COURT DECLARES** that the Plan of Allocation, attached hereto as **Schedule "B"**, is hereby approved as fair and reasonable and that the Settlement Amount shall be distributed in accordance with the Plan of Allocation after the payment of Class Counsel Fees and Administration Expenses.

## **SCHEDULE "A" – SETTLEMENT APPROVAL ORDER**

7. **THIS COURT ORDERS** that the Plan of Notice, attached hereto as **Schedule "C"**, is hereby approved for the purposes of the publication and dissemination of the Second Notice and Claim Form.
8. **THIS COURT ORDERS** that the form and content of the Long Form Notice of Settlement, attached hereto as **Schedule "D"**, is hereby approved.
9. **THIS COURT ORDERS** that the form and content of the Short Form Notice of Settlement, attached hereto as **Schedule "E"** is hereby approved.
10. **THIS COURT ORDERS** that the Second Notice shall be disseminated in accordance with the Plan of Notice.
11. **THIS COURT ORDERS** that on notice to the Court but without the need of a further order of the Court, the Plaintiffs and the Settling Defendants may agree to reasonable extensions of time to carry out any of the provisions of the Agreement.
12. **THIS COURT ORDERS AND DECLARES** that, other than as provided in section 15.2 (1) of the Settlement Agreement, the Releasees have no responsibility for and no liability whatsoever with respect to the administration of the Agreement.
13. **THIS COURT ORDERS AND DECLARES** that, upon the Effective Date, the Releasors shall release and discharge, and shall be conclusively deemed to have fully, finally and forever released and discharged the Releasees from the Released Claims.
14. **THIS COURT ORDERS** that, upon the Effective Date, all claims direct or indirect, including but not limited to claims for contribution, indemnity or other claims over, whether

## **SCHEDULE "A" – SETTLEMENT APPROVAL ORDER**

asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims and any other claims which were or could have been brought in this action or otherwise by any Non-Settling Defendant or any other person against a Releasee, or by a Releasee against any Non-Settling Defendant are barred, prohibited and enjoined in accordance with the terms of the Settlement Agreement.

15. **THIS COURT ORDERS** that, upon the Effective Date, the Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitution, disgorgement, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise.

16. **THIS COURT ORDERS AND DECLARES THAT**, should it be necessary, it has full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of the Action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to the Action and any determination by the Court in respect of the Proportionate Liability shall only apply in the Action and shall not be binding on the Releasees in any other proceedings.

17. **THIS COURT ORDERS** that, upon the Effective Date, the action shall be dismissed against the Settling Defendants, Zungui and the Cai Brothers with prejudice and without costs.

18. **THIS COURT ORDERS** that, upon the Effective Date, the Bardi Action shall be dismissed against the settling Defendants, Zungui and the Cai Brothers with prejudice and without costs.

**SCHEDULE "A" – SETTLEMENT APPROVAL ORDER**

---

THE HONOURABLE JUSTICE P. M. PERELL



**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**ORDER**

Siskinds LLP  
Barristers & Solicitors  
680 Waterloo Street  
P.O. Box 2520  
London, ON N6A 3V8

Charles M. Wright (LSUC #: 36599Q)  
Tel: 519.660.7753  
Fax: 519.660.7754

Douglas M. Worndl (LSUC #: 30170P)  
Tel: 416.362.8334  
Fax: 416.362.2610

Lawyers for the Plaintiff

**SCHEDULE "B" –CERTIFICATION AND FIRST NOTICE ORDER**

Court File No. CV-11-436360-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE ) \_\_\_\_\_, THE \_\_\_\_\_  
JUSTICE P. M. PERELL ) DAY OF \_\_\_\_\_, 2013

**B E T W E E N:**

**JERZY ROBERT ZANIEWICZ and EDWARD C. CLARKE**

**Plaintiffs**

- and -

**ZUNGUI HAIXI CORPORATION, ERNST & YOUNG LLP, FENGYI CAI, JIXU CAI, YANDA CAI, MICHELLE GOBIN, MICHAEL W. MANLEY, PATRICK A. RYAN, ELLIOTT WAHLE, MARGARET CORNISH, CIBC WORLD MARKETS INC., CANACCORD GENUITY CORP. (f.k.a. CANACCORD FINANCIAL LTD), GMP SECURITIES LP and MACKIE RESEARCH CAPITAL CORPORATION (f.k.a. RESEARCH CAPITAL CORPORATION)**

**Defendants**

Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION**, made by the Plaintiffs for, *inter alia*, an Order that the within proceeding be certified as a class proceeding as against Zungui Haixi Corporation (by its litigation receiver, Matthew Gottlieb), Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle and Margaret Cornish (collectively, the "Settling Defendants") and Fengyi Cai, Jixu Cai and Yanda Cai for settlement purposes only, fixing the date of a settlement approval motion, and approving the form, content and method of dissemination of a notice of certification and of a pending settlement approval hearing, was heard this day at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

## **SCHEDULE “B” –CERTIFICATION AND FIRST NOTICE ORDER**

**ON READING** the materials filed, including the Settlement Agreement, dated April 26, 2013, attached hereto as **Schedule “A”** (the “Agreement”) and on hearing the submissions of Counsel for the Plaintiffs and Counsel for the Settling Defendants; and

**AND ON BEING ADVISED** that the Settling Defendants consent to this Order;

**AND ON BEING ADVISED** that the Defendants, Ernst & Young LLP, CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and Mackie Research Capital Corporation take no position on this Order;

**AND ON BEING ADVISED** that NPTRicePoint Class Action Services (“NPTRicePoint”) has consented to being appointed the third party professional firm to act as Notice Advisor to effect the publication of the notice of certification and of a pending settlement approval hearing;

1. **THIS COURT DECLARES** that except as otherwise stated, this Order incorporates and adopts the definitions set out in the Agreement.
2. **THIS COURT ORDERS** that this action is certified as a class proceeding as against the Settling Defendants and the Cai Brothers for the purpose of settlement only, pursuant to the *Class Proceedings Act, 1992*, S.O. 1992 c.6 (“CPA”), ss. 2 and 5, but subject to Articles 8.2 and 10 of the Agreement.
3. **THIS COURT ORDERS** that the class certified, for the purpose of settlement with the Settling Defendants (“Class”), is defined as:

All persons, wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.

## **SCHEDULE “B” –CERTIFICATION AND FIRST NOTICE ORDER**

4. **THIS COURT ORDERS** that Jerzy Robert Zaniewicz and Edward C. Clarke are appointed as Representative Plaintiffs for the Class.

5. **THIS COURT ORDERS** that the following issue is common to the Class:

Did Zungui’s Class Period disclosure documents contain one or more misrepresentations within the meaning of the *Securities Act*, R.S.O. 1990, c. B-16, as amended, or at common law?

6. **THIS COURT ORDERS** that any person who wishes to exclude themselves from this Action must do so by submitting to Class Counsel an Opt-Out Form, together with the information required by the Opt-Out Form, postmarked on or before the date that is sixty (60) days from the date of the first publication of the First Notice (the “Opt-Out Deadline”).

7. **THIS COURT ORDERS** that any person who validly excludes themselves from this Action, in accordance with paragraph six (6) of this Order, is not bound by the Agreement and shall no longer participate or have the opportunity in the future to participate in this Action or the Agreement, including in any claim that has been made and may in the future be made by the Plaintiffs against the Non-Settling Defendants.

8. **THIS COURT ORDERS** that any person who is a member of the Class and who does not validly exclude themselves from this Action in accordance with paragraph six (6) of this Order, on or prior to the Opt-Out Deadline will be bound by the Agreement and may not exclude themselves from this Action in the future, whether or not they submit a claim to participate in the distribution of the Settlement Amount.

## **SCHEDULE "B" –CERTIFICATION AND FIRST NOTICE ORDER**

9. **THIS COURT ORDERS** that the Opt-Out Form is hereby approved in substantially the form attached hereto as **Schedule "●"**.
  
10. **THIS COURT ORDERS** that by no later than 15 calendar days after the Opt Out Deadline, Class Counsel shall provide to the Defendants copies of the Opt-Out Forms submitted by persons who have validly opted out of the action.
  
11. **THIS COURT ORDERS** that the First Notice is hereby approved in substantially the form attached hereto as **Schedule "●"**.
  
12. **THIS COURT ORDERS** that the Plan of Notice attached hereto as **Schedule "●"** is hereby approved for the purposes of the publication and dissemination of the First Notice and the dissemination of the Opt Out Form.
  
13. **THIS COURT ORDERS** that the First Notice shall be published in accordance with the Settlement Agreement and the Plan of Notice.
  
14. **THIS COURT ORDERS** that the hearing of the Representative Plaintiffs' Approval Motion and the Representative Plaintiffs' motion for approval of Class Counsel Fees shall take place on ●, 2013.
  
15. **THIS COURT ORDERS** that Class Members who wish to file with the Court an objection or comment on the Settlement or the request for approval of Class Counsel Fees shall deliver a written statement to Class Counsel, at the address indicated in the First Notice, no later than ●, 2013.
  
16. **THIS COURT ORDERS** that NPTRicePoint is appointed Notice Advisor.

**SCHEDULE "B" – CERTIFICATION AND FIRST NOTICE ORDER**

---

THE HONOURABLE JUSTICE P.M. PERELL

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**FIRST NOTICE ORDER**

Siskinds <sup>LLP</sup>  
Barristers & Solicitors  
680 Waterloo Street  
P.O. Box 2520  
London, ON N6A 3V8

Charles M. Wright (LSUC #: 36599Q)  
Tel: 519.660.7753  
Fax: 519.660.7754

Douglas M. Wornidl (LSUC #: 30170P)  
Tel: 416.362.8334  
Fax: 416.362.2610

Lawyers for the Plaintiff

## SCHEDULE "C" – PLAN OF NOTICE

### PLAN OF NOTICE

Capitalized terms used in this Plan of Notice have the meanings ascribed to them in the Settlement Agreement.

*Subject to such alternative or additional direction by the Court, notices provided for as contemplated in the Settlement Agreement will be disseminated as follows:*

#### **PART 1 – FIRST NOTICE**

##### Individual Notice

The First Notice will be mailed, electronically or physically, as may be required, to:

- (a) those persons and entities who have previously contacted Class Counsel for the purposes of receiving notice of developments in the Action; and
- (b) the 25 largest shareholders, excluding those who have been identified as Excluded Persons.

##### Internet Publication

Electronic publication of the First Notice will occur in both the English and French languages on [www.classaction.ca](http://www.classaction.ca).

##### Newspaper Publication

Print publication of the First Notice will be at least ¼ newsprint page in size and will occur at least ninety-five (95) days prior to the Approval Hearing. Publication will be made:

- (a) in Canada, in the English language in the business/legal sections of the national weekend editions of *The Globe and Mail*, *The National Post* and in the French language in the business section of *La Presse*; and
- (b) in the People's Republic of China, in the English language in the business/legal section of the *South China Morning Post* (Hong Kong).

##### Class Counsel

Class Counsel shall make a toll free number and email address available to the public that will enable Class Members to contact Class Counsel in order that they may, amongst other things:

- (a) obtain more information about the Settlement or how to object to it;
- (b) request that a copy of the Settlement Agreement be electronically or physically mailed to them; and/or
- (c) request that a copy of the Opt-Out Form be electronically or physically mailed directly to them.



In addition, the public may view or obtain copies of the Settlement Agreement, proposed Plan of Allocation and Opt-Out Form from the website of Siskinds LLP: [www.classaction.ca](http://www.classaction.ca).

## **PART 2 – SECOND NOTICE**

### **The Short Form Notice of Settlement will be disseminated as follows:**

Print publication of the Short Form Notice of Settlement will be at least a ¼ page in size and will occur as soon as possible following the date of the Approval Order, and, in any event, no later than fourteen (14) days following that date. Print publication will be made:

- (a) in Canada, in the English language in the business/legal sections of the national weekend editions of *The Globe and Mail*, *The National Post* and in the French language in the business section of *La Presse*; and
- (b) in the People's Republic of China, in the English language in the business/legal section of the *South China Morning Post* (Hong Kong).

The English and French language versions of the Short Form Notice of Settlement will also be issued (with necessary formatting modifications) across *Marketwire*, a major business newswire in Canada.

### **The Long Form Notice of Settlement will be disseminated as follows:**

#### Internet Publication

The Long Form Notice of Settlement will be posted, in both the English and French languages, on:

- (a) [www.classaction.ca](http://www.classaction.ca); and
- (b) the website of the Administrator.

### **Individual Notice**

Within thirty (30) days of the date of the Approval Order, Class Counsel shall direct the Administrator to send the Long Form Notice of Settlement and the Claim Form to all putative Class Members as follows:

1. The Administrator shall mail the Long Form Notice of Settlement and the Claim Form to individuals and entities identified as a result of Zungui's litigation receiver directing the delivery to Class Counsel and the Administrator of a computerized list in the possession of Zungui's transfer agent containing the names and addresses of persons that obtained Shares during the Class Period; and
2. The Administrator shall send the Long Form Notice of Settlement and the Claim Form to the brokerage firms in the Administrator's proprietary databases requesting that the brokerage firms either send a copy of the Long Form Notice of Settlement and the Claim Form to all individuals and entities identified by the brokerage firms as being Class Members, or to send the names and addresses of all known Class Members to the Administrator who shall mail the Long Form Notice of Settlement and the Claim Form to the individuals and entities so identified.

Class Counsel shall mail or email the Long Form Notice of Settlement and the Claim Form to those persons that have contacted Class Counsel regarding this litigation and have provided Class Counsel with their contact information.

Class Counsel shall make a toll-free number and email address available to the public that will enable Class Members to obtain more information about the settlement, the opt-out process, the claims process, and to request that a copy of the Settlement Agreement, Opt-Out Form, Long Form Notice of Settlement and the Claim Form be sent electronically or physically to them directly. Additionally, the public may view or obtain from the website of Siskinds LLP: [www.classaction.ca](http://www.classaction.ca), copies of the Settlement Agreement, Opt-Out Form, Long Form Notice of Settlement and the Claim Form.

## **SCHEDULE "D" – LONG FORM NOTICE OF SETTLEMENT**

### **NOTICE OF SETTLEMENTS IN ZUNGUI HAIXI CORPORATION SECURITIES CLASS ACTION**

#### **READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR RIGHTS**

##### **Who this Notice is For:**

**This notice is directed to everyone that acquired shares of Zungui Haixi Corporation ("Zungui"), during the period from August 11, 2009 through to and including August 22, 2011.**

##### **Court Approval of Two Settlements in the Class Action**

On October 3, 2011, Jerzy Zaniewicz and Edward Clarke ("Plaintiffs") commenced an action in the Ontario Superior Court of Justice ("Court") against Zungui Haixi Corporation ("Zungui"), Ernst and Young LLP, Zungui's former directors, certain of Zungui's former executive officers as well as the underwriting syndicate for Zungui's initial public offering on the Toronto Stock Exchange. The Plaintiffs alleged that Zungui's initial public offering prospectus and some of Zungui's other disclosures were materially false and/or misleading ("Action").

The Court has approved two settlements in the Action.

The first settlement, between the Plaintiffs and the Defendants, Zungui (through its court appointed litigation receiver), Michelle Gobin, Michael Manley, Patrick Ryan, Elliott Wahle and Margaret Cornish ("Settling Defendants"), provides for the Settling Defendants to pay CAD \$8 million to resolve finally and forever any and all claims that could have been made against them and Fengyi Cai, Jixu Cai and Yanda Cai ("Cai Brothers") in the Action ("Zungui Settlement").

