

SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of the 5th day of November, 2012.

AMONG:

ASIA PACKAGING GROUP INC. a company duly incorporated under the laws of British Columbia corporation with a business address of 929 – 555 Burrard Street Vancouver, British Columbia V7X 1M8,

(the “**Purchaser**”)

AND

JIAYUAN INVESTMENT LTD., a company duly incorporated under the laws of British Virgin Islands, with its legal address at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

(“**Jiayuan**”)

AND

YUANXING HOLDINGS (HONG KONG) LTD., a company duly incorporated under the laws of Hong Kong SAR, People’s Republic of China, with its legal address at No. 27, Building G, East Point City Plaza, 111 Chai Wan Road, Chai Wan, Hong Kong

(“**Yuanxing HK**”)

AND

YUANXING PACKAGE (CHINA) CO., LTD., a company duly incorporated under the laws of People’s Republic of China, with its legal address at Wukeng Area, Longhu Town, Jinjiang City, Fujian Province, China PRC

(“**Yuanxing China**”, together with Jiayuan and Yuanxing HK are collectively referred to as the “**Targets**”, each a Target)

AND:

Shareholders of Jiayuan listed in Schedule D attached.

(the “**Vendors**”)

WHEREAS:

A. Jiayuan is the registered and beneficial owner of all of the issued and outstanding shares in the capital of Yuanxing HK and Yuanxing HK is the registered and beneficial owner of all of the registered equity capital of Yuanxing China.

B. The Vendors are registered and beneficial owners of all of the issued and outstanding shares in the capital of Jiayuan.

C. The Purchaser wishes to purchase, and the Vendors wish to sell, all of the issued and outstanding shares in the capital of Jiayuan on the terms and conditions herein contained.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained, it is agreed between the Parties as follows:

ARTICLE 1 – INTERPRETATION

1.1 Definitions

In this Agreement and in the schedules hereto, the following terms and expressions will have the following meanings:

- (a) “**Agreement**” means this share purchase agreement and all instruments amending it; “hereof”, “hereto” and “hereunder” and similar expressions mean and refer to this Agreement and not to any particular Article, Section, or other subdivision; “Article”, “Section” or other subdivisions of this Agreement followed by a number means and refers to the specified Article, Section or other subdivision of this Agreement;
- (b) “**Applicable Securities Laws**” means all applicable securities legislation in all jurisdictions relevant to the issuance of Purchaser Common Shares to the Vendors;
- (c) “**assessment**” shall include a reassessment or additional assessment and the term “assessed” shall be interpreted in the same manner;
- (d) “**Audited Financial Statements**” means the audited financial statements of Yuanxing China as at and for the fiscal years ended December 31, 2009, 2010 and 2011, consisting of a balance sheet, income statement, a statement of retained earnings and a cash flow statement together with the notes thereto and the opinion of Yuanxing China’s auditors thereon, a copy of which is attached hereto as Schedule F;
- (e) “**Audited Statements Date**” means December 31, 2011;
- (f) “**Business**” means the business carried on by the Targets which primarily involves manufacturing, marketing and sales of packaging materials in China and all operations related thereto;
- (g) “**Business Day**” means any day other than a Saturday, a Sunday or a statutory holiday in the Province of British Columbia or any other day on which the principal chartered banks located in the City of Vancouver are not open for business during normal banking hours;
- (h) “**Claim**” mean a claim made pursuant to Section 7.1 or Section 7.2;
- (i) “**Closing**” means the completion of the Transactions pursuant to this Agreement at the Closing Time;
- (j) “**Closing Date**” means the 10th Business Day following receipt of final approval of the Transactions from the Exchange or such other date as the Parties may agree upon;

