

SETTLEMENT AGREEMENT

Made as of the 26th 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 Releasors, 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) **Releasers** 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 Releasers 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 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.

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:

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Douglas M. Worndl
Nicholas C. Baker
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London, ON N6A 3V8

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

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Lawyer for Michael Manley

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Lawyer for Michelle Gobin

Patrick J. O'Kelly
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St.
Toronto, ON M5L 1B9

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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, 18th Floor
Toronto, ON M5H 3P5

Telephone: 416.366.1400
Fax: 416.366.1466
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**Lawyer for Matthew Gottlieb as the
Litigation Receiver of Zungui Haixi
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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 Firenzo
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, Siskinds LLP*

Title:

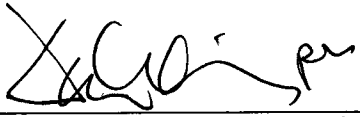
For Michael Manley

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*

O R D E R

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 ("NPT RicePoint") 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*

O R D E R

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 ^{LLP}
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680 Waterloo Street
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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 “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.

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.

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; 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, 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

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.

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 or visit Siskinds LLP's website at 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; and
- Class Counsel's website: 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

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.

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 or visit Siskinds LLP's website at www.classaction.ca.

- [date]

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

2018000.2