The second settlement, between the Plaintiffs and the Defendant, Ernst & Young LLP, provides for Ernst & Young LLP to pay CAD \$2 million to resolve finally and forever any and all claims that could have been made against it in the Action ("E&Y Settlement").

Certain people and entities are not permitted to participate in the Zungui Settlement and/or the E&Y Settlement ("Settlements"). Those people are the Defendants, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, successors and assigns of Zungui and any member of each Defendants' families, their heirs, successors or assigns, and any person or entity who acquired Zungui shares in exchange for shares in Southern Trends International Holding Company Limited who acted as a consultant or provided consultative or other professional services to Zungui or its subsidiaries in connection with the initial public offering of Zungui ("Excluded Persons").

The Settlements are compromises of disputed claims and are not admissions of liability, wrongdoing or fault on the part of any of the Settling Defendants or Ernst & Young LLP, all of whom have denied, and continue to deny, the allegations made against them.

The claims against the other Defendants: CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and Mackie Research Capital Corporation ("Non-Settling Defendants") will continue to be prosecuted by the Plaintiffs.

##### **The Approval Orders**

By Order dated ●, 2013, the Court approved the Settlements.

The Court also awarded Class Counsel legal fees, expenses and applicable taxes in the amount of ● or ●% of the combined monetary value of the Settlements ("Settlement Amount") before the Settlement Amount is distributed to Class Members. Class Counsel were retained on a contingent basis such that they were only to be paid if they were successful in the litigation. Expenses incurred or payable relating to approval, notice, implementation and administration of the Settlement Agreements including the fees of the Administrator ("Administration Expenses") will also be paid from the Settlement Amount.

All Class Members are bound by the terms of the Settlements unless they have already validly excluded themselves from the Action (opted-out). The deadline to opt-out was ●.

#### **ADMINISTRATOR**

The Court has appointed NPTRicePoint Class Action Services as the Administrator of the Settlements. The Administrator will, among other things: (1) receive and process Claim Forms; (ii) make determinations of Class Members' eligibility for compensation pursuant to the Court approved Plan of Allocation; (iii) communicate with Class Members regarding their eligibility for compensation; and (iv) manage and distribute the Settlement Amounts.

The Administrator can be contacted at:

**Telephone:** 1-866-432-5534

**Mailing Address:** Zungui Haixi Corporation Securities Litigation  
Claims Administrator  
P.O. Box 3355  
London, ON N6A 4K3

**Email Address:**

**Website:** [www.nptricepoint.com](http://www.nptricepoint.com)

#### **CLASS MEMBERS' ENTITLEMENT TO COMPENSATION**

Class members will be eligible for compensation pursuant to the Settlement Agreements if they sustained a net loss on their Class Period transactions and if they submit a completed Claim Form before the deadline for doing so has passed. Any documentation required to support information in a Claim Form provided by Class Members must also be sent before the deadline for submitting a completed Claim Form has passed. **Claim Forms and supporting documents must be sent to the Administrator at the address listed above. To be eligible for compensation under the Settlement Agreements, Class Members must submit their completed Claim Form postmarked no later than ● (the "Deadline").**

The balance of the Settlement Amount, after deduction of Class Counsel Fees and Administration Expenses (the "Net Settlement Amount") will be distributed to Class Members in accordance with the Plan of Allocation attached as Schedule "C" to the Settlement Agreements, which, in general terms, provides that:

[insert material terms of plan of allocation for each group of purchasers]

#### **CLASS COUNSEL**

The law firm of Siskinds LLP are counsel to the Plaintiffs. The claim, Settlement Agreements, Claim Form, Orders of the Court and other information are available on the website of Class Counsel, at [www.classaction.ca](http://www.classaction.ca).

The Ontario Superior Court of Justice offices cannot answer any questions about the matters in this notice. Questions relating to the Action, for further information, or to obtain a Claim Form please contact the office of Plaintiffs' counsel per the contact details below:

Siskinds LLP  
Nicole Young  
680 Waterloo Street  
London, ON N6A 3V8  
Tel: 1-877-672-2121 x 2380  
Email: [nicole.young@siskinds.com](mailto:nicole.young@siskinds.com) or visit Siskinds LLP's website at [www.classaction.ca](http://www.classaction.ca).

● [date]

PUBLICATION OF THIS NOTICE HAS BEEN AUTHORIZED  
BY THE ONTARIO SUPERIOR COURT OF JUSTICE

2015384.2

## **SCHEDULE E – SHORT FORM NOTICE OF SETTLEMENT**

### **NOTICE OF SETTLEMENTS IN ZUNGUI HAIXI CORPORATION SECURITIES CLASS ACTION**

#### **READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR RIGHTS**

**Please note:** This is a summary notice that has been produced for publication purposes announcing court approval of two settlements reached in this litigation. A Long-Form Notice, with full details of the settlements is available on:

- Administrator's website: [www.nptricepoint.com](http://www.nptricepoint.com); and
- Class Counsel's website: [www.classaction.ca](http://www.classaction.ca).

#### **Who this Notice is For:**

**This notice is directed to everyone that acquired shares of Zungui Haixi Corporation ("Zungui"), during the period from December 11, 2009 through to and including August 22, 2011.**

#### **Court Approval of Two Settlements in the Class Action**

On October 3, 2011, Jerzy Zaniewicz and Edward Clarke ("Plaintiffs") commenced an action in the Ontario Superior Court of Justice ("Court") against Zungui Haixi Corporation ("Zungui"), Ernst and Young LLP, Zungui's former directors, certain of Zungui's former executive officers as well as the underwriting syndicate for Zungui's initial public offering on the Toronto Stock Exchange. The Plaintiffs alleged that Zungui's initial public offering prospectus and some of Zungui's other disclosures were materially false and/or misleading ("Action")

The Court has approved two settlements in the Action.

The first settlement, between the Plaintiffs and the Defendants, Zungui (through its court appointed litigation receiver), Michelle Gobin, Michael Manley, Patrick Ryan, Elliott Wahle and Margaret Cornish ("Settling Defendants"), provides for the Settling Defendants to pay CAD \$8 million to resolve finally and forever any and all claims that could have been made against them and Fengyi Cai, Jixu Cai and Yanda Cai ("Cai Brothers") in the Action ("Zungui Settlement").

The second settlement, between the Plaintiffs and the Defendant, Ernst & Young LLP, provides for Ernst & Young LLP to pay CAD \$2 million to resolve finally and forever any and all claims that could have been made against it in Action ("E&Y Settlement").

Certain people and entities are not permitted to participate in the Zungui Settlement and/or the E&Y Settlement ("Settlements"). Those people are the Defendants, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, successors and assigns of Zungui and any member of each Defendants' families, their heirs, successors or assigns, and any person or entity who acquired Zungui shares in exchange for shares in Southern Trends International Holding Company Limited if they rendered consultative or other professional services to Zungui or its subsidiaries in connection with the initial public offering of Zungui ("Excluded Persons").

The Settlements are compromises of disputed claims and are not admissions of liability, wrongdoing or fault on the part of any of the Settling Defendants or Ernst & Young LLP, all of whom have denied, and continue to deny, the allegations made against them.

The claims against the other Defendants: CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and Mackie Research Capital Corporation ("Non-Settling Defendants") will continue to be prosecuted by the Plaintiffs.

### The Approval Orders

By Order issued by the Ontario Superior Court of Justice, dated ●, 2013, the Court approved the Settlements.

The Court also awarded Class Counsel legal fees, expenses and applicable taxes in the amount of ● or ●% of the combined monetary value of the Settlements ("Settlement Amount") before the Settlement Amount is distributed to Class Members. Class Counsel were retained on a contingent basis such that they were only to be paid if they were successful in the litigation. Expenses incurred or payable relating to approval, notice, implementation and administration of the Settlement Agreements including the fees of the Administrator ("Administration Expenses") will also be paid from the Settlement Amount.

All Class Members are bound by the terms of the Settlements unless they have already validly excluded themselves from the Action (opted-out) The deadline to opt-out was ●.

### ADMINISTRATOR

The Courts have appointed NPT RicePoint Class Action Services as the Administrator of the Settlements. The Administrator will, among other things: (1) receive and process Claim Forms; (ii) make determinations of Class Members' eligibility for compensation pursuant to the Court approved Plan of Allocation; (iii) communicate with Class Members regarding their eligibility for compensation; and (iv) manage and distribute the Settlement Amounts.

The Administrator can be contacted at:

NPT RicePoint Class Action Services  
P.O. Box 3355  
London, ON N6A 3V8  
Tel: 1-866-432-5534  
Email: ●  
Website: [www.nptricepoint.com](http://www.nptricepoint.com)

### CLASS MEMBERS' ENTITLEMENT TO COMPENSATION

Class members may be eligible for compensation under the Settlements. **To be eligible for compensation under the Settlement Agreements, Class Members must first submit their completed Claim Form postmarked no later than ● (the "Claims Deadline").** The Administrator will, in due course, make determinations of Class Members' eligibility for compensation pursuant to the Court approved Plan of Allocation.

### CLASS COUNSEL

The law firm of Siskinds LLP are counsel to the Plaintiffs. The claim, Settlement Agreements, Claim Form, Orders of the Court and other information are available on the website of Class Counsel, at [www.classaction.ca](http://www.classaction.ca).

The Ontario Superior Court of Justice offices cannot answer any questions about the matters in this notice. Questions relating to the Action, for further information, or to obtain a Claim Form please contact the office of Plaintiffs' counsel per the contact details below:

Siskinds LLP  
Nicole Young  
680 Waterloo Street  
London, ON N6A 3V8

Tel: 1-877-672-2121 x 2380

Email: [nicole.young@siskinds.com](mailto:nicole.young@siskinds.com) or visit Siskinds LLP's website at [www.classaction.ca](http://www.classaction.ca).

- [date]

PUBLICATION OF THIS NOTICE HAS BEEN AUTHORIZED  
BY THE ONTARIO SUPERIOR COURT OF JUSTICE

2018000.2



SCHEDULE "C" - UNDERWRITER AGREEMENT

**ZUNGUI HAIXI CORPORATION**  
**CLASS ACTION SETTLEMENT AGREEMENT**

Made as of August 19, 2013

**B E T W E E N:**

**Jerzy Robert Zaniewicz and Edward C. Clarke, plaintiffs in  
Ontario Superior Court Action No. CV-11-436360-00CP  
in their personal and proposed representative capacities**

**("Plaintiffs")**

**-and-**

**CIBC World Markets Inc.,  
Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd.,  
GMP Securities L.P., and  
Mackie Research Capital Corporation, f.k.a. Research Capital Corporation**

**("Settling Defendants")**

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## SETTLEMENT AGREEMENT

Subject to the approval of the Court as provided herein, the Plaintiffs and the Settling Defendants hereby stipulate and agree that, in consideration of the promises and covenants set forth in this Agreement and upon the Certification and Settlement Approval Order approving the Settlement and directing the implementation of the terms and conditions of the Settlement as set forth in this Agreement becoming final, this Action will be settled and compromised on the terms and conditions contained herein.

### SECTION 1 - RECITALS

#### 1.1 WHEREAS:

- A. The Plaintiffs commenced the Action in Ontario alleging, among other things, that Zungui's IPO Prospectus dated December 11, 2009 contained one or more material misrepresentations and that the Settling Defendants were unjustly enriched.
- B. The Settling Defendants have denied and continue to deny all of the Plaintiffs' claims in the Action, have vigorously denied any wrongdoing or liability of any kind, or whatsoever, and would have actively and diligently pursued affirmative defences and all other defences had the Action not been settled.
- C. The Parties and Class Counsel agree that neither this Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendants or evidence of the truth of any of the allegations made by the Plaintiffs against the Settling Defendants, which allegations are expressly and vigorously denied by the Settling Defendants.

D. Protracted, arm's length settlement negotiations have occurred between Class Counsel, on behalf of the Class, and counsel for the Settling Defendants, resulting in this Agreement.

E. Pursuant to the Existing Certification Orders, class certification of the Action was obtained for settlement purposes in the context of settlements with Zungui, Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle, Margaret Cornish and Ernst & Young LLP with respect to the following Class:

*All persons, wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.\**

\* The terms "Eligible Shares", "Excluded Persons" and "Opt-Out Parties" are defined herein identically to those terms incorporated by reference in the aforementioned orders.

F. Pursuant to the Existing Certification Orders, each Class Member was permitted an opportunity to opt out of the Action (the notice advising of this opportunity to opt out was published on June 8, 2013 and the deadline for opting out was August 7, 2013). Class Counsel has confirmed to the Settling Defendants that as of the date of this Agreement, no person who would otherwise be a Class Member has opted out of the Action.

G. The Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Agreement and, based on their analyses of the facts and law applicable to the claims, demands and causes of action of the Plaintiffs, both asserted and unasserted, whether pleaded in the Action or not, and having regard to the extensive burdens, risks and expense of litigation, including the risks and uncertainties associated with trials and appeals, the Plaintiffs, with the

benefit of advice from Class Counsel, have concluded that this Agreement is fair, reasonable and in their best interest and the best interest of the Class that the Plaintiffs seek to represent.

H. The Settling Defendants are entering into this Agreement in order to achieve a final resolution of all Released Claims and the Action, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation.

I. The Plaintiffs and the Settling Defendants intend to and hereby do finally resolve this Action and all the claims that were or could have been asserted in the Action against the Settling Defendants, subject to the approval of the Court as hereinafter provided, without any admission of liability or wrongdoing whatsoever by the Settling Defendants.

J. The Plaintiffs assert that they are suitable representatives for the Class and will seek to be appointed as the representative plaintiffs of the Class for the purposes of the resolution of this Action as against the Settling Defendants.

**NOW THEREFORE**, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties stipulate and agree that this Agreement represents the agreement between the Parties to resolve and release, fully and finally, in accordance with the terms more particularly set out herein, all Released Claims, and subject to the approval of the Court as provided herein, to obtain a Certification and Settlement Approval Order that is a Final Order dismissing this Action as against the Settling Defendants with prejudice and without costs.

## **SECTION 2 – DEFINITIONS**

2.1 In this Agreement, including the recitals hereto:

1. **Action** means the action styled *Zaniewicz et al. v. Zungui Haixi Corporation et al.* filed in the Ontario Superior Court of Justice (Toronto Registry), and bearing Court File. No. CV-11-436360-00CP.
2. **Administration Expenses** means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable in relation to the notice, approval, implementation and administration of the Settlement, including the costs of publishing and delivery of notices, fees, disbursements and taxes paid to the Administrator, and any other expenses approved by the Court which shall be paid from the Settlement Amount. For greater certainty, Administration Expenses do not include Class Counsel Fees.
3. **Administrator** means the third party professional firm selected at arm's length by Class Counsel and appointed by the Court to administer this Agreement in accordance with the Plan of Allocation, and any employees of such firm.
4. **Agreement** means this settlement agreement, including the recitals and schedule.
5. **Approval Notice** means the Short Form Notice of Settlement and the Long Form Notice of Settlement.
6. **Bardi Action** means the action styled *Luigi Bardi v. Zungui Haixi Corporation*, filed in the Ontario Superior Court of Justice (Windsor Registry), and bearing Court File No. CV-11-16764.
7. **Certification and Settlement Approval Motion** means a motion to be brought by the Plaintiffs in the Court for the Certification and Settlement Approval Order.



8. ***Certification and Settlement Approval Order*** means an order made by the Court substantially in the form attached hereto as Schedule "A":

- (a) certifying the Action as against the Settling Defendants, solely for settlement purposes;
- (b) approving this Settlement and the settlements provided for in the Other Settlement Agreements;
- (c) appointing the Administrator;
- (d) approving the form of the Approval Notice;
- (e) approving the Plan of Notice for the purpose of the publication and dissemination of the Approval Notice;
- (f) approving the Plan of Allocation; and
- (g) upon the Effective Date, dismissing the Action against all defendants with prejudice and without costs;

in a form satisfactory to the Settling Defendants or as fixed by the Court.