- (k) “**Closing Time**” means 10:00 a.m. in the City of Vancouver on the Closing Date or such other time on the Closing Date as the Parties may agree upon as the time at which the Closing shall take place;
- (l) “**Consent**” means a license, permit, approval, consent, certificate, registration or authorization (including, without limitation, those made or issued by a Government Authority, in respect of a Contract, or otherwise);
- (m) “**Contract**” means any agreement, understanding, indenture, contract, lease, deed of trust, license, option, instrument or other commitment, whether written or oral;
- (n) “**Encumbrances**” means mortgages, charges, pledges, security interests, liens, encumbrances, actions, claims, demands and equities of any nature whatsoever or howsoever arising and any rights or privileges capable of becoming any of the foregoing;
- (o) “**Environmental Consents**” means all Consents issued by or issuable by any Government Authority under Environmental Laws;
- (p) “**Environmental Laws**” means all Laws applicable to the environment, occupational health and safety, product safety, product liability and public safety;
- (q) “**Exchange**” means the TSX Venture Exchange;
- (r) “**Government Authority**” means any government in Canada, the British Virgin Islands, the People’s Republic of China or any other government and any agency, or department, tribunal, board, commission, court or other authority exercising or purporting to exercise executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government, as well as any arbitrator, arbitration tribunal or other tribunal or other quasi-governmental or private body exercising any regulatory, expropriation or taxation authority under or for the account of any of the foregoing, including any authority regulating the Business.
- (s) “**Hazardous Substance**” means any material or substance that may impair the quality of the environment or which under Environmental Laws is deemed to be “hazardous”, a “pollutant”, “toxic”, “deleterious”, caustic”, “dangerous”, a “waste”, a “hazardous material”, a “source of contamination” or analogous substance including, without limitation, petroleum and petroleum products, asbestos, polychlorinated biphenyls, and flammable and radioactive materials;
- (t) “**Indemnified Party**” means a Party entitled to and seeking indemnification pursuant to the terms of this Agreement;
- (u) “**Indemnifying Party**” means the Party or Parties, as applicable, responsible for indemnifying the Indemnified Party;
- (v) “**IFRS**” means International Financial Reporting Standards which are applicable as at the date on which any calculation made hereunder is to be effective or as at the date of any financial statements referred to herein, as the case may be;
- (w) “**Intellectual Property**” means all
 - (i) domestic and foreign patents, trade-marks, trade names, copyrights, industrial designs, business names, certification marks, service marks, distinguishing guises, business styles and other industrial or intellectual property, whether or not

registered, that are owned by or licensed to the Targets, and all applications in respect thereof; and

- (ii) all computer systems and application software, including all documentation relating thereto and the latest revisions of all related object and source codes therefor, owned or used by the Targets;
- (x) “**Interim Financial Statements**” means the reviewed but unaudited financial statements of Yuanxing China as at and for the six month period ended June 30, 2012, consisting of a balance sheet and an income statement, a copy of which is attached hereto as Schedule G;
- (y) “**Interim Period**” means the period from and including the date of this Agreement to and including the Closing Date;
- (z) “**International Jurisdiction**” means a country other than Canada or the United States;
- (aa) “**International Securities Laws**” mean, in respect of the issuance of the Purchaser Common Shares, any securities laws having application to the Vendors other than the laws of Canada or the United States and all regulatory notices, orders, rules, regulations, policies and other instruments incidental thereto;
- (bb) “**ITA**” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended from time to time;
- (cc) “**Jiayuan**” means Jiayuan Investment Ltd.;
- (dd) “**Law**” or “**Laws**” means all requirements imposed by statutes, regulations, rules, ordinances, by-laws, decrees, codes, policies, judgments, orders, rulings, decisions, approvals, notices, permits, guidelines or directives of any Government Authority;
- (ee) “**Leased Premises**” means the premises leased or subleased by the Targets under the Leases;
- (ff) “**Leases**” means the leases, subleases, agreements to lease and tenancy agreements under which the Targets lease or sublease any real property as lessee or sublessee, as listed in Schedule Q;
- (gg) “**Lessee**” means lessee or sublessee;
- (hh) “**Material Adverse Effect**” in respect of a person means any change, effect, event, occurrence, condition or development that has or could reasonably be expected to have, individually or in the aggregate, a material and adverse impact on the business, operations, results of operations, assets, capitalization or financial condition of such person, other than any changes related to the economy or the industry in which the person carries on business
- (ii) “**Parties**” means the Vendors, the Purchaser, the Targets and any other person that may become a party to this Agreement;

