

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

READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR RIGHTS

Who this Notice is For:

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

Court Approval of Three Settlements in the Class Action

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

The Court has approved three settlements, which conclude the Action. The Settlements are compromises of disputed claims and are not admissions of liability, wrongdoing or fault on the part of any of the Settling Defendants, all of whom have denied, and continue to deny, the allegations made against them.

The first settlement, between the Plaintiffs and the Defendants, Zungui (through its court appointed litigation receiver), Michelle Gobin, Michael Manley, Patrick Ryan, Elliott Wahle and Margaret Cornish (“Zungui Defendants”), provides for the Zungui Defendants to pay CAD \$8.1 million to resolve finally and forever the claims of Class Members (the term “Class Members is commonly defined in the settlement agreements) and all claims that could have been made against the Zungui Defendants and Fengyi Cai, Jixu Cai and Yanda Cai in the Action (“Zungui Settlement”).

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

The third settlement, between the Plaintiffs and the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation (“Underwriter Defendants”), provides for the Underwriter Defendants to pay CAD \$750,000 to resolve finally and forever the claims of Class Members and all claims that could have been made against the Underwriter Defendants in the Action (“Underwriter Settlement”, together with the Zungui Settlement and E&Y Settlement, the “Settlements”).

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

The Approval Orders

By Order issued by the Ontario Superior Court of Justice, dated August 26, 2013, the Court approved the Settlements.

The Court also awarded Class Counsel legal fees, expenses and applicable taxes in the amount of CAD \$2,807,037.56 or approximately 20.75% of the combined monetary value of the Settlements ("Settlement Amount") before the Settlement Amount is distributed to Class Members. Class Counsel were retained on a contingent basis such that they were only to be paid if they were successful in the Action. Expenses incurred or payable relating to approval, notice, implementation and administration of the Settlements including the fees of the Administrator (commonly defined in the Settlement Agreements as "Administration Expenses") will also be paid from the Settlement Amount.

All Class Members (as commonly defined in the Settlement Agreements) are bound by the terms of the Settlements unless they have already validly excluded themselves from the Action (opted-out). The deadline to opt-out was August 7, 2013.

ADMINISTRATOR

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

The Administrator can be contacted at:

Telephone: 1-866-432-5534

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

Email Address: zungui@npricepoint.com

Website: www.npricepoint.com

CLASS MEMBERS' ENTITLEMENT TO COMPENSATION

Class Members may be eligible for compensation pursuant to the Settlement Agreements if they sustained a net loss on their transactions in Zungui shares between August 11, 2009 and August 22, 2011, and if they submit a completed Claim Form before the deadline for doing so has passed. Any documentation required to support information in a Claim Form provided by Class Members must also be sent before the deadline for submitting a completed Claim Form has passed. **Claim Forms and supporting documents must be sent to the Administrator at the address listed above. To be eligible for determination of compensation under the Settlement Agreements, Class Members must submit their completed Claim Form postmarked no later than January 6, 2014 (the "Deadline").**

The balance of the Settlement Amount, after deduction of Class Counsel Fees and Administration Expenses will be distributed to Class Members in accordance with the Court approved Plan of Allocation.

The Plan of Allocation uses the following definitions, in addition to those contained in the Settlement Agreements:

- (a) **“Acquisition Expense”** means the total monies paid by the Claimant (including brokerage commissions) to acquire Eligible Shares;
- (b) **“Allocation Pool”** means the sum of the Settlement Amounts paid under the Settlement Agreements dated February 13, 2013 and April 26, 2013 after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Allocation Pool includes the after tax amount of any accrued interest income on the Settlement Amounts;
- (c) **“Claimant”** means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;
- (d) **“Discounted Nominal Entitlement”** means a Claimant’s Nominal Entitlement less the discount provided for herein, and which forms the second step upon which each Claimant’s *pro rata* share of the Allocation Pool is determined;
- (e) **“Disposition Proceeds”** means the total proceeds paid to the Claimant (without deducting any commissions paid in respect of the dispositions) in consideration for the sale of all of the Claimant’s Eligible Shares;
- (f) **“FIFO”** means the principle of first-in, first-out, wherein shares are deemed to be sold in the same order that they were purchased (i.e. the first shares purchased are deemed to be the first sold);
- (g) **“Net Loss”** means that the Claimant’s Disposition Proceeds are less than the Claimant’s Acquisition Expense;
- (h) **“Net Other Settlement Amount”** means the settlement amount of the approved settlement in the Action with the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation, after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Net Other Settlement Amount includes the after tax amount of any accrued interest income on the settlement amount;
- (i) **“Nominal Entitlement”** means a Claimant’s nominal damages as calculated pursuant to the formula set forth herein, and which forms the first step upon which each Claimant’s *pro rata* share of the Allocation Pool is determined;
- (j) **“Primary Market Purchasers”** means Claimants who bought Eligible Shares on an “if, as and when issued” basis under Zungui’s initial public offering pursuant the Zungui IPO Prospectus dated December 11, 2009;
- (k) **“Secondary Market Purchasers”** means Claimants who bought Eligible Shares on a stock exchange (e.g. the Toronto Stock Exchange) or alternative trading system (e.g. Pure Trading, Omega and Alpha Venture);
- (l) **“Settlement Amounts”** means CAD \$8.1 million, and CAD \$2 million; and
- (m) **“Share Exchange Acquirors”** means Claimants who received Eligible Shares under the Share Exchange Agreement.