9. ***Claim Form*** means the form to be approved by the Court which, when completed and submitted in a timely manner to the Administrator, constitutes a Class Member's claim for compensation pursuant to the Settlement.

10. ***Claims Bar Deadline*** means the date by which each Class Member must file a Claim Form and all supporting documentation with the Administrator; which date shall be one hundred

and twenty (120) days after the date on which the Approval Notice is first published in the Newspapers.

11. *Class* or *Class Members* means all persons or entities wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.
12. *Class Counsel* means Siskinds LLP.
13. *Class Counsel Fees* means the fees, disbursements, costs, interest, HST and other applicable taxes or charges of Class Counsel as approved by the Court.
14. *Class Period* means the period from and including August 11, 2009 to and including August 22, 2011.
15. *Common Issue* means: Did the IPO Prospectus contain one or more misrepresentations within the meaning of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, or at common law?
16. *Counsel for the Settling Defendants* means Davies Ward Phillips & Vineberg LLP.
17. *Court* means the Ontario Superior Court of Justice.
18. *CPA* means the *Class Proceeding Act, 1992*, S.O. 1992, c. 6, as amended.
19. *Defendant* means any Defendant named as a defendant in the Action.
20. *Effective Date* means the date on which all of the following occur or have occurred:
  - (a) the Settling Defendants have paid the Settlement Amount into the Escrow Account; and

- (b) the Settling Defendants' right to terminate the Agreement, if any, has expired and the Certification and Settlement Approval Order becomes a Final Order.

21. **Eligible Shares** means the Shares acquired by a Class Member or Opt-Out Party during the Class Period.

22. **Escrow Account** means an interest bearing trust account at a Schedule 1 bank, under the *Bank Act*, S.C. 1991, c. 46 as amended, in Ontario and initially under the control of Class Counsel, and then transferred to the control of the Administrator not later than ten (10) days after the Effective Date.

23. **Escrow Settlement Amount** means the Settlement Amount plus any interest accruing thereon.

24. **Excluded Persons** means each Defendant, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, agents, successors and assigns of Zungui and any member of each Defendant's families, their heirs, successors or assigns, and includes any Southern Zungui Acquirors who acted as a consultant or provided other professional services to Zungui or its subsidiaries in connection with the IPO.

25. **Existing Certification Orders** means the orders of the Court dated May 21, 2013 in respect of the certification of the Action under the *CPA* for the purposes of the settlements pursuant to the Other Settlement Agreements.

26. **Final Order** means any order of the Court contemplated by this Agreement from which no appeal lies or in respect of which any right of appeal has expired without the initiation of

proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or a notice of appeal.

27. ***IPO*** means the initial public offering of securities of Zungui pursuant to a long form prospectus of Zungui dated on or about December 11, 2009 and filed with SEDAR on or about that date, offering 11,500,000 common shares for gross proceeds of \$37,375,000, plus an additional 759,500 shares via an over-allotment option, for total gross proceeds of \$39,843,375.

28. ***Long Form Notice of Settlement*** means notice to the Class of the Certification and Settlement Approval Order in a form satisfactory to the Settling Defendants or as fixed by the Court.

29. ***Mengshida*** means Mengshida Shoes Co., Ltd. Shishi City, also known as Shishi Mengshida Shoes Co., Ltd.

30. ***Newspapers*** means the following newspaper publications in Canada: National Post, Globe & Mail and La Presse.

31. ***Notice of Court Hearing for Certification and for Settlement Approval*** means notice to the Class of the Certification and Settlement Approval Motion in a form satisfactory to the Settling Defendants.

32. ***Opt-Out Deadline*** means August 7, 2013.

33. ***Opt-Out Party*** means any person who would otherwise be a Class Member and who submits a valid Opt-Out Form to Class Counsel.

34. **Other Settlement Agreement** (or Other Settlement Agreements) means the settlement agreement that the Plaintiffs have entered into with (a) Matthew Gottlieb as the litigation receiver of the Defendant, Zungui, and the Defendants, Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle, Margaret Cornish (dated April 26, 2013), and (b) Ernst & Young LLP (dated February 13, 2013), to finally settle the Action and achieve a final resolution of, *inter alia*, the Plaintiffs' claims and those of the Class Members as against those defendants.

35. **Other Settling Defendants** means any Defendant other than the Settling Defendants that has entered into an Other Settlement Agreement that results in an order from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or notice of appeal, approving the Other Settlement Agreement and directing that it be consummated and implemented in accordance with its terms, and directing that the Action be dismissed with prejudice and without costs as against the Other Settling Defendant.

36. **Parties** mean the Plaintiffs and the Settling Defendants.

37. **Plaintiffs** mean Jerzy Robert Zaniewicz and Edward C. Clarke, individually and collectively.

38. **Plan of Allocation** means the distribution plan stipulating the proposed distribution of the net settlement amount, in a form satisfactory to the Settling Defendants or as fixed by the Court.

39. **Plan of Notice** means the plan for disseminating the Approval Notice to the Class in a form satisfactory to the Settling Defendants or as fixed by the Court.

40. **Primary Market Authorized Claimant** means a Primary Market Purchaser that has submitted a completed Claim Form which, pursuant to the terms of this Agreement and the Plan of Allocation, is eligible for compensation for their primary market purchases.

41. **Primary Market Purchaser** means a person, other than an Opt-Out Party or Excluded Person, who bought Eligible Shares on an "if, as and when issued" basis under Zungui's IPO Prospectus.

42. **Released Claims** (or Released Claim) mean any and all manner of claims, demands, actions, suits, proceedings, causes of action, whether class, individual, derivative or otherwise in nature, whether personal or subrogated, damages of any kind whenever incurred, liabilities of any nature whatsoever, including interest, costs, expenses, administration expenses (including Administration Expenses), penalties, and lawyers' fees (including Class Counsel Fees), known or unknown, suspected or unsuspected, actual or contingent, liquidated or unliquidated, whether pleaded in the Action or not, in law, under statute or in equity, in any jurisdiction, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall, or may have as against the Releasees or any one or more of them relating in any way to or arising out of, the purchase, sale, acquisition, exchange, pricing, marketing or distribution of Eligible Shares during the Class Period, the Releasees' relationship with Zungui, the Releasees' investigation of Zungui (including their investigation of Zungui's subsidiaries and affiliates), or any acts or omissions of, or representations made by the Releasees, directly or indirectly, to anyone about or relating to Zungui, Southern Trends or their subsidiaries, including Mengshida, or in respect of their operations, suppliers, distributors, bank accounts and records, sales, their consolidated or unconsolidated financial results, or the Eligible Shares, or relating to any conduct alleged or which could have been asserted in this Action, or in

an Action by the Southern Zungui Acquirors, as a result of the purchase or acquisition of the Eligible Shares or the receipt of Eligible Shares under the Share Exchange Agreement in the Class Period, and any claims of a derivative nature that could have been brought by Zungui.

43. **Releasees** mean, jointly and severally, individually and collectively, the Settling Defendants and all member firms thereof, and all present and former affiliated entities, partners, associates, employees, servants, agents, contractors, directors, officers, insurers and successors, administrators, heirs and assigns of each.

44. **Releasers** mean, jointly and severally, individually and collectively, the Plaintiffs, the Class Members, and any person having a legal and/or beneficial interest in the Eligible Shares purchased or acquired by the Class Members, and each of their respective past and present directors, officers, employees, agents, trustees, servants, consultants, underwriters, advisors, representatives, heirs, executors, attorneys, administrators, guardians, estate trustees, successors and assigns, as the case may be, but excluding Opt-Out Parties.

45. **Settlement** means the settlement provided for in this Agreement.

46. **Settlement Amount** means \$750,000 in Canadian currency to be paid by the Settling Defendants, inclusive of Administration Expenses, Class Counsel Fees, and any other costs or expenses otherwise related to the Action.

47. **Settling Defendants** means CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities L.P., and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation.

48. ***Share Exchange Agreement*** means the Securities Exchange Agreement among Southern Trends, Zungui, Haixi Holding Company Inc., Fengyi Cai and the other Southern Zungui Acquirors, dated November 2, 2009 and completed December 21, 2009.

49. ***Shares*** means common shares of Zungui, including shares in the capital of Southern Trends that were converted to shares of Zungui under the Share Exchange Agreement.

50. ***Short Form Notice of Settlement*** means notice to the Class of the Certification and Settlement Approval Order in a form satisfactory to the Settling Defendants or as fixed by the Court.

51. ***Southern Trends*** means Southern Trends International Holding Company Limited, a corporation incorporated under the laws of the British Virgin Islands.

52. ***Southern Zungui Acquirors*** means persons who acquired a legal or beneficial interest in Shares pursuant to the Share Exchange Agreement. For greater certainty, Southern Zungui Acquirors include Haixi Holding Company Inc., Legendary Trends Limited, Ou Yang Siu Sum, Choi Ching Lau, HaiXin Capital Group, Seshadri Chari, Avinder Grewal, The Winnington Capital Group Inc., The O'Sullivan Family Trust, Challisbury Developments Limited, Kinghall Limited, Blue Heron Ventures Inc., France Crawford, Randall Smallbone, Morganbridge Communications Inc., and Michelle Gobin.

53. ***Zungui*** means Zungui Haixi Corporation, a corporation incorporated under the laws of the Province of Ontario, and unless otherwise specified includes all of its predecessors, successors, affiliates, parent companies, subsidiary companies and assigns.



### **SECTION 3 – APPROVAL AND NOTICE PROCESS**

#### **Best Efforts**

3.1 The Parties shall use their best efforts to effectuate this Settlement and to secure the Certification and Settlement Approval Order in conjunction with, and at the same times as, the steps taken to effectuate and secure the approval of the Other Settlement Agreements.

3.2 Until the Certification and Settlement Approval Order becomes a Final Order or the termination of this Agreement, whichever occurs first, the Parties agree to hold in abeyance all steps in the Action as they relate to the Settling Defendants, other than any motions provided for in this Agreement and such other matters required to implement the terms of this Agreement.

#### **Certification and Settlement Approval Motion and Approval Notice**

3.3 As soon as is reasonably practicable following execution of this Agreement, the Plaintiffs will bring the Certification and Settlement Approval Motion before the Court. The Settling Defendants will consent to the Certification and Settlement Approval Order in the form attached hereto as Schedule "A", subject to the content of the final Certification and Settlement Approval Order sought at the Certification and Settlement Approval Motion being satisfactory to the Settling Defendants, and for the purposes of the Settlement only.

3.4 Upon the granting of the Certification and Settlement Approval Order, Class Counsel or the Administrator, as the case may be, shall cause the Approval Notice to be published and disseminated in accordance with the Plan of Notice as approved by the Court. The costs of publishing the Approval Notice shall be paid from the Escrow Account as and when incurred, except where coordination of the provision of the Approval Notice pertaining to this Settlement

with the provision of a settlement approval notice for any Other Settlement Agreement that may have been or may be approved in the Action would be desirable, in which case the costs of providing the Approval Notice shall be allocated proportionally (with the costs of providing a settlement approval notice for any Other Settlement Agreement) among the settlements based on their respective values.

### **Report to the Court**

3.5 After publication and dissemination of the Approval Notice required by this Section, Class Counsel or the Administrator, as the case may be, shall file with the Court an affidavit confirming publication and dissemination.

## **SECTION 4 – SETTLEMENT BENEFIT**

### **Payment of Settlement Amount**

4.1 Within fifteen (15) business days after execution of this Agreement and after receipt of the wire instructions required by Section 4.2, the Settling Defendants shall cause the Settlement Amount to be paid into the Escrow Account in full satisfaction of the Released Claims against the Releasees. The Settlement Amount shall be held for the benefit of Class Members who are Primary Market Purchasers.

4.2 Payment of the Settlement Amount shall be made by the Settling Defendants by wire transfer. Upon execution of this Agreement, Class Counsel shall promptly provide the Settling Defendants with all of the information required to complete the wire transfers.

4.3 Other than the payment by the Settling Defendants of the Settlement Amount, the Settling Defendants shall have no obligation whatsoever to pay any amount to the Plaintiffs, the Class

Members or Class Counsel with respect to this Agreement or the Action for any reason whatsoever, including without limitation any amount for damages, interest, legal fees (including Class Counsel Fees), disbursements, taxes of any kind, costs and expenses relating in any way to the Action, including as described in Sections 3.3 and 3.4, the Released Claims, the Settlement, and Administration Expenses.

4.4 The Administration Expenses charged to the Escrow Account shall be a percentage of the total of all administrative expenses relating to all settlements in proportion to the Settlement Amount divided by the total of all settlement amounts paid under this Agreement and the Other Settlement Agreements for the benefit of the Class Members.

4.5 In no event shall the total Administrative Expenses relating to this Settlement exceed CAD \$50,000 prior to the Effective Date.

4.6 Class Counsel shall account to the Court and the Settling Defendants for all payments it makes from the Escrow Account. In the event this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after the termination.

4.7 Any dispute concerning the entitlement to or quantum of expense incurred by Class Counsel and/or the Administrator shall be dealt with by a motion to the Court on notice to the Parties.

**Settlement Amount to be Held in Trust**

4.8 Class Counsel, and then the Administrator after the Settlement becomes final, shall maintain the Escrow Account and hold the Settlement Amount in trust in the Escrow Account as provided for in this Agreement. No amount shall be paid out from the Escrow Account, except

in accordance with this Agreement, or in accordance with an order of the Court obtained on notice to the Parties.

**Taxes on Interest**

4.9 Except as expressly provided herein all interest earned on the Settlement Amount shall accrue to the benefit of Primary Market Purchasers and shall become and remain part of the Escrow Account.

4.10 Subject to Section 4.11, all taxes payable on any interest which accrues on or otherwise in relation to the Settlement Amount in the Escrow Account shall be the responsibility of the Class. Class Counsel or the Administrator, as appropriate, shall be solely responsible for fulfilling all tax reporting and payment requirements arising from the Settlement Amount in the Escrow Account, including any obligation to report taxable income and make tax payments. All taxes (including interest and penalties) due with respect to the income earned by the Settlement Amount shall be paid from the Escrow Account.

4.11 The Settling Defendants shall have no responsibility to make any filings relating to the Escrow Account, to pay tax on any income earned by the Settlement Amount, or to pay any taxes on the monies in the Escrow Account, unless this Agreement is terminated, in which case any interest earned on the Settlement Amount in the Escrow Account shall be paid to the Settling Defendants who, in such case, shall be responsible for the payment of any taxes on such interest not previously paid by Class Counsel.

## **SECTION 5 – NO REVERSION**

5.1 Unless this Agreement is terminated as provided herein, the Settling Defendants shall not be entitled to the repayment of any portion of the Settlement Amount and then only to the extent of and in accordance with the terms provided herein.