- (jj) **“Permitted Encumbrances”** means:
- (i) liens for Taxes, assessments and governmental charges due and being contested in good faith and diligently by appropriate proceedings (and for the payment of which adequate provision has been made);
 - (ii) liens for Taxes either not due and payable or due but for which notice of assessment has not been given;
 - (iii) undetermined or inchoate liens, charges and privileges incidental to current operations and Encumbrances claimed or held by any Government Authority that have not at the time been filed or registered against the title to the asset or served upon the Targets pursuant to law or that relate to obligations not due or delinquent;
 - (iv) assignments of insurance provided to landlords (or their mortgagees) pursuant to the terms of any Lease and liens or rights reserved in any Lease for rent or for compliance with the terms of such Lease; and
 - (v) the Encumbrances described in Schedule A;
- (kk) **“person”** includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government, governmental agency and any other form of entity or organization;
- (ll) **“Purchase Price”** means the aggregate purchase price payable by the Purchaser to the Vendors for the Purchased Shares for the amount set out in Section 2.2;
- (mm) **“Purchased Shares”** means the 50,000 shares of Jiayuan owned by the respective Vendors as set forth in Schedule D, which constitute all of the issued and outstanding shares in the capital of Jiayuan that are being sold by the Vendors and purchased by the Purchaser hereunder;
- (nn) **“Purchaser”** means Asia Packaging Group Inc.;
- (oo) **“Purchaser Common Shares”** means the common shares of the Purchaser;
- (pp) **“Real Properties”** means the real properties owned by the Targets, which are described in Schedule O;
- (qq) **“Records”** means all technical, business and financial records relating to the Business, including customer lists, operating data, files, financial books, correspondence, credit information, research materials, contract documents, title documents, leases, surveys, records of past sales, supplier lists, employee documents, inventory data, accounts receivable data, financial statements and any other similar records in any form whatsoever (including written, printed, electronic or computer printout form);
- (rr) **“Release”** means any release, spill, leak, emission, discharge, leach, dumping, migration, pumping, pouring, emitting, emptying, injecting, spraying, burying, abandoning, incinerating, seeping, escape, disposal or similar or analogous act as defined in any Environmental Laws;
- (ss) **“Rule”** means National Instrument 45-106 – Prospectus and Registration Exemptions;

- (tt) **“Securities Act”** means the *Securities Act* (British Columbia), R.S.B.C. 1996, c. 418, as amended from time to time;
- (uu) **“Targets”** means collectively Jiayuan, Yuanxing HK and Yuanxing China, and Target means any one of them;
- (vv) **“Tax”** and **“Taxes”** means any tax, including all federal, provincial, municipal, local, territorial and other taxes, imposts, rates, levies, assessments and government fees, charges or dues levied, assessed, or imposed by any Government Authority or taxing authority of Canada or any province or jurisdiction contained therein, including income taxes, net proceeds taxes, surtaxes, alternative or minimum taxes, excise taxes, withholding taxes, payroll and employee withholding taxes, employment insurance, Canada Pension Plan premiums, workers’ compensation payments, employer health taxes, sales taxes, goods and services taxes, transfer fees, levies, charges, business or property taxes, land transfer taxes, capital taxes, customs and import duties, and other governmental charges of any kind whatsoever, and includes additions to taxes, interest, fines and penalties with respect thereto;
- (ww) **“Tax Return”** means any return, declaration, report, estimate, information return or statement, or claim for refund relating to, or required to be filed in connection with any Taxes, including information returns or reports with respect to withholding at source or payments to third parties, and any schedules or attachments thereto or amendments of any of the foregoing;
- (xx) **“Transactions”** means the purchase and sale of the Purchased Shares and all other transactions contemplated by this Agreement;
- (yy) **“Vendors”** means the shareholders of Jiayuan listed in Schedule D attached;
- (zz) **“Yuanxing China”** means Yuanxing Packaging (China) Co., Ltd.;
- (aaa) **“Yuanxing China 2012 Financial Statements”** has the meaning ascribed to it in Section 2.4; and
- (bbb) **“Yuanxing HK”** means Yuanxing Holdings (Hong Kong) Ltd.