A Claimant must have sustained a Net Loss on all Eligible Shares in order to be eligible to receive a payment from the Allocation Pool and, if applicable, any Net Other Settlement Amount. A Claimant that has not suffered a Net Loss as calculated under the Plan of Allocation will not be entitled to receive any portion of the Allocation Pool or any portion of a Net Other Settlement Amount.

First, the Administrator will determine whether a Claimant has sustained a Net Loss on all Eligible Shares. If the Claimant has sustained a Net Loss, the Claimant becomes an “**Authorized Claimant**”, and the Administrator will proceed to calculate the Authorized Claimant’s Nominal Entitlement.

The date of an acquisition, sale or deemed disposition shall be the trade date of the transaction, as opposed to the settlement date, except for an acquisition of Eligible Shares under the Share Exchange Agreement in which case it shall be the date of acquisition recorded in Zungui’s securities register or branch register as may be the case.

For the purposes of any calculation relating to Eligible Shares acquired under the Share Exchange Agreement, the Administrator will account for such shares on a post-exchange cost of acquisition basis.

Second, the Administrator will calculate an Authorized Claimant’s Nominal Entitlement according to the formulae listed below. The formulae reflect the opinion of the Plaintiffs’ valuation expert as advanced in the Action; namely, that the price of Zungui shares was corrected by statistically significant events on June 2, 2011, and August 22, 2011. Where applicable, certain formulae also reflect that Zungui shares last traded at CAD \$0.34, and have been unable to trade since August 23, 2011.

Third, the Administrator will calculate an Authorized Claimant’s Discounted Nominal Entitlement by applying the appropriate percentage discounts listed below. The discounts take into account the strengths and weaknesses of the claims made and proposed to be made in the Action by and on behalf of Primary Market Purchasers, Secondary Market Purchasers and Share Exchange Acquirors against the Settling Defendants.

Primary Market Purchasers

The Nominal Entitlement will be calculated as follows:

- I. **No Nominal Entitlement shall be recognized for any Eligible Shares *disposed of before June 2, 2011.***
- II. **For Eligible Shares *disposed of from June 2, 2011 to and including August 19, 2011, the Nominal Entitlement shall be the lesser of:***
 - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
 - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.
- III. **For Eligible Shares *disposed of on or after August 22, 2011, the Nominal Entitlement shall be the lesser of:***
 - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
 - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- IV. **For Eligible Shares *still held at the time the Claim Form is completed, the Nominal Entitlement shall be the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.***

Secondary Market Purchasers

The Nominal Entitlement will be calculated as follows:

- I. **No Nominal Entitlement shall be recognized for any Eligible Shares *purchased and disposed of before June 2, 2011.***
- II. **For Eligible Shares *purchased before June 2, 2011 and disposed of from June 2, 2011 to and including August 19, 2011,* the Nominal Entitlement shall be the lesser of:**
 - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
 - B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.
- III. **For Eligible Shares *purchased from June 2, 2011 to and including August 19, 2011 and disposed of on or after August 22, 2011,* the Nominal Entitlement shall be the lesser of:**
 - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
 - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.26.
- IV. **For Eligible Shares *purchased from June 2, 2011 to and including August 19, 2011 and still held at the time the Claim Form is completed,* the Nominal Entitlement shall be the lesser of:**
 - A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or
 - B. the sum of Eligible Shares still held multiplied by CAD \$1.60 per share.
- V. **For Eligible Shares *purchased before June 2, 2011 and disposed of on or after August 22, 2011,* the Nominal Entitlement shall be the lesser of:**
 - A. an amount equal to the number of Eligible Shares disposed of, multiplied by the difference between the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or
 - B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.
- VI. **For Eligible Shares *purchased before June 2, 2011 and still held at the time the Claim Form is completed,* the Nominal Entitlement shall be the lesser of:**
 - A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or

B. the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.

VII. For Eligible Shares purchased on August 22, 2011 and still held at the time the Claim Form is completed, the Nominal Entitlement shall be the lesser of:

A. an amount equal to the number of Eligible Shares still held multiplied by the volume weighted average price paid for those Eligible Shares (including any commissions paid in respect thereof); or

B. the sum of Eligible Shares still held multiplied by CAD \$0.34.

Share Exchange Acquirors

The Nominal Entitlement will be calculated as follows:

I. No Nominal Entitlement shall be recognized for any Eligible Shares disposed of before June 2, 2011.

II. For Eligible Shares disposed of from June 2, 2011 to and including August 19, 2011, the Nominal Entitlement shall be the lesser of:

A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or

B. the sum of Eligible Shares disposed of multiplied by CAD \$0.26.

III. For Eligible Shares disposed of on or after August 22, 2011, the Nominal Entitlement shall be the lesser of:

A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the price paid for those Eligible Shares (including any commissions paid in respect thereof) and the average price per share received upon the disposition of those Eligible Shares (without deducting any commissions paid in respect of the disposition); or

B. the sum of Eligible Shares disposed of multiplied by CAD \$1.52.

IV. For Eligible Shares still held at the time the Claim Form is completed, the Nominal Entitlement shall be the lesser of:

A. an amount equal to the number of Eligible Shares still held multiplied by the price paid for those Eligible Shares (including any commissions paid in respect thereof); or

B. the sum of Eligible Shares still held multiplied by CAD \$1.86 per share.

FINAL DISTRIBUTION

A separate Nominal Entitlement will be calculated for each Authorized Claimant's Share Exchange acquisition, Primary Market and Secondary Market purchases, as may be the case. Whether particular dispositions are of Zungui shares acquired pursuant to the Share Exchange Agreement, purchased in the Primary Market or in the Secondary Market will be determined using FIFO.

The Discounted Nominal Entitlement will be calculated for Authorized Claimants' Share Exchange acquisition, Primary Market and Secondary Market purchases by subtracting the applicable percentage amount below from the Nominal Entitlement:

- (a) For Share Exchange Acquirors, 40%;
- (b) For Primary Market Purchasers, 0%; and
- (c) For Secondary Market Purchasers:
 - (i) that purchased in the period from and including December 21, 2009 to and including August 19, 2011, 8%; and
 - (ii) that purchased on August 22, 2011 and still held some of those Zungui shares at the time the Claim Form is completed, 80%.

Each Authorized Claimant's actual compensation shall be the portion of the Allocation Pool equivalent to the ratio of his/her/its Discounted Nominal Entitlement, to the total Discounted Nominal Entitlements of all Authorized Claimants multiplied by the Allocation Pool, as calculated by the Administrator.

In the event of an approved settlement in the Action with the Defendants, CIBC World Markets Inc., Canaccord Genuity Corp., f.k.a. Canaccord Financial Ltd., GMP Securities LP, and Mackie Research Capital Corporation, f.k.a. Research Capital Corporation:

- (a) the Net Other Settlement Amount shall be solely for the benefit of and distribution to Authorized Claimants who are Primary Market Purchasers; and
- (b) the compensation to be paid to an Authorized Claimant who is a Primary Market Purchaser from any Net Other Settlement Amount shall be:
 - i. in addition to any compensation received from the Allocation Pool for Primary Market purchases; and
 - ii. that portion of the Net Other Settlement Amount equivalent to the ratio of his/her/its Discounted Nominal Entitlement for Primary Market purchases, to the total Discounted Nominal Entitlements for all Primary Market purchases multiplied by the Net Other Settlement Amount.

The Administrator will not distribute entitlements of less than CAD\$5.00 to Class Members. Such amounts will instead be redistributed *pro rata* to the other Authorized Claimants.

The Administrator shall be authorized to distribute the Allocation Pool and any Net Other Settlement Amount in accordance with this Plan of Allocation upon having received and reviewed the Claim Forms submitted by the Claims Bar Deadline without further order of the Court.

If, one hundred eighty (180) days from the date on which the Administrator distributes the Allocation Pool and any Net Other Settlement Amount to Authorized Claimants, the Escrow Account remains in a positive balance (whether due to tax refunds, uncashed cheques, or otherwise), the Administrator shall, if feasible, reallocate such balance among the Authorized Claimants in an equitable and economic fashion. In the event any such remaining balance is less than CAD\$25,000.00 or less than \$5.00 per Claimant, the Administrator will donate such balance to the Small Investor Protection Association (Canada), cy pres.

NOTICE TO BROKERAGE FIRMS

Please deliver this notice, no later than October 20, 2013 by email to your clients who acquired shares of Zungui during the period from August 11, 2009 through to and including August 22, 2011. A brokerage who has clients who purchased shares of Zungui during the period from August 11, 2009 through to and

including August 22, 2011 for which the brokerage does not have valid email addresses, should (1) contact the Administrator (contact details are on page 2 above) to obtain copies of this notice for the purpose of mailing the notice to those clients; OR (2) provide the Administrator with the mailing addresses of those clients and the Administrator will mail the notices directly to the broker's clients.

All brokerage firms, subject to an exception contained at section 6.1(b) of the Underwriter Settlement Agreement, together may cumulatively request up to CAD \$15,000 reimbursement for expenses incurred relating to the distribution of this notice to client Class Members. If the cumulative amount requested exceeds \$15,000, each individual brokerage firm's request shall be reduced on a *pro rata* basis.

CLASS COUNSEL

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

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

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