## **SECTION 6 – DISTRIBUTION OF THE SETTLEMENT AMOUNT**

6.1 On or after the Effective Date, the Administrator shall distribute the balance of the Settlement Amount remaining in the Escrow Account in accordance with the following priorities:

- (a) to pay Class Counsel Fees, which shall be deducted proportionally from the Settlement Amount and any other settlement amounts from Other Settlement Agreements - based on their respective values;
- (b) to pay all of the costs and expenses reasonably and actually incurred in connection with the provision of the Approval Notice, locating Class Members for the sole purpose of providing notice to them, soliciting Class Members to submit a Claim Form, including the notice expenses reasonably and actually incurred by the Administrator and brokerage firms in connection with the provision of the Approval Notice to Class Members (provided, however, that the Administrator shall not pay in excess of fifteen thousand Canadian dollars (CAD\$15,000.00) in the aggregate to all brokerage firms and, if the aggregate amount claimed by such brokerage firms exceeds fifteen thousand Canadian dollars (CAD\$15,000.00), then the Administrator shall distribute the sum of fifteen thousand Canadian dollars (CAD\$15,000.00) to such brokerage firms on a *pro rata* basis). The

Settling Defendants and any related entity under the control of a Settling Defendant (within the meaning of s 89(3) of the *Securities Act*, RSO 1990, c. S.5 as amended) are specifically excluded from eligibility for any payment of notice expenses under this subsection;

- (c) to pay all of the Administration Expenses, except any that may already have been paid by Class Counsel pursuant to Section 3.4. For greater certainty, the Settling Defendants and the Class are specifically excluded from eligibility for any payment of costs and expenses under this subsection;
- (d) to pay any taxes required by law to be paid to any governmental authority; and
- (e) to pay a *pro rata* share of the balance of the Settlement Amount to each Primary Market Authorized Claimant in proportion to his, her or its claim as recognized in accordance with the Plan of Allocation.

## **SECTION 7 – EFFECT OF SETTLEMENT**

### **No Admission of Liability**

7.1 Whether or not this Agreement is terminated, this Agreement, anything contained in it, any and all negotiations, discussions, and communications associated with this Agreement, shall not be deemed, construed or interpreted as a concession or admission of wrongdoing or liability by the Releasees, or as a concession or admission by the Releasees of the truthfulness of any claim or allegation asserted in this Action. Neither this Agreement nor anything contained herein shall be used or construed as an admission by the Releasees of any fault, omission, liability or wrongdoing in connection with any statement, release, written document, offering

document in whatever form or financial report, or otherwise concerning Zungui, and in fact the Settling Defendants continue to vigorously dispute, deny and contest the allegations made in this Action.

**Agreement Not Evidence**

7.2 The Parties agree that, whether or not it is terminated, unless otherwise agreed, this Agreement and anything contained herein, any and all negotiations, documents, discussions and proceedings associated with this Agreement, and any action taken to implement this Agreement, shall not be referred to, offered as evidence or received as evidence or interpreted in this Action or in any other pending or future civil, criminal, quasi-criminal, administrative action, disciplinary investigation or other proceeding as any presumption, concession or admission: (i) of the validity of any claim that has been or could have been asserted in the Action by the Plaintiffs against the Settling Defendants, or the deficiency of any defence that has been or could have been asserted in the Action; (ii) of wrongdoing, fault, neglect or liability by the Settling Defendants; and (iii) that the Settlement Amount represents the amount that could be or would have been recovered in the Action after trial.

7.3 Notwithstanding Section 7.2, this Agreement may be referred to or offered as evidence in order to obtain the orders or directions from the Court contemplated by this Agreement, in a proceeding to approve or enforce this Agreement, to defend against the assertion of Released Claims, or as otherwise required by law.

### **Restrictions On Further Litigation**

7.4 Class Counsel, and anyone currently or hereafter employed by, associated with, or a partner with Class Counsel may not, directly or indirectly participate or be involved in, or in any way assist with respect to any claim made by any person against the Settling Defendants in relation to the purchase, sale, acquisition, retention, exchange or distribution of Eligible Shares, any representations made directly or indirectly, concerning Zungui and its subsidiaries, their operations, financial statements or financial results, except in relation to any proceeding relating to the approval of any Other Settlement Agreement.

7.5 Class Counsel is also prohibited from divulging to anyone for any purpose any information obtained in the course of the negotiation, preparation or execution of this Agreement, without the prior written consent of the Settling Defendants or unless ordered to do so by a court.

### **SECTION 8 – CERTIFICATION FOR SETTLEMENT ONLY**

#### **Consent to Certification**

8.1 The Settling Defendants will consent to certification of the Action as a class proceeding, pursuant to Sections 2, 5 and 6 of the *CPA*, solely for the purpose of effecting this Agreement.

8.2 The Parties agree that the only common issue that the Plaintiffs will seek to define is the Common Issue and the only class that they will assert is the Class.

#### **Certification Without Prejudice**

8.3 The Parties agree that the certification of the Action as a class proceeding in accordance with Sections 8.1 and 8.2 hereof is for the sole purpose of effecting the Settlement. In the event



that this Agreement is terminated as provided herein, the certification order, if any, shall be vacated or set aside as set out herein, and shall be without prejudice to any position that any of the Parties may later take on any issue in the Action including in a subsequent certification motion. In particular, the fact of the Settling Defendants' consent to certification for settlement purposes shall not be referenced in any way in the further prosecution of the Action, nor shall such consent be deemed to be an admission by the Settling Defendants that the Plaintiffs have met any of the requisite criteria for certification of the Action as a class proceeding.

#### **SECTION 9 - OPTING OUT**

9.1 The Plaintiffs and Class Counsel represent and warrant that:

- (a) they are unaware of any Class Member who has either opted out or expressed an intention to opt out of the Class; and
- (b) they will not encourage or solicit any Class Member to opt out of the Class.

9.2 The Parties agree that the Opt-Out Deadline will not be extended unless the Court orders otherwise.

9.3 Opt-Out Parties will be excluded from any and all rights and obligations arising from the Settlement. Class Members who do not opt out shall be bound by the Settlement and the terms of this Agreement regardless of whether the Class Member files a Claim Form or receives compensation from the Settlement.

#### **SECTION 10 – TERMINATION OF THE AGREEMENT**

##### **General**

10.1 This Agreement shall, without notice, be automatically terminated if:

- (a) An order in the form of the Certification and Settlement Approval Order satisfactory to the Settling Defendants is not granted by the Court; or
- (b) the Certification and Settlement Approval Order is reversed on appeal and the reversal becomes a Final Order.

10.2 The Settling Defendants may terminate this Agreement in the event that:

- (a) the Court declines to approve this Agreement or any material term or part thereof;
- (b) the Court approves this Agreement in a materially modified form; or
- (c) the Certification and Settlement Approval Order does not finally dismiss the Action against all defendants with prejudice and without costs.

10.3 In the event this Agreement is terminated in accordance with its terms:

- (a) the Parties will be restored to their respective positions prior to the execution of this Agreement;
- (b) the Escrow Settlement Amount will be returned to the Settling Defendants in accordance with Section 10.6(d) hereof;
- (c) this Agreement will have no further force and effect and no effect on the rights of the Parties except as specifically provided for herein;
- (d) all statutes of limitation applicable to the claims asserted in this Action shall be deemed to have been tolled during the period beginning with the execution of this

Agreement and ending with the day on which the orders contemplated by Section 10.6 are entered;

- (e) any costs reasonably incurred by the Administrator and paid out of the Escrow Account for performing the services required to prepare to implement this Settlement, and amounts paid for the publication and dissemination of notices are non-recoverable from the Plaintiffs, the Class Members, the Administrator or Class Counsel;
- (f) this Agreement and any consent certification order will not be introduced into evidence or otherwise referred to in any litigation against the Settling Defendants.

10.4 Notwithstanding the provisions of Section 10.3(c), if this Agreement is terminated, the provisions of this Section 10 and Sections 1, 2, 4.3, 4.9, 4.10, 5.1, 7.1, 7.2, 7.3, 7.5, 8.3, and 15 shall survive termination and shall continue in full force and effect.

**Allocation of Monies in the Escrow Account Following Termination**

10.5 The Administrator and/or Class Counsel shall account to the Court and the Parties for the amounts maintained in and disbursed from the Escrow Account. If this Agreement is terminated, this accounting shall be delivered no later than ten (10) days after such termination.

10.6 If this Agreement is terminated, the Settling Defendants shall, within thirty (30) days after termination, apply to the appropriate Court, on notice to the Plaintiffs and the Administrator, as may be necessary, for an order:

- (a) declaring this Agreement null and void and of no force or effect except for the provisions listed in Section 10.4;
- (b) determining whether a notice of termination shall be sent out to the Class Members and, if so, the form and method of disseminating such a notice;
- (c) requesting an order setting aside, *nunc pro tunc*, all prior orders or judgments entered by the Court in accordance with the terms of this Agreement, including any order certifying the Action as a class proceeding for the purposes of implementing this Agreement; and
- (d) authorizing the payment of all remaining funds in the Escrow Account, including accrued interest, to the Settling Defendants.

10.7 Subject to Section 10.8, the Parties shall consent to the orders sought in any motion made by the Settling Defendants pursuant to Section 10.6.

**Disputes Relating to Termination**

10.8 If there is any dispute about the termination of this Agreement, the Court shall determine any dispute by motion made by a Party on notice to the other Parties.

**No Right to Terminate**

10.9 For greater certainty, no dispute or disagreement among the Plaintiffs and/or members of the Class or any of them about Class Counsel Fees, the proposed distribution of the Settlement Amount or the Plan of Allocation shall give rise to a right to terminate this Agreement.

**SECTION 11 – DETERMINATION THAT THE SETTLEMENT IS FINAL**

11.1 The Settlement shall be considered final on the Effective Date.

**SECTION 12 – RELEASES AND JURISDICTION OF THE COURT**

**Release of Releasees**

12.1 As of the Effective Date, and in consideration of payment of the Settlement Amount and for other valuable consideration set forth in this Agreement, the Releasers forever and absolutely release, waive and forever discharge the Releasees from the Released Claims that any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall or may have.

12.2 The Releasers acknowledge that they are aware that they may hereafter discover facts in addition to, or different from, those facts which they know or believe to be true with respect to the Action, the IPO and the subject matter of this Agreement, and that it is their intention to release fully, finally and forever all Released Claims, and in furtherance of such intention, this release and, subject to the provisions of Section 10, this Agreement, shall be and remain in effect notwithstanding the discovery or existence of any such additional or different facts.

**No Further Claims**

12.3 As of the Effective Date, the Releasers and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Ontario or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any of the Releasees or any other person who may

claim contribution or indemnity from any of the Releasees in respect of any Released Claim or any matter related thereto.

12.4 Should any claim referred to in Section 12.3 be commenced on or before the Effective Date, the Plaintiffs shall support a motion by the Settling Defendants to dismiss or permanently stay such claim.

**Dismissal of the Action**

12.5 Except as otherwise provided in this Agreement and the Certification and Settlement Approval Order, as of the Effective Date, this Action shall be dismissed as against all defendants with prejudice and without costs.

**Dismissal of the Bardi Action**

12.6 The Plaintiffs shall either (i) provide written confirmation to the Settling Defendants prior to the Certification and Settlement Approval Motion that the Bardi Action has been dismissed or (ii) seek the dismissal of the Bardi Action as part of the Certification and Settlement Approval Order.

**No Claims in Interim**

12.7 As of the date of this Agreement, Class Counsel do not represent plaintiffs in any other proceeding related to any matter at issue in this Action.

**Material Term**

12.8 The releases contemplated in this Section shall be considered a material term of this Agreement and the failure of any Court to approve the releases contemplated herein shall give

rise to a right of termination by the Settling Defendants pursuant to Section 10 of this Agreement.

## **SECTION 13 – ADMINISTRATION**

### **Appointment of the Administrator**

13.1 The Court will appoint the Administrator to serve until such time as the Settlement Amount is distributed in accordance with the Plan of Allocation, to implement this Agreement and the Plan of Allocation, on the terms and conditions and with the powers, rights, duties and responsibilities set out in this Agreement and in the Plan of Allocation.

13.2 If the approval of the Settlement becomes final as contemplated by Section 11, the Court will fix the Administrator's compensation and payment schedule.

### **Claims Process**

13.3 In order to seek payment from the Settlement Amount, a Class Member must submit a completed Claim Form to the Administrator, in accordance with the provisions of the Plan of Allocation, on or before the Claims Bar Deadline. Class Members shall be bound by the terms of the Settlement regardless of whether they submit a completed Claim Form or receive payment from the Settlement Amount.

13.4 In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the

deficiency. Any person who does not respond to such a request for information within this period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court to the contrary, but will in all other respects be subject to, and bound by, the provisions of this Agreement and the releases contained herein.

13.5 By agreement between the Administrator and Class Counsel, and on Notice to Counsel for the Settling Defendants, the Claims Bar Deadline may be extended. Class Counsel and the Administrator shall agree to extend the Claims Bar Deadline if, in their opinions, doing so will not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

**Disputes Concerning the Decisions of the Administrator**

13.6 In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, the Class Member may appeal the decision to the Court. The decision of the Court will be final with no right of appeal.

13.7 No action shall lie against Class Counsel or the Administrator for any decision made in the administration of this Agreement and Plan of Allocation without an order from the Court authorizing such an action.

**Conclusion of the Administration**

13.8 Following the Claims Bar Deadline, and in accordance with the terms of this Agreement, the Plan of Allocation, and such further approval or order of the Court as may be necessary, or as circumstances may require, the Administrator shall distribute net Escrow Settlement Amount to Primary Market Authorized Claimants.



13.9 No claims or appeals shall lie against Class Counsel or the Administrator based on distributions made substantially in accordance with this Agreement, the Plan of Allocation, or with any other order or judgment of the Court.

13.10 If the Escrow Account is in a positive balance (whether by reason of tax refunds, uncashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of the Escrow Settlement Amount to the Primary Market Authorized Claimants, the Administrator shall donate such balance to the Small Investor Protection Association (Canada), *cy pres*.

13.11 Upon the conclusion of the administration, and before distribution of the Escrow Settlement Amount to the Primary Market Authorized Claimants, the Administrator shall report to the Court on the administration and shall account for all monies it has received, administered and proposes to distribute in accordance with this Agreement and the Plan of Allocation.

#### **SECTION 14 – THE FEE AGREEMENT AND CLASS COUNSEL FEES**

##### **Motion for Approval of Class Counsel Fees**

14.1 At the Approval Hearing, Class Counsel may seek the approval of Class Counsel Fees to be paid as a first charge on the Settlement Amount. Class Counsel are not precluded from making additional applications to the Court for expenses incurred as a result of implementing the terms of the Agreement. All amounts awarded on account of Class Counsel Fees shall be paid from the Settlement Amount.

14.2 The Settling Defendants acknowledge that they are not parties to the motion concerning the approval of Class Counsel Fees, they will have no involvement in the approval process to determine the amount of Class Counsel Fees and they will not take any position or make any submissions to the Court concerning Class Counsel Fees, except as requested and required by the

Court. Subject to the foregoing, the Plaintiffs will provide the Settling Defendants with notice of the motion to approve Class Counsel Fees and copies of the materials filed with the Court and the Settling Defendants and their counsel are entitled to attend any motion for approval of Class Counsel Fees.

14.3 The procedure for, and the allowance or disallowance by the Court of any requests for Class Counsel Fees to be paid out of the Settlement Amount are not part of the Settlement provided for herein, except as expressly provided in Section 6.1, and are to be considered by the Court separately from its consideration of the fairness, reasonableness, and adequacy of the Settlement provided for herein.

14.4 Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Agreement or affect or delay the finality of the Certification and Settlement Approval Order and the Settlement of this Action provided herein.

**Payment of Class Counsel Fees**

14.5 Forthwith after the Settlement becomes final, as contemplated in Section 11, the Administrator shall pay to Class Counsel in trust the Class Counsel Fees approved by the Court from the Escrow Account.

## **SECTION 15-- MISCELLANEOUS**

### **Motions for Directions**

15.1 Any one or more of the Parties, Class Counsel, or the Administrator may apply to the Court for directions in respect of any matter in relation to this Agreement and the Plan of Allocation.