1.2 Knowledge

Any reference herein to the “knowledge” of a Vendor or Target will be deemed to mean the actual knowledge of an officer or director of a Vendor or a Target, together with the knowledge which they would have had if they had conducted a diligent inquiry into the relevant subject matter.

1.3 Currency

Unless otherwise indicated, all references to dollar amounts in this Agreement are expressed in Canadian currency.

1.4 Governing Law

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The Parties hereby irrevocably attorn to the non-exclusive jurisdiction of the courts of British Columbia with respect to any matter arising under or related to this Agreement.

1.5 Interpretation Not Affected by Headings

The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.6 Number and Gender

In this Agreement, unless the context otherwise requires, any reference to gender shall include both genders and words importing the singular number shall include the plural and vice-versa.

1.7 Time of Essence

Time shall be of the essence of every provision of this Agreement.

1.8 Severability

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

1.9 Accounting Terms

All accounting terms not specifically defined in this Agreement shall be construed in accordance with IFRS.

1.10 Calculation of Time Periods

Where a time period is expressed herein to begin or end at, on or with a specified day, or to continue to or until a specified day, the time period includes that day. Where a time period is expressed herein to begin after or to be from a specified day, the time period does not include that day. Where anything is to be done within a time period expressed herein after, from or before a specified day, the time period does not include that day. If the last day of a time period is not a Business Day, the time period shall end on the next Business Day.

1.11 Statutory Instruments

Unless otherwise specifically provided in this Agreement, any reference in this Agreement to any Law shall be construed as a reference to such Law as amended or re-enacted from time to time or as a reference to any successor thereto.

1.12 Incorporation of Schedules

The following are the schedules attached to and incorporated by reference into this Agreement:

Schedule A	Permitted Encumbrances
Schedule B	Form of Promissory Notes
Schedule C	Jurisdictions in which Corporation Conducts Business
Schedule D	List of Vendors
Schedule E	Government and Contractual Consents
Schedule F	Audited Financial Statements
Schedule G	Interim Financial Statements
Schedule H	Undisclosed Liabilities
Schedule I	Consents
Schedule J	Litigation

Schedule K	Material Contracts
Schedule L	Bank Accounts and Powers of Attorney
Schedule M	Customers and Suppliers
Schedule N	Taxes
Schedule O	Real Properties Owned
Schedule P	Real Properties Leased
Schedule Q	Leases
Schedule R	Environmental Matters
Schedule S	Intellectual Property

ARTICLE 2 – PURCHASE AND SALE

2.1 Purchased Shares

On the terms and subject to the fulfilment of the conditions hereof, each of the Vendors agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from each of the Vendors at the Closing Time on the Closing Date, all of the Purchased Shares.

2.2 Purchase Price

The Purchase Price shall be **FORTY EIGHT MILLION CANADIAN DOLLARS (\$48,000,000 CAD)**, subject to adjustment in accordance with Section 2.4.

2.3 Payment of Purchase Price

The Purchase Price shall be paid and satisfied, subject to adjustment in accordance with Section 2.4, as follows:

- (1) At the Closing Time, the Purchaser will issue to the Vendors an aggregate of 60,000,000 Purchaser Common Shares at a deemed price of \$0.40 per share for payment and satisfaction of Twenty Four Million Canadian Dollars (\$24,000,000 CAD) of the Purchase Price;
- (2) At the Closing Time, the Purchaser will also pay to the Vendors an aggregate of Six Million Canadian Dollars (\$6,000,000 CAD), by certified cheques, bank drafts or other means of immediately available funds for payment and satisfaction of Six Million Canadian Dollars (\$6,000,000 CAD) of the Purchase Price.
- (3) The remaining balance of the Purchase Price, which is subject to adjustment in accordance with Section 2.4, will be paid on the date that is one year after the Closing Date, which obligation shall be evidenced by delivery at the Closing Time of promissory notes of the Purchaser in favour of the respective Vendors in the form set out in Schedule B.