15.2 All motions contemplated by this Agreement shall be on notice to the Parties.

### **Settling Defendants Have No Responsibility or Liability for Administration**

15.3 Except for the obligations in respect of the performance of the obligations under Section 4.1, the Settling Defendants shall have no responsibility for and no liability whatsoever with respect to the administration or implementation of this Agreement and the Plan of Allocation, including, without limitation, the processing and payment of claims by the Administrator.

### **Headings, etc.**

15.4 In this Agreement:

- (a) the division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (b) the terms "the Agreement", "this Agreement", "herein", "hereto" and similar expressions refer to this Agreement and not to any particular section or other portion of the Agreement;
- (c) all amounts referred to are in lawful money of Canada; and

- (e) "person" means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies, by whatever name in the jurisdiction in which the person is domiciled.

15.5 In the computation of time in this Agreement, except where a contrary intention appears:

- (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

#### **Governing Law**

15.6 This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.

15.7 The Parties agree that the Court shall retain exclusive and continuing jurisdiction over this Proceeding, the Parties and Class Members to interpret and enforce the terms, conditions and obligations under this Agreement and the Certification and Settlement Approval Order.

#### **Severability**

15.8 Any provision hereof that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be severable from the remaining provisions which shall continue to be valid and enforceable to the fullest extent permitted by law.

**Entire Agreement**

15.9 This Agreement constitutes the entire agreement among the Parties and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Agreement, unless expressly incorporated herein. This Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Court.

**Binding Effect**

15.10 If the Settlement is approved by the Court and becomes final as contemplated in Section 11, this Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Class Members, the Settling Defendants, Class Counsel, the Releasees and the Releasers or any of them, and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiffs shall be binding upon all Releasers and each and every covenant and agreement made herein by the Settling Defendants shall be binding upon all of the Releasees.

**Survival**

15.11 The representations and warranties contained in this Agreement shall survive its execution and implementation.

**Negotiated Agreement**

15.12 This Agreement and the underlying settlement have been the subject of arm's length negotiations and many discussions among the undersigned and counsel. Each of the undersigned has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of this Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of the Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Agreement.

**Recitals**

15.13 The recitals to this Agreement are true, constitute material and integral parts hereof and are fully incorporated into, and form part of, this Agreement.

**Acknowledgements**

15.14 Each Party hereby affirms and acknowledges that:

- (a) its signatory has the authority to bind the Party for which it is signing with respect to the matters set forth herein and has reviewed this Agreement; and
- (b) the terms of this Agreement and the effects thereof have been fully explained to it by his or its counsel;
- (c) he, she or its representative fully understands each term of this Agreement and its effect.

**Counterparts**

15.15 This Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a signature delivered by email or facsimile shall be deemed an original signature for purposes of executing this Agreement.

**Confidentiality and Communications**

15.16 In any public discussion of, comment on, press release or other communication of any kind (with the media or otherwise) about this Agreement and the Plan of Allocation, the Plaintiffs and Class Counsel agree and undertake to describe the Settlement and the terms of this Agreement as fair, reasonable and in the best interests of the Class.

15.17 Nothing in this Section shall prevent the Parties or their counsel, or any of them, from reporting to their clients, from complying with any order of the Court, or from making any disclosure or comment required by this Agreement, or from making any necessary disclosure or comment for the purposes of any applicable securities or tax legislation or from making any disclosure or comment to Class Members or the Court or for the purposes of any proceedings as between the Defendants.

15.18 Without limiting the generality of the foregoing, the Parties specifically agree that the Parties will not make any public statements, comment or any communication of any kind about any negotiations or information exchanged as part of the settlement process, unless required to do so by law. In addition, to the extent that there is public discussion of, comment on or communication of any kind about this Agreement, the Parties and their counsel agree and

undertake to make no statement or comment that the Agreement is other than fair, reasonable and in the best interests of the Class, unless required to do so by law.

**Notice**

15.19 Any notice, instruction, motion for Court approval or motion for directions or Court orders sought in connection with this Agreement or any other report or document to be given by any party to any other party shall be in writing and delivered personally, by facsimile or e-mail during normal business hours, or sent by registered or certified mail, or courier postage paid:

**For Plaintiffs and for Class Counsel:**

Charles Wright  
Siskinds LLP  
680 Waterloo Street  
London, ON N6A 3V8

Telephone: 416-362-8334  
Facsimile: 416-362-2610  
Email: charles.wright@siskinds.com

**For the Settling Defendants:**

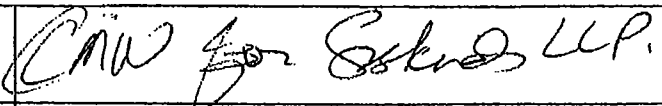

Kent Thomson and Derek Ricci  
Davies Ward Phillips & Vineberg LLP  
155 Wellington Street West  
Toronto ON M5V 3J7

Telephone: 416-367-7471  
Facsimile: 416-863-0871  
Email: dricci@dwpv.com



**Date of Execution**

15.20 The Parties have executed this Agreement as of the date on the cover page.

August 19/13		
Date		Siskinds LLP on their own behalf, as Class Counsel and as counsel for the Plaintiffs
August 19/13		
Date	for	Davies Ward Phillips & Vineberg LLP as Counsel for the Settling Defendants

**SCHEDULE "A" – CERTIFICATION AND SETTLEMENT APPROVAL ORDER**

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE ) \_\_\_\_\_, THE \_\_\_\_\_  
JUSTICE P. M. PERELL ) DAY OF \_\_\_\_\_, 2013

**B E T W E E N:**

**JERZY ROBERT ZANIEWICZ and EDWARD C. CLARKE**

**Plaintiffs**

- and -

**ZUNGUI HAIXI CORPORATION, ERNST & YOUNG LLP, FENGYI CAI, JIXU CAI, YANDA CAI, MICHELLE GOBIN, MICHAEL W. MANLEY, PATRICK A. RYAN, ELLIOTT WAHLE, MARGARET CORNISH, CIBC WORLD MARKETS INC., CANACCORD GENUITY CORP. (f.k.a. CANACCORD FINANCIAL LTD)., GMP SECURITIES LP and MACKIE RESEARCH CAPITAL CORPORATION (f.k.a. RESEARCH CAPITAL CORPORATION)**

**Defendants**

*Proceeding under the Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION**, made by the Plaintiffs for an Order approving (i) a Settlement Agreement dated February 13, 2013 with the defendant, Ernst & Young LLP, (ii) a Settlement Agreement dated April 26, 2013 with the defendants, Matthew Gottlieb as Litigation Receiver of Zungui Haixi Corporation, Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle and Margaret Cornish, and (iii) a Settlement Agreement dated August 1, 2013 with the defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation, was heard this day at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

**ON READING** the materials filed, including the Settlement Agreement, dated February 13, 2013, attached hereto as **Schedule "A"** ("Auditor Agreement"), the Settlement Agreement dated April 26, 2013 attached hereto as **Schedule "B"** ("Zungui Agreement"), the Settlement Agreement dated August ●, 2013 attached hereto as **Schedule "C"** ("Underwriter Agreement", collectively with the Auditor Agreement and Zungui Agreement, the "Agreements", and any one which is an "Agreement"), the affidavits of J. Robert Zaniewicz and Edward C. Clarke sworn June 24, 2013 and June 28, 2013, respectively, and the affidavits of Nicholas C. Baker sworn June 28, 2013 and August ●, 2013, and on hearing the submissions of Class Counsel and counsel for the defendants who have appeared in the Action and are signatories under an Agreement (such defendants being "Settling Defendants");

**ON BEING ADVISED** that the Settling Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and Mackie Research Capital Corporation consent to the certification of the Action against them, solely for the purposes of settlement;

**AND ON BEING ADVISED** that the Settling Defendants consent to the relief sought in respect of the Agreements, notice and administration of the Settlements;

**AND ON BEING ADVISED** that NPT RicePoint Class Action Services Inc. has consented to being appointed the Administrator pursuant to each of the Agreements;

1. **THIS COURT DECLARES** that except as otherwise stated, this Order incorporates and adopts the definitions set out in the Agreements, respectively.

2. **THIS COURT ORDERS** that this action is certified as a class proceeding as against the Settling Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., GMP Securities LP and

Mackie Research Capital Corporation for the purpose of settlement only, pursuant to the *Class Proceedings Act, 1992*, S.O. 1992 c.6 (“CPA”), ss. 2 and 5, but subject to ~~Articles 8 and 10~~ of the Underwriter Agreement.

3. **THIS COURT ORDERS** that the class certified (“Class”), for the purpose of settlement in accordance with the terms of the Underwriter Agreement is defined as:

All persons or entities wherever they may reside or be domiciled, other than Excluded Persons and Opt-Out Parties, who acquired Eligible Shares.

4. **THIS COURT ORDERS** that Jerzy Robert Zaniewicz and Edward C. Clarke are appointed as Representative Plaintiffs for the Class for the purpose of settlement in accordance with the terms of the Underwriter Agreement.

5. **THIS COURT ORDERS** that the following issue is common to the Class:

Did the IPO Prospectus contain one or more misrepresentations within the meaning of the Securities Act, R.S.O. 1990, c. S.5, as amended, or at common law?

6. **THIS COURT ORDERS** that notice of the certification of the Action against the Settling Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation is hereby dispensed pursuant to section 17(2) of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.

7. **THIS COURT DECLARES** that the Agreements, individually and collectively, are fair, reasonable and in the best interests of the Class.

8. **THIS COURT ORDERS** that the Agreements are approved pursuant to section 29 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.

9. **THIS COURT DECLARES** that each of the Agreements in its entirety (including the Recitals and Definitions set out in sections 1 and 2 of each) form part of this Order and is binding upon the Settling Defendants party to the Agreement, the Plaintiffs and all Class Members that did not opt-out of this Action in accordance with paragraph 6 of the Certification and First Notice Orders in this Action, both of which were dated May 21, 2013, including those persons that are minors or mentally incapable.

10. **THIS COURT DECLARES** that compliance with the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, R.R.O. Reg. 194 is hereby dispensed with.

11. **THIS COURT ORDERS** that each Agreement shall be implemented in accordance with its terms.

12. **THIS COURT DECLARES** that the Plan of Allocation, attached hereto as **Schedule "D"**, is fair and appropriate.

13. **THIS COURT ORDERS** that the Plan of Allocation is approved and that the Settlement Amount under each Agreement shall be distributed in accordance with the terms of the applicable Agreement, following payment of Class Counsel Fees (to be approved) and Administration Expenses.

14. **THIS COURT ORDERS** that NPT RicePoint Class Action Services Inc. is hereby appointed as the Administrator pursuant to each Agreement.

15. **THIS COURT ORDERS** that the Plan of Notice, attached hereto as **Schedule "E"**, is hereby approved for the purpose of the publication and dissemination of the Short Form Notice of Settlement, Long Form Notice of Settlement and Claim Form.

16. **THIS COURT ORDERS** that the form and content of the Short Form Notice of Settlement, attached hereto as **Schedule "F"** is hereby approved.

17. **THIS COURT ORDERS** that the form and content of the Long Form Notice of Settlement, attached hereto as **Schedule "G"**, is hereby approved.

18. **THIS COURT ORDERS** that the form and content of the Claim Form, attached hereto as **Schedule "H"**, is hereby approved.

19. **THIS COURT ORDERS** that the Plaintiffs and the Settling Defendants may, on notice to the Court but without the need for a further order of the Court, agree to reasonable extensions of time to carry out any of the provisions of the Agreements.

20. **THIS COURT ORDERS AND DECLARES** that, other than as provided in sections 4.1 and 14 of the Auditor Agreement, section 15.2(1) of the Zungui Agreement and section ● of Underwriter Agreement, the Releasees (however defined) have no responsibility for and no liability whatsoever with respect to the administration of the Agreement pursuant to which they have been released.

21. **THIS COURT ORDERS AND DECLARES** that, upon the Effective Date, the Releasers under each Agreement shall release and discharge, and shall be conclusively deemed to have fully, finally and forever released and discharged the Releasees under each Agreement from the Released Claims (however defined) in each Agreement.

22. **THIS COURT ORDERS** that, within ten days of this Order, the underwriters of the primary and excess insurance policies issued to Zungui Haixi Corporation, or either of them, shall pay to

Siskinds LLP in trust the sum of CAD \$100,000.00 which shall be added to the existing Settlement Amount paid under the Zungui Agreement.

23. **THIS COURT ORDERS** that, upon the Effective Date, the Action be dismissed against all Defendants with prejudice and without costs.

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THE HONOURABLE JUSTICE P.M. PERELL



**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**APPROVAL ORDER**

Siskinds LLP  
Barristers & Solicitors  
680 Waterloo Street  
P.O. Box 2520  
London, ON N6A 3V8

Charles M. Wright (LSUC #: 36599Q)  
Tel: 519.660.7753  
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Tel: 416.362.8334  
Fax: 416.362.2610

Class Counsel

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

JERZY ROBERT ZANIEWICZ and EDWARD C. CLARKE

Plaintiffs

- and -

ZUNGUI HAIXI CORPORATION, ERNST & YOUNG LLP, FENGYI CAI, JIXU CAI,  
YANDA CAI, MICHELLE GOBIN, MICHAEL W. MANLEY, PATRICK A. RYAN,  
ELLIOTT WAHLE, MARGARET CORNISH, CIBC WORLD MARKETS INC.,  
CANACCORD GENUITY CORP. (f.k.a. CANACCORD FINANCIAL LTD), GMP  
SECURITIES LP and MACKIE RESEARCH CAPITAL CORPORATION  
(f.k.a. RESEARCH CAPITAL CORPORATION)

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**PLAN OF ALLOCATION**

(Supplement to the Settlement Agreements, dated February 13, 2013 and April 26, 2013)

**DEFINED TERMS**

1. The definitions set out in the Settlement Agreements, dated February 13, 2013 and April 26, 2013 apply to and are incorporated into this Plan of Allocation, in addition to the following definitions:
  - (a) **"Acquisition Expense"** means the total monies paid by the Claimant (including brokerage commissions) to acquire Eligible Shares;
  - (b) **"Allocation Pool"** means the sum of the Settlement Amounts paid under the Settlement Agreements dated February 13, 2013 and April 26, 2013 after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Allocation Pool includes the after tax amount of any accrued interest income on the Settlement Amounts;
  - (c) **"Claimant"** means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;

- (d) **“Discounted Nominal Entitlement”** means a Claimant’s Nominal Entitlement less the discount provided for herein, and which forms the second step upon which each Claimant’s *pro rata* share of the Allocation Pool is determined;
- (e) **“Disposition Proceeds”** means the total proceeds paid to the Claimant (without deducting any commissions paid in respect of the dispositions) in consideration for the sale of all of the Claimant’s Eligible Shares;
- (f) **“FIFO”** means the principle of first-in, first-out, wherein shares are deemed to be sold in the same order that they were purchased (i.e. the first shares purchased are deemed to be the first sold);
- (g) **“Net Loss”** means that the Claimant’s Disposition Proceeds are less than the Claimant’s Acquisition Expense;
- (h) **“Net Other Settlement Amount”** means the settlement amount of the approved settlement in the Action with the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation, after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Net Other Settlement Amount includes the after tax amount of any accrued interest income on the settlement amount;
- (i) **“Nominal Entitlement”** means a Claimant’s nominal damages as calculated pursuant to the formula set forth herein, and which forms the first step upon which each Claimant’s *pro rata* share of the Allocation Pool is determined;
- (j) **“Primary Market Purchasers”** means Claimants who bought Eligible Shares on an “if, as and when issued” basis under Zungui’s initial public offering pursuant to the Zungui IPO Prospectus dated December 11, 2009;
- (k) **“Secondary Market Purchasers”** means Claimants who bought Eligible Shares on a stock exchange (e.g. the Toronto Stock Exchange) or alternative trading system (e.g. Pure Trading, Omegan and Alpha Venture);
- (l) **“Settlement Amounts”** means CAD \$8.1 million, and CAD \$2 million; and
- (m) **“Share Exchange Acquirors”** means Claimants who received Eligible Shares under the Share Exchange Agreement.

## **CALCULATION OF NET LOSS AND NOMINAL ENTITLEMENT**

2. The Allocation Pool and any Net Other Settlement Amount will be distributed in accordance with the Plan of Allocation described herein.
3. A Claimant must have sustained a Net Loss on all Eligible Shares in order to be eligible to receive a payment from the Allocation Pool and, if applicable, any Net Other

Settlement Amount. A Claimant that has not suffered a Net Loss as calculated under the Plan of Allocation will not be entitled to receive any portion of the Allocation Pool or any portion of a Net Other Settlement Amount.

4. First, the Administrator will determine whether a Claimant has sustained a Net Loss on all Eligible Shares. If the Claimant has sustained a Net Loss, the Claimant becomes an “**Authorized Claimant**”, and the Administrator will proceed to calculate the Authorized Claimant’s Nominal Entitlement.
5. The date of an acquisition, sale or deemed disposition shall be the trade date of the transaction, as opposed to the settlement date, except for an acquisition of Eligible Shares under the Share Exchange Agreement in which case it shall be the date of acquisition recorded in Zungui’s securities register or branch register as may be the case.
6. For the purposes of any calculation relating to Eligible Shares acquired under the Share Exchange Agreement, the Administrator will account for such shares on a post-exchange cost of acquisition basis.
7. Second, the Administrator will calculate an Authorized Claimant’s Nominal Entitlement according to the formulae listed below. The formulae reflect the opinion of the Plaintiffs’ valuation expert as advanced in the Proceeding; namely, that the price of Zungui shares was corrected by statistically significant events on June 2, 2011, and August 22, 2011. Where applicable, certain formulae also reflect that Zungui shares last traded at CAD \$0.34, and have been unable to trade since August 23, 2011.
8. Third, the Administrator will calculate an Authorized Claimant’s Discounted Nominal Entitlement by applying the appropriate percentage discounts listed below. The discounts take into account the strengths and weaknesses of the claims made and proposed to be made in the Action by and on behalf of Primary Market Purchasers, Secondary Market Purchasers and Share Exchange Acquirors against the Settling Defendants.

**Primary Market Purchasers**

9. The Nominal Entitlement will be calculated as follows:

- I. No Nominal Entitlement shall be recognized for any Eligible Shares *disposed of before June 2, 2011.***
- II. For Eligible Shares *disposed of from June 2, 2011 to and including August 19, 2011,* the Nominal Entitlement shall be the lesser of:
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.**
- III. For Eligible Shares *disposed of on or after August 22, 2011,* the Nominal Entitlement shall be the lesser of:
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.**
- IV. For Eligible Shares *still held at the time the Claim Form is completed,* the Nominal Entitlement shall be the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.**

**Secondary Market Purchasers**

10. The Nominal Entitlement will be calculated as follows:

- I. No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of before June 2, 2011.***
- II. For Eligible Shares *purchased before June 2, 2011 and disposed of from June 2, 2011 to and including August 19, 2011,* the Nominal Entitlement shall be the lesser of:
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.**

- III. For Eligible Shares *purchased from June 2, 2011 to and including August 19, 2011 and disposed of on or after August 22, 2011*, the Nominal Entitlement shall be the lesser of:**
- A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.26.
- IV. For Eligible Shares *purchased from June 2, 2011 to and including August 19, 2011 and still held at the time the Claim Form is completed*, the Nominal Entitlement shall be the lesser of:**
- A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares still held multiplied by CAD \$1.60 per share.
- V. For Eligible Shares *purchased before June 2, 2011 and disposed of on or after August 22, 2011*, the Nominal Entitlement shall be the lesser of:**
- A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- VI. For Eligible Shares *purchased before June 2, 2011 and still held at the time the Claim Form is completed*, the Nominal Entitlement shall be the lesser of:**
- A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.
- VII. For Eligible Shares *purchased on August 22, 2011 and still held at the time the Claim Form is completed*, the Nominal Entitlement shall be the lesser of:**

- A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
- B. the sum of Eligible Shares still held multiplied by CAD \$0.34.

**Share Exchange Acquirors**

11. The Nominal Entitlement will be calculated as follows:

- I. No Nominal Entitlement shall be recognized for any Eligible Shares *disposed of before June 2, 2011.***
- II. For Eligible Shares *disposed of from June 2, 2011 to and including August 19, 2011,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.
- III. For Eligible Shares *disposed of on or after August 22, 2011,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- IV. For Eligible Shares *still held at the time the Claim Form is completed,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares still held multiplied by the price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.

## FINAL DISTRIBUTION

12. A separate Nominal Entitlement will be calculated for each Authorized Claimant's Share Exchange acquisition, Primary Market and Secondary Market purchases, as may be the case. Whether particular dispositions are of Zungui shares acquired pursuant to the Share Exchange Agreement, purchased in the Primary Market or in the Secondary Market will be determined using FIFO.
13. The Discounted Nominal Entitlement will be calculated for Authorized Claimants' Share Exchange acquisition, Primary Market and Secondary Market purchases by subtracting the applicable percentage amount below from the Nominal Entitlement:
  - (a) For Share Exchange Acquirors, 40%;
  - (b) For Primary Market Purchasers, 0%; and
  - (c) For Secondary Market Purchasers
    - (i) that purchased in the period from and including December 21, 2009 to and including August 19, 2011, 8%; and
    - (ii) that purchased on August 22, 2011 and still held some of those Zungui shares at the time the Claim Form is completed, ~~98.5%~~ <sup>80.0%</sup> ✓ PMP.
14. Each Authorized Claimant's actual compensation shall be the portion of the Allocation Pool equivalent to the ratio of his/her/its Discounted Nominal Entitlement, to the total Discounted Nominal Entitlements of all Authorized Claimants multiplied by the Allocation Pool, as calculated by the Administrator.
15. In the event of an approved settlement in the Action with the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation:
  - (a) the Net Other Settlement Amount shall be solely for the benefit of and distribution to Authorized Claimants who are Primary Market Purchasers; and



- (b) the compensation to be paid to an Authorized Claimant who is a Primary Market Purchaser from any Net Other Settlement Amount shall be:
- (i) in addition to any compensation received from the Allocation Pool for Primary Market purchases; and
  - (ii) that portion of the Net Other Settlement Amount equivalent to the ratio of his/her/its Discounted Nominal Entitlement for Primary Market purchases, to the total Discounted Nominal Entitlements for all Primary Market purchases multiplied by the Net Other Settlement Amount.
16. The Administrator will not distribute entitlements of less than CAD\$5.00 to Class Members. Such amounts will instead be redistributed *pro rata* to the other Authorized Claimants.
17. The Administrator shall be authorized to distribute the Allocation Pool and any Net Other Settlement Amount in accordance with this Plan of Allocation upon having received and reviewed the Claim Forms submitted by the Claims Bar Deadline without further order of the Court.
18. If, one hundred eighty (180) days from the date on which the Administrator distributes the Allocation Pool and any Net Other Settlement Amount to Authorized Claimants, the Escrow Account remains in a positive balance (whether due to tax refunds, uncashed cheques, or otherwise), the Administrator shall, if feasible, reallocate such balance among the Authorized Claimants in an equitable and economic fashion. In the event any such remaining balance is less than CAD\$25,000.00 or less than \$5.00 per Claimant, the Administrator will donate such balance to the Small Investor Protection Association (Canada), *cy pres*.

## SCHEDULE "E" - PLAN OF NOTICE

### PLAN OF NOTICE

Capitalized terms used in this Plan of Notice have the meanings ascribed to them in the Settlement Agreement.

*Subject to such alternative or additional direction by the Court, notices provided for as contemplated in the Settlement Agreement will be disseminated as follows:*

#### **PART 1 – FIRST NOTICE**

##### Individual Notice

The First Notice will be mailed, electronically or physically, as may be required, to:

- (a) those persons and entities who have previously contacted Class Counsel for the purposes of receiving notice of developments in the Action; and
- (b) the 25 largest shareholders, excluding those who have been identified as Excluded Persons.

##### Internet Publication

Electronic publication of the First Notice will occur in both the English and French languages on [www.classaction.ca](http://www.classaction.ca).

##### Newspaper Publication

Print publication of the First Notice will be at least ¼ newsprint page in size and will occur at least ninety-five (95) days prior to the Approval Hearing. Publication will be made:

- (a) in Canada, in the English language in the business/legal sections of the national weekend editions of *The Globe and Mail*, *The National Post* and in the French language in the business section of *La Presse*; and
- (b) in the People's Republic of China, in the English language in the business/legal section of the *South China Morning Post* (Hong Kong).

##### Class Counsel

Class Counsel shall make a toll free number and email address available to the public that will enable Class Members to contact Class Counsel in order that they may, amongst other things:

- (a) obtain more information about the Settlement or how to object to it;
- (b) request that a copy of the Settlement Agreement be electronically or physically mailed to them; and/or
- (c) request that a copy of the Opt-Out Form be electronically or physically mailed directly to them.

In addition, the public may view or obtain copies of the Settlement Agreement, proposed Plan of Allocation and Opt-Out Form from the website of Siskinds LLP: [www.classaction.ca](http://www.classaction.ca).

## **PART 2 – SECOND NOTICE**

### **The Short Form Notice of Settlement will be disseminated as follows:**

Print publication of the Short Form Notice of Settlement will be at least a ¼ page in size and will occur as soon as possible following the date of the Approval Order, and, in any event, no later than fourteen (14) days following that date. Print publication will be made in Canada, in the English language in the business/legal sections of the national weekend editions of *The Globe and Mail*, *The National Post* and in the French language in the business section of *La Presse*; and

The English and French language versions of the Short Form Notice of Settlement will also be issued (with necessary formatting modifications) across *Marketwire*, a major business newswire in Canada.

### **The Long Form Notice of Settlement will be disseminated as follows:**

#### Internet Publication

The Long Form Notice of Settlement will be posted, in both the English and French languages, on:

- (a) [www.classaction.ca](http://www.classaction.ca); and
- (b) the website of the Administrator.

#### **Individual Notice**

Within thirty (30) days of the date of the Approval Order, Class Counsel shall direct the Administrator to send the Long Form Notice of Settlement and the Claim Form to all putative Class Members as follows:

1. The Administrator shall mail the Long Form Notice of Settlement and the Claim Form to individuals and entities identified as a result of Zungui's litigation receiver directing the delivery to Class Counsel and the Administrator of a computerized list in the possession of Zungui's transfer agent containing the names and addresses of persons that obtained Shares during the Class Period; and
2. The Administrator shall send the Long Form Notice of Settlement and the Claim Form to the brokerage firms in the Administrator's proprietary databases requesting that the brokerage firms either send a copy of the Long Form Notice of Settlement and the Claim Form to all individuals and entities identified by the brokerage firms as being Class Members, or to send the names and addresses of all known Class Members to the Administrator who shall mail the Long Form Notice of Settlement and the Claim Form to the individuals and entities so identified.

Class Counsel shall mail or email the Long Form Notice of Settlement and the Claim Form to those persons that have contacted Class Counsel regarding this litigation and have provided Class Counsel with their contact information.

Class Counsel shall make a toll-free number and email address available to the public that will enable Class Members to obtain more information about the settlement, the opt-out process, the claims process, and to request that a copy of the Settlement Agreement, Opt-Out Form, Long Form Notice of Settlement and the Claim Form be sent electronically or physically to them directly. Additionally, the public may view or obtain from the website of Siskinds LLP: [www.classaction.ca](http://www.classaction.ca), copies of the Settlement Agreement, Opt-Out Form, Long Form Notice of Settlement and the Claim Form.

**NOTICE OF APPROVED SETTLEMENTS  
IN  
ZUNGUI HAIXI CORPORATION SECURITIES CLASS ACTION**

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR RIGHTS**

**Please note:** This is a summary notice that has been produced for publication purposes announcing court approval of three settlements reached in this litigation. A Long-Form Notice, with full details of the settlements is available on:

- Administrator's website: [www.npricepoint.com](http://www.npricepoint.com); and
- Class Counsel's website: [www.classaction.ca](http://www.classaction.ca).

**Who this Notice is For:**

**This notice is directed to everyone that acquired shares of Zungui Haixi Corporation ("Zungui"), during the period from August 11, 2009 through to and including August 22, 2011.**

**Court Approval of Three Settlements in the Class Action**

On October 3, 2011, Jerzy Zaniewicz and Edward Clarke ("Plaintiffs") commenced an action in the Ontario Superior Court of Justice ("Court") against Zungui Haixi Corporation ("Zungui"), Ernst and Young LLP, Zungui's former directors, certain of Zungui's former executive officers as well as the underwriting syndicate for Zungui's initial public offering on the Toronto Stock Exchange. The Plaintiffs alleged that Zungui's initial public offering prospectus and some of Zungui's other disclosures were materially false and/or misleading ("Action").

The Court has approved three settlements, which conclude the Action. The Settlements are compromises of disputed claims and are not admissions of liability, wrongdoing or fault on the part of any of the Settling Defendants, all of whom have denied, and continue to deny, the allegations made against them.

The first settlement, between the Plaintiffs and the Defendants, Zungui (through its court appointed litigation receiver), Michelle Gobin, Michael Manley, Patrick Ryan, Elliott Wahle and Margaret Cornish ("Zungui Defendants"), provides for the Zungui Defendants to pay CAD \$8.1 million to resolve finally and forever the claims of Class Members (the term "Class Members" is commonly defined in the settlement agreements) and all claims that could have been made against the Zungui Defendants and Fengyi Cai, Jixu Cai and Yanda Cai in the Action ("Zungui Settlement").

The second settlement, between the Plaintiffs and the Defendant, Ernst & Young LLP, provides for Ernst & Young LLP to pay CAD \$2 million to resolve finally and forever the claims of Class Members and all claims that could have been made against Ernst & Young LLP in the Action ("E&Y Settlement").

The third settlement, between the Plaintiffs and the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation ("Underwriter Defendants"), provides for the Underwriter Defendants to pay CAD \$750,000 to resolve finally and forever the claims of Class Members and all claims that could have been made against the Underwriter Defendants in the Action ("Underwriter Settlement", together with the Zungui Settlement and E&Y Settlement, the "Settlements").

Certain people and entities are not permitted to participate in the claims process under the Settlements. Those people are the Defendants, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, successors and assigns of Zungui and any member of each Defendants' families, their heirs, successors or assigns, and any person or entity who acquired Zungui shares in exchange for shares in Southern Trends International Holding Company Limited if they rendered consultative or other professional services to Zungui or its subsidiaries in connection with the initial public offering of Zungui (these people and entities are commonly defined in the Settlement Agreements as "Excluded Persons").

### **The Approval Orders**

By Order issued by the Ontario Superior Court of Justice, dated ●, 2013, the Court approved the Settlements.

The Court also awarded Class Counsel legal fees, expenses and applicable taxes in the amount of ● or ●% of the combined monetary value of the Settlements ("Settlement Amount") before the Settlement Amount is distributed to Class Members. Class Counsel were retained on a contingent basis such that they were only to be paid if they were successful in the Action. Expenses incurred or payable relating to approval, notice, implementation and administration of the Settlements including the fees of the Administrator (commonly defined in the Settlement Agreements as "Administration Expenses") will also be paid from the Settlement Amount.

All Class Members are bound by the terms of the Settlements unless they have already validly excluded themselves from the Action (opted-out). The deadline to opt-out was August 7, 2013.

### **ADMINISTRATOR**

The Court has appointed NPT RicePoint Class Action Services as the Administrator of the Settlements. The Administrator will, among other things: (1) receive and process Claim Forms; (ii) make determinations of Class Members' eligibility for compensation pursuant to the Court approved Plan of Allocation; (iii) communicate with Class Members regarding their eligibility for compensation; and (iv) manage and distribute the Settlement Amount.

The Administrator can be contacted at:

NPT RicePoint Class Action Services  
P.O. Box 3355  
London, ON N6A 4K3  
Tel: 1-866-432-5534  
Email: zungui@npricepoint.com  
Website: www.npricepoint.com

### **CLASS MEMBERS' ENTITLEMENT TO COMPENSATION**

Class members may be eligible for compensation under the Settlements. **To be eligible for compensation under the Settlement Agreements, Class Members must first submit their completed Claim Form postmarked no later than ● (the "Claims Deadline").** The Administrator will, in due course, make determinations of Class Members' eligibility for compensation pursuant to the Court approved Plan of Allocation.

### **CLASS COUNSEL**

The law firm of Siskinds LLP are counsel to the Plaintiffs. The claim, Settlement Agreements, Claim Form, Orders of the Court and other information are available on the website of Class Counsel, at [www.classaction.ca](http://www.classaction.ca).

The Ontario Superior Court of Justice offices cannot answer any questions about the matters in this notice. For questions relating to the Action, for further information, or to obtain a Claim Form please contact the office of Plaintiffs' counsel per the contact details below:

Siskinds LLP  
Nicole Young  
680 Waterloo Street  
London, ON N6A 3V8  
Tel: 1-877-672-2121 x 2380  
Email: [nicole.young@siskinds.com](mailto:nicole.young@siskinds.com) or visit Siskinds LLP's website at [www.classaction.ca](http://www.classaction.ca).

● [date]

PUBLICATION OF THIS NOTICE HAS BEEN AUTHORIZED  
BY THE ONTARIO SUPERIOR COURT OF JUSTICE

**NOTICE OF APPROVED SETTLEMENTS  
IN  
ZUNGUI HAIXI CORPORATION SECURITIES CLASS ACTION**

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR RIGHTS**

**Who this Notice is For:**

**This notice is directed to everyone that acquired shares of Zungui Haixi Corporation ("Zungui"), during the period from August 11, 2009 through to and including August 22, 2011.**

**Court Approval of Three Settlements in the Class Action**

On October 3, 2011, Jerzy Zaniewicz and Edward Clarke ("Plaintiffs") commenced an action in the Ontario Superior Court of Justice ("Court") against Zungui Haixi Corporation ("Zungui"), Ernst and Young LLP, Zungui's former directors, certain of Zungui's former executive officers as well as the underwriting syndicate for Zungui's initial public offering on the Toronto Stock Exchange. The Plaintiffs alleged that Zungui's initial public offering prospectus and some of Zungui's other disclosures were materially false and/or misleading ("Action").

The Court has approved three settlements, which conclude the Action. The Settlements are compromises of disputed claims and are not admissions of liability, wrongdoing or fault on the part of any of the Settling Defendants, all of whom have denied, and continue to deny, the allegations made against them.

The first settlement, between the Plaintiffs and the Defendants, Zungui (through its court appointed litigation receiver), Michelle Gobin, Michael Manley, Patrick Ryan, Elliott Wahle and Margaret Cornish ("Zungui Defendants"), provides for the Zungui Defendants to pay CAD \$8.1 million to resolve finally and forever the claims of Class Members (the term "Class Members is commonly defined in the settlement agreements) and all claims that could have been made against the Zungui Defendants and Fengyi Cai, Jixu Cai and Yanda Cai in the Action ("Zungui Settlement").

The second settlement, between the Plaintiffs and the Defendant, Ernst & Young LLP, provides for Ernst & Young LLP to pay CAD \$2 million to resolve finally and forever the claims of Class Members and all claims that could have been made against Ernst & Young LLP in the Action ("E&Y Settlement").

The third settlement, between the Plaintiffs and the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation ("Underwriter Defendants"), provides for the Underwriter Defendants to pay CAD \$750,000 to resolve finally and forever the claims of Class Members and all claims that could have been made against the Underwriter Defendants in the Action ("Underwriter Settlement", together with the Zungui Settlement and E&Y Settlement, the "Settlements").

Certain people and entities are not permitted to participate in the claims process under the Settlements. Those people are the Defendants, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, successors and assigns of Zungui and any member of each Defendants' families, their heirs, successors or assigns, and any person or entity who acquired Zungui shares in exchange for shares in Southern Trends International Holding Company Limited who acted as a consultant or provided consultative or other professional services to Zungui or its subsidiaries in connection with the initial public offering of Zungui (these people and entities are commonly defined in the Settlement Agreements as "Excluded Persons").

**The Approval Orders**



By Order issued by the Ontario Superior Court of Justice, dated ●, 2013, the Court approved the Settlements.

The Court also awarded Class Counsel legal fees, expenses and applicable taxes in the amount of CAD \$● or ●% of the combined monetary value of the Settlements ("Settlement Amount") before the Settlement Amount is distributed to Class Members. Class Counsel were retained on a contingent basis such that they were only to be paid if they were successful in the Action. Expenses incurred or payable relating to approval, notice, implementation and administration of the Settlements including the fees of the Administrator (commonly defined in the Settlement Agreements as "Administration Expenses") will also be paid from the Settlement Amount.

All Class Members (as commonly defined in the Settlement Agreements) are bound by the terms of the Settlements unless they have already validly excluded themselves from the Action (opted-out). The deadline to opt-out was August 7, 2013.

#### **ADMINISTRATOR**

The Court has appointed NPTRicePoint Class Action Services as the Administrator of the Settlements. The Administrator will, among other things: (i) receive and process Claim Forms; (ii) make determinations of Class Members' eligibility for compensation pursuant to the Court approved Plan of Allocation; (iii) communicate with Class Members regarding their eligibility for compensation; and (iv) manage and distribute the Settlement Amount.

The Administrator can be contacted at:

**Telephone:** 1-866-432-5534

**Mailing Address:** Zungui Haixi Corporation Securities Litigation  
Claims Administrator  
P.O. Box 3355  
London, ON N6A 4K3

**Email Address:** zungui@nptricepoint.com

**Website:** [www.nptricepoint.com](http://www.nptricepoint.com)

#### **CLASS MEMBERS' ENTITLEMENT TO COMPENSATION**

Class Members may be eligible for compensation pursuant to the Settlement Agreements if they sustained a net loss on their transactions in Zungui shares between August 11, 2009 and August 22, 2011, and if they submit a completed Claim Form before the deadline for doing so has passed. Any documentation required to support information in a Claim Form provided by Class Members must also be sent before the deadline for submitting a completed Claim Form has passed. **Claim Forms and supporting documents must be sent to the Administrator at the address listed above. To be eligible for determination of compensation under the Settlement Agreements, Class Members must submit their completed Claim Form postmarked no later than ● (the "Deadline").**

The balance of the Settlement Amount, after deduction of Class Counsel Fees and Administration Expenses will be distributed to Class Members in accordance with the Court approved Plan of Allocation.

The Plan of Allocation uses the following definitions, in addition to those contained in the Settlement Agreements:

- (a) **"Acquisition Expense"** means the total monies paid by the Claimant (including brokerage commissions) to acquire Eligible Shares;

- (b) **"Allocation Pool"** means the sum of the Settlement Amounts paid under the Settlement Agreements dated February 13, 2013 and April 26, 2013 after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Allocation Pool includes the after tax amount of any accrued interest income on the Settlement Amounts;
- (c) **"Claimant"** means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;
- (d) **"Discounted Nominal Entitlement"** means a Claimant's Nominal Entitlement less the discount provided for herein, and which forms the second step upon which each Claimant's *pro rata* share of the Allocation Pool is determined;
- (e) **"Disposition Proceeds"** means the total proceeds paid to the Claimant (without deducting any commissions paid in respect of the dispositions) in consideration for the sale of all of the Claimant's Eligible Shares;
- (f) **"FIFO"** means the principle of first-in, first-out, wherein shares are deemed to be sold in the same order that they were purchased (i.e. the first shares purchased are deemed to be the first sold);
- (g) **"Net Loss"** means that the Claimant's Disposition Proceeds are less than the Claimant's Acquisition Expense;
- (h) **"Net Other Settlement Amount"** means the settlement amount of the approved settlement in the Action with the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation, after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Net Other Settlement Amount includes the after tax amount of any accrued interest income on the settlement amount;
- (i) **"Nominal Entitlement"** means a Claimant's nominal damages as calculated pursuant to the formula set forth herein, and which forms the first step upon which each Claimant's *pro rata* share of the Allocation Pool is determined;
- (j) **"Primary Market Purchasers"** means Claimants who bought Eligible Shares on an "if, as and when issued" basis under Zungui's initial public offering pursuant the Zungui IPO Prospectus dated December 11, 2009;
- (k) **"Secondary Market Purchasers"** means Claimants who bought Eligible Shares on a stock exchange (e.g. the Toronto Stock Exchange) or alternative trading system (e.g. Pure Trading, Omega and Alpha Venture);
- (l) **"Settlement Amounts"** means CAD \$8.1 million, and CAD \$2 million; and
- (m) **"Share Exchange Acquirors"** means Claimants who received Eligible Shares under the Share Exchange Agreement.

A Claimant must have sustained a Net Loss on all Eligible Shares in order to be eligible to receive a payment from the Allocation Pool and, if applicable, any Net Other Settlement Amount. A Claimant that has not suffered a Net Loss as calculated under the Plan of Allocation will not be entitled to receive any portion of the Allocation Pool or any portion of a Net Other Settlement Amount.

First, the Administrator will determine whether a Claimant has sustained a Net Loss on all Eligible Shares. If the Claimant has sustained a Net Loss, the Claimant becomes an **"Authorized Claimant"**, and the Administrator will proceed to calculate the Authorized Claimant's Nominal Entitlement.

The date of an acquisition, sale or deemed disposition shall be the trade date of the transaction, as opposed to the settlement date, except for an acquisition of Eligible Shares under the Share Exchange Agreement in which case it shall be the date of acquisition recorded in Zungui's securities register or branch register as may be the case.

For the purposes of any calculation relating to Eligible Shares acquired under the Share Exchange Agreement, the Administrator will account for such shares on a post-exchange cost of acquisition basis.

Second, the Administrator will calculate an Authorized Claimant's Nominal Entitlement according to the formulae listed below. The formulae reflect the opinion of the Plaintiffs' valuation expert as advanced in the Action; namely, that the price of Zungui shares was corrected by statistically significant events on June 2, 2011, and August 22, 2011. Where applicable, certain formulae also reflect that Zungui shares last traded at CAD \$0.34, and have been unable to trade since August 23, 2011.

Third, the Administrator will calculate an Authorized Claimant's Discounted Nominal Entitlement by applying the appropriate percentage discounts listed below. The discounts take into account the strengths and weaknesses of the claims made and proposed to be made in the Action by and on behalf of Primary Market Purchasers, Secondary Market Purchasers and Share Exchange Acquirors against the Settling Defendants.

#### **Primary Market Purchasers**

The Nominal Entitlement will be calculated as follows:

- I. **No Nominal Entitlement shall be recognized for any Eligible Shares *disposed of before June 2, 2011.***
- II. **For Eligible Shares *disposed of from June 2, 2011 to and including August 19, 2011,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.
- III. **For Eligible Shares *disposed of on or after August 22, 2011,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- IV. **For Eligible Shares *still held at the time the Claim Form is completed,* the Nominal Entitlement shall be the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.**

#### **Secondary Market Purchasers**

The Nominal Entitlement will be calculated as follows:

- I. **No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of before June 2, 2011.***

- II. **For Eligible Shares purchased before June 2, 2011 and disposed of from June 2, 2011 to and including August 19, 2011, the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.
- III. **For Eligible Shares purchased from June 2, 2011 to and including August 19, 2011 and disposed of on or after August 22, 2011, the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.26.
- IV. **For Eligible Shares purchased from June 2, 2011 to and including August 19, 2011 and still held at the time the Claim Form is completed, the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares still held multiplied by CAD \$1.60 per share.
- V. **For Eligible Shares purchased before June 2, 2011 and disposed of on or after August 22, 2011, the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- VI. **For Eligible Shares purchased before June 2, 2011 and still held at the time the Claim Form is completed, the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.
- VII. **For Eligible Shares purchased on August 22, 2011 and still held at the time the Claim Form is completed, the Nominal Entitlement shall be the lesser of:**

- A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
- B. the sum of Eligible Shares still held multiplied by CAD \$0.34.

**Share Exchange Acquirors**

The Nominal Entitlement will be calculated as follows:

- I. **No Nominal Entitlement shall be recognized for any Eligible Shares *disposed of before June 2, 2011.***
- II. **For Eligible Shares *disposed of from June 2, 2011 to and including August 19, 2011,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.
- III. **For Eligible Shares *disposed of on or after August 22, 2011,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
  - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- IV. **For Eligible Shares *still held at the time the Claim Form is completed,* the Nominal Entitlement shall be the lesser of:**
  - A. an amount equal to the number of Eligible Shares still held multiplied by the price paid for those Eligible Shares (including any commissions paid in respect thereof); or
  - B. the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.

**FINAL DISTRIBUTION**

A separate Nominal Entitlement will be calculated for each Authorized Claimant's Share Exchange acquisition, Primary Market and Secondary Market purchases, as may be the case. Whether particular dispositions are of Zungui shares acquired pursuant to the Share Exchange Agreement, purchased in the Primary Market or in the Secondary Market will be determined using FIFO.

The Discounted Nominal Entitlement will be calculated for Authorized Claimants' Share Exchange acquisition, Primary Market and Secondary Market purchases by subtracting the applicable percentage amount below from the Nominal Entitlement:

- (a) For Share Exchange Acquirors, 40%;
- (b) For Primary Market Purchasers, 0%; and

(c) For Secondary Market Purchasers:

- (i) that purchased in the period from and including December 21, 2009 to and including August 19, 2011, 8%; and
- (ii) that purchased on August 22, 2011 and still held some of those Zungui shares at the time the Claim Form is completed, ~~99.5%~~ **88.0% VPMP**

Each Authorized Claimant's actual compensation shall be the portion of the Allocation Pool equivalent to the ratio of his/her/its Discounted Nominal Entitlement, to the total Discounted Nominal Entitlements of all Authorized Claimants multiplied by the Allocation Pool, as calculated by the Administrator.

In the event of an approved settlement in the Action with the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation:

- (a) the Net Other Settlement Amount shall be solely for the benefit of and distribution to Authorized Claimants who are Primary Market Purchasers; and
- (b) the compensation to be paid to an Authorized Claimant who is a Primary Market Purchaser from any Net Other Settlement Amount shall be:
  - i. in addition to any compensation received from the Allocation Pool for Primary Market purchases; and
  - ii. that portion of the Net Other Settlement Amount equivalent to the ratio of his/her/its Discounted Nominal Entitlement for Primary Market purchases, to the total Discounted Nominal Entitlements for all Primary Market purchases multiplied by the Net Other Settlement Amount.

The Administrator will not distribute entitlements of less than CAD\$5.00 to Class Members. Such amounts will instead be redistributed *pro rata* to the other Authorized Claimants.

The Administrator shall be authorized to distribute the Allocation Pool and any Net Other Settlement Amount in accordance with this Plan of Allocation upon having received and reviewed the Claim Forms submitted by the Claims Bar Deadline without further order of the Court.

If, one hundred eighty (180) days from the date on which the Administrator distributes the Allocation Pool and any Net Other Settlement Amount to Authorized Claimants, the Escrow Account remains in a positive balance (whether due to tax refunds, uncashed cheques, or otherwise), the Administrator shall, if feasible, reallocate such balance among the Authorized Claimants in an equitable and economic fashion. In the event any such remaining balance is less than CAD\$25,000.00 or less than \$5.00 per Claimant, the Administrator will donate such balance to the Small Investor Protection Association (Canada), cy pres.

**NOTICE TO BROKERAGE FIRMS**

Please deliver this notice, no later than ●, 2013 by email to your clients who acquired shares of Zungui during the period from August 11, 2009 through to and including August 22, 2011. A brokerage who has clients who purchased shares of Zungui during the period from August 11, 2009 through to and including August 22, 2011 for which the brokerage does not have valid email addresses, should (1) contact the Administrator (contact details are on page 2 above) to obtain copies of this notice for the purpose of mailing the notice to those clients; OR (2) provide the Administrator with the mailing addresses of those clients and the Administrator will mail the notices directly to the broker's clients.

All brokerage firms, subject to an exception contained at section ● of the Underwriter Settlement Agreement, together may cumulatively request up to CAD \$15,000 reimbursement for expenses incurred

relating to the distribution of this notice to client Class Members. If the cumulative amount requested exceeds \$15,000, each individual brokerage firm's request shall be reduced on a *pro rata* basis.

**CLASS COUNSEL**

The law firm of Siskinds LLP are counsel to the Plaintiffs. The claim, Settlement Agreements, Claim Form, Orders of the Court and other information are available on the website of Class Counsel, at [www.classaction.ca](http://www.classaction.ca).

The Ontario Superior Court of Justice offices cannot answer any questions about the matters in this notice. For questions relating to the Action, for further information, or to obtain a Claim Form please contact the office of Plaintiffs' counsel per the contact details below:

Siskinds LLP  
Nicole Young  
680 Waterloo Street  
London, ON N6A 3V8  
Tel: 1-877-672-2121 x 2380  
Email: [nicole.young@siskinds.com](mailto:nicole.young@siskinds.com) or visit Siskinds LLP's website at [www.classaction.ca](http://www.classaction.ca).

- [date]

PUBLICATION OF THIS NOTICE HAS BEEN AUTHORIZED  
BY THE ONTARIO SUPERIOR COURT OF JUSTICE

**PART II. SCHEDULE OF TRANSACTIONS IN ZUNGUI HAIXI CORP.**  
**Traded in Canadian Dollars (CAD)**

**SECURITY TYPE:**

- A. Shares purchased on an "if, as, and when issued" basis in the IPO in December 2009 CAD\$ 3.25 per Share
- B. Shares acquired under the Share Exchange Agreement
- C. Shares purchased on a stock exchange (e.g. TSX Venture Exchange or Böerse Stuttgart) or alternative trading system (e.g. Pure Trading, Omega, or Alpha Venture, etc.)

Proof Enclosed?

A. Number of Shares held at the close of trading on August 10, 2009:

--	--	--	--	--	--	--	--	--	--	--	--

Y  
 N

B. Shares in Canadian Dollars purchased between (August 11, 2009 - August 22, 2011, inclusive):

**PURCHASES**

Security Type A,B or C, See Above	Trade Date(s) of Shares (List Chronologically)	Number of Shares Purchased	Total Purchase Price (Canadian \$) Including Commissions <i>Please round off to the nearest whole dollar</i>	Proof of Purchase Enclosed?
	M M D D Y Y			
1. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N
2. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N
3. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N
4. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N

C. Shares in Canadian Dollars sold between (August 11, 2009 - August 22, 2011, inclusive):

**SALES**

Trade Date(s) of Shares (List Chronologically)	Number of Shares Sold	Total Sales Price (Canadian \$) Including Commissions <i>Please round off to the nearest whole dollar</i>	Proof of Sales Enclosed?
1. <input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N
2. <input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N
3. <input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N
4. <input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	C\$ <input type="text"/> . <input type="text"/> 00	<input type="radio"/> Y <input type="radio"/> N

Proof Enclosed?

D. Number of Shares held at the close of trading on August 22, 2011:

--	--	--	--	--	--	--	--	--	--	--

Y  
 N

Proof Enclosed?

E. Number of Shares held at the time the Claim Form is completed:

--	--	--	--	--	--	--	--	--	--	--

Y  
 N

*If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.*

YOU MUST READ AND SIGN THE RELEASE ON PAGE 6. FAILURE TO SIGN THE RELEASE  
MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.





**PART II. SCHEDULE OF TRANSACTIONS IN ZUNGUI HAIXI CORP.**

**Traded in US Dollars (USD)**

**SECURITY TYPE:**

- A. Shares purchased on an "if, as, and when issued" basis in the IPO in December 2009 CAD\$ 3.25 per Share
- B. Shares acquired under the Share Exchange Agreement
- C. Shares purchased on a stock exchange (e.g. TSX Venture Exchange or Böerse Stuttgart) or alternative trading system (e.g Pure Trading, Omega, or Alpha Venture, etc.)

Proof Enclosed?

A. Number of Shares held at the close of trading on August 10, 2009:

--	--	--	--	--	--	--	--	--	--

Y  
 N

B. Shares in USD purchased between (August 11, 2009 - August 22, 2011, inclusive):

**PURCHASES**

Security Type A,B or C, See Above	Trade Date(s) of Shares (List Chronologically)	Number of Shares Purchased		Total Purchase Price (USD \$) Including Commissions <i>Please round off to the nearest whole USD</i>	Proof of Purchase Enclosed?
	M M D D Y Y				
1. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N
2. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N
3. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N
4. <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N

C. Shares in USD sold between (August 11, 2009 - August 22, 2011, inclusive):

**SALES**

Trade Date(s) of Shares (List Chronologically)	Number of Shares Sold		Total Sales Price (USD \$) Including Commissions <i>Please round off to the nearest whole USD</i>	Proof of Sales Enclosed?
1. <input type="checkbox"/>	<input type="text"/>	C\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N
2. <input type="checkbox"/>	<input type="text"/>	C\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N
3. <input type="checkbox"/>	<input type="text"/>	C\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N
4. <input type="checkbox"/>	<input type="text"/>	C\$	<input type="text"/> . <input type="text"/>	<input type="radio"/> Y <input type="radio"/> N

Proof Enclosed?

D. Number of Shares held at the close of trading on August 22, 2011:

--	--	--	--	--	--	--	--	--	--

Y  
 N

Proof Enclosed?

E. Number of Shares held at the time the Claim Form is completed:

--	--	--	--	--	--	--	--	--	--

Y  
 N

*If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.*

**YOU MUST READ AND SIGN THE RELEASE ON PAGE 6. FAILURE TO SIGN THE RELEASE  
MAY RESULT IN A DELAY IN PROCESSING OR THE REJECTION OF YOUR CLAIM.**



PART III. Declaration

How did you find out about this class action?

- Radio buttons for Newspaper Notice, Notice Mailing, Information provided by Broker/Custodian, Online (i.e. Facebook, Twitter, etc), and Other (specify).

Through what institution did you hold shares of Zungui?

- Radio buttons for TD, RBC, SCOTIA, CIBC, BMO, and Other (specify).

I (we) declare under penalty of perjury that the information on this Claim Form is true, correct and complete to the best of my knowledge, information and belief.

I (we) declare that I (we) have disclosed all of my (our) holdings and purchase and sales transactions in Shares for the time periods identified in this Claim Form.

I (we) also declare that I (we) am (are) not an Excluded Person or Excluded Persons.

I (we) acknowledge and agree that the Claims Administrator may disclose all information relating to my (our) claim to the Courts and counsel to the parties in the Actions.

Executed this \_\_\_\_\_ day of \_\_\_\_\_ in \_\_\_\_\_ (Month/Year) (City/Province/Country)

(Sign your name here)

(Sign your name here)

(Type or print your name here)

(Type or print your name here)

(Capacity of person(s) signing, e.g., Beneficial Purchaser, Executor or Administrator) Proof of Authority to File Enclosed? Yes No

(Capacity of person(s) signing, e.g., Beneficial Purchaser, Executor or Administrator) Proof of Authority to File Enclosed? Yes No

ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME. THANK YOU FOR YOUR PATIENCE.

Reminder Checklist:

- 1. Please sign the above declaration.
2. Remember to attach supporting documentation, if available.
3. Do not send original stock certificates; we may not be able to send them back.
4. Keep a copy of your Claim Form and all supporting documentation for your records.
5. The Claims Administrator will acknowledge receipt of your Claim Form by mail or email within 60 days.
6. If you move, you are required to send the Claims Administrator your new address.

Privacy Statement

All information provided by the Claimant is collected, used, and retained by the Claims Administrator and Class Counsel pursuant to the Personal Information Protection and Electronic Documents Act (PIPEDA) for the purposes of administering the Settlements, including evaluating the Claimant's eligibility status under the Settlement Agreement.

"Class Counsel" is defined as Siskinds LLP of London, Ontario.

The "Claims Administrator" is defined as NPT RicePoint Class Action Services Inc. of London, Ontario and Gilardi & Co. LLC of San Rafael, California.



SCHEDULE "H" - CLAIM FORM  
**ZUNGUI HAIXI CORPORATION SECURITIES CLASS ACTION**

Ontario Superior Court of Justice, Court File No. CV-11-436360-00CP (Toronto Registry)

**CLAIM FORM**

**Deadline for Submission: \_\_, 2013**

IF YOU PURCHASED OR OTHERWISE ACQUIRED COMMON SHARES OF ZUNGUI HAIXI CORPORATION ("ZUNGUI") DURING THE PERIOD FROM AUGUST 11, 2009 THROUGH AUGUST 22, 2011 YOU MAY BE ENTITLED TO SHARE IN CLASS ACTION SETTLEMENT PROCEEDS.

**I. GENERAL INSTRUCTIONS**

1. Class Members (defined below) who wish to obtain a payment under the Court approved settlements in this Class Action must complete and sign this Claim Form on page 6.

2. A Class Member who fails to submit a Claim Form, POSTMARKED ON OR BEFORE \_\_, 2013, to the address below may have their claim rejected and may not obtain any payment from settlement proceeds.

Zungui Haixi Corporation Securities Litigation  
Claims Administrator  
P.O. Box 3355  
London, ON N6A 4K3  
CANADA

3. Do not mail or deliver Claim Forms to the Court or to any of the parties or their counsel. Any such claims may be deemed not to have been submitted. Submit your Claim Form only to the Claims Administrator at the address above.

4. A separate claim must be filed for each account in which Zungui shares were held by a Class Member.

5. A Class Member who submits a Claim Form is not assured of a share in the settlement proceeds.

6. If you are a Class Member, you are bound by the terms of the settlement approval orders entered in the Class Action, WHETHER OR NOT YOU SUBMIT A CLAIM FORM, unless you have already opted-out of the Class Action.

**II. DEFINITIONS**

**"Class" or "Class Members"** means all persons and entities, other than Excluded Persons\*, who acquired Eligible Shares\*\* of Zungui during the Class Period\*\*\*.

\*Excluded Persons means each Defendant, the past or present subsidiaries or affiliates, officers, directors, partners, legal representatives, consultants, agents, successors and assigns of Zungui and any member of each Defendant's families, their heirs, successors or assigns, and includes any Southern Zungui Acquirors who acted as a consultant or provided other professional services to Zungui or its subsidiaries in connection with the IPO.

\*\*Eligible Shares means the Shares acquired by a Class Member or Opt-Out Party during the Class Period.

\*\*\*Class Period means the period from and including August 11, 2009 to and including August 22, 2011.

**"Defendants"** means Zungui Haixi Corp., Fengyi Cai, Jixu Cai, Yanda Cai, Michelle Gobin, Michael W. Manley, Patrick A. Ryan, Elliott Wahle, Margaret Cornish, Ernst & Young LLP, CIBC World Markets Inc., Canaccord Genuity Corp. (f.k.a. Canaccord Financial Ltd.), GMP Securities LP and Mackie Research Capital Corporation (f.k.a. Research Capital Corporation).

**"IPO"** means the initial public offering of securities of Zungui pursuant to a long form prospectus of Zungui dated on or about December 11, 2009 and filed with SEDAR on or about that date, offering 11,500,000 common shares for gross proceeds of \$37,375,000, plus an additional 759,500 shares via an over-allotment option, for total proceeds of \$39,843,375.

**"Settlements"** mean the settlement agreements dated : February 13, 2013, April 26, 2013 and August \_\_, 2013, which can be viewed at [www.classaction.ca](http://www.classaction.ca).

**"Shares"** means common shares of Zungui, including shares in the capital of Southern Trends International Holding Company Limited that were converted to shares of Zungui under the Share Exchange Agreement.

**"Share Exchange Agreement"** means the Securities Exchange Agreement among Southern Trends International Holding Company Limited, Zungui, Haixi Holding Company Inc., Fengyi Cai and the other Southern Zungui Acquirors, dated November 2, 2009 and completed December 21, 2009.

**"Southern Zungui Acquirors"** or **"Share Exchange Acquirors"** means persons who acquired a legal or beneficial interest in Shares pursuant to the Share Exchange Agreement.

### III. CLAIMANT IDENTIFICATION

1. A Class Member who acquired Shares and held the certificate(s) in their name is the beneficial purchaser as well as the record purchaser. If, however, the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, the Class Member is the beneficial purchaser and the third party is the record purchaser of the Shares.

2. Use Part 1 of the Claim Form, entitled "Claimant Identification", to identify each acquiror of record. In addition, if you are NOT the beneficial owner and are filing a Claim Form on behalf of the beneficial owner, please complete the "filer name" field in Part 1 of the "Claimant Identification" section on the first page of the Claim Form. THIS CLAIM FORM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER OR PURCHASERS, OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER OR PURCHASERS OF SHARES UPON WHICH THIS CLAIM IS BASED.

3. All joint purchasers or acquirors must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of persons or entities represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Insurance number, Business number or other unique tax identifier and telephone number of the beneficial purchaser may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

### IV. INFORMATION NEEDED TO PROCESS A CLAIM FORM

1. A Class Member must provide all requested information with respect to:

- (a) the acquisition and sale, if any, of Shares during the Class Period;
- (b) the number of Shares held at the close of trading on August 22, 2011; and
- (c) the number of Shares held at the time the Claim Form is submitted.

Failure by a Class Member to report all such transactions may result in the rejection of their claim.

2. A Class Member must:

- (a) list each transaction (acquisition or sale) of Shares separately and in chronological order, by trade date (not settlement date), beginning with the earliest;
- (b) accurately provide the month, day and year of each transaction listed.

3. Brokerage confirmations, contract notes or other documentation of a Class Member's transactions in Shares (e.g. month end statements showing transactions, costs and/or proceeds) must be attached to a Class Member's Claim Form to support the information provided by a Class Member.

4. The Claims Administrator is requesting the minimum amount of information necessary to process Claim Forms. The Claims Administrator may request additional information as required to efficiently and reliably calculate losses. In some cases where the Claims Administrator cannot perform the calculation accurately or at a reasonable cost to the Class with the information provided, the Claims Administrator may conditionally accept the claim pending receipt of additional information.

5. NOTICE REGARDING ELECTRONIC FILES: Class Members with large numbers of transactions may request, or may be requested, to submit information regarding their transactions in an electronic aggregate file. Class Members wishing to submit an electronic file batch claim must contact the Claims Administrator and can do that by phone at 1-866-432-5534 or by email: [zungui@npricpoint.com](mailto:zungui@npricpoint.com)



**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**APPROVAL ORDER**

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