2.4 Final Determination of Purchase Price

(1) Within 120 days following the Yuanxing China's fiscal year ending December 31, 2012, the Yuanxing China financial statements (the "**Yuanxing China 2012 Financial Statements**") prepared in accordance with IFRS applied on a basis consistent with the preparation of the Audited Financial Statements shall be prepared together with a favourable report thereon by the Vendors' auditors. The Purchaser shall provide access, upon every reasonable request, to the Vendors, to all working papers and accounting books and records relating to the Business of Yuanxing China and the appropriate personnel to verify the accuracy, presentation and other matters relating to the preparation of the Yuanxing China 2012 Financial Statements and the Vendors and the Purchaser shall otherwise fully cooperate with each other in the preparation of the Yuanxing China 2012 Financial Statements.

(2) If the net income of Yuanxing China for the fiscal year ending December 31, 2012, as presented in the Yuanxing China 2012 Financial Statements, is lower than RMB Eighty Million Yuan (RMB 80,000,000), the remaining balance of the Purchase Price payable by the Purchaser to the Vendors under 2.3(3) shall be reduced by the amount that is equal to the Canadian dollar equivalent of the difference between (a) the net income of Yuanxing China for the fiscal year ending December 31, 2012 and (b) RMB Eighty Million Yuan (RMB 80,000,000).

(3) In the event that the Vendors dispute any amount shown in the Yuanxing China 2012 Financial Statements, the Parties will work expeditiously and in good faith in an attempt to resolve such disputes within a further period of twenty (20) Business Days after the date of notification by the Vendors to the Purchaser of such disputes, failing resolution of which such disputes shall be submitted for determination to an independent national firm of chartered accountants mutually agreed to by the Vendors and the Purchaser (and, failing such agreement between the Vendors and the Purchaser within a further period of five (5) Business Days, such independent national firm of chartered accountants shall be selected by two such national firms, one nominated by each of the Vendors and the Purchaser). The determination of such third firm of chartered accountants shall be final and binding upon the Parties and not subject to appeal. The third firm of chartered accountants shall be deemed to be acting as experts and not as arbitrators. The costs and expenses of such third firm of chartered accountants shall be borne equally by the Vendors and the Purchaser. The Vendors shall bear the costs in presenting their cases to such third firm of chartered accountants.

(4) If the Vendors owe the Purchaser an amount pursuant to their indemnification obligations contemplated under Article 7, then the Purchaser shall be entitled to deduct such amount from the remaining balance of the Purchase Price owing by the Purchaser to the Vendors without any further act or formality.

2.5 Resale Restrictions

(1) The Vendors agree to abide by all applicable resale restrictions and hold periods imposed by Applicable Securities Laws and the Exchange.

(2) The Vendors acknowledge that the Purchaser has advised the Vendors that the Purchaser is relying on an exemption from the prospectus and registration requirements of the Applicable Securities Laws, and, as a consequence, the Vendors will not be entitled to certain protections, rights and remedies available under Applicable Securities Laws, including statutory rights of rescission or damages, and the Vendors will not receive information that would otherwise be required to be provided to the Vendors pursuant to Applicable Securities Laws.

2.6 Escrow

The Vendors acknowledge that the Purchaser Common Shares acquired by them pursuant to this Agreement will be subject to escrow pursuant to the policies of the Exchange or resale restrictions as imposed by the Exchange and Applicable Securities Laws. If requested, the Vendors agree to abide by all escrow requirements similar to the ones contained in the Value Security Escrow Agreement in Form 5D of the Exchange or those other requirements imposed by the Exchange and agree to enter into the requisite form of escrow agreement as required by the Exchange.

ARTICLE 3 – REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Targets and Vendors

The Targets and the Vendors hereby jointly and severally make the following representations and warranties to the Purchaser and acknowledge that the Purchaser is relying on such representations and warranties in entering into this Agreement and completing the Transactions:

(1) **Incorporation and Existence.** Each of Jiayuan, Yuanxing HK and Yuanxing China are corporations duly incorporated, organized and validly existing under the laws of the British Virgin Islands, Hong Kong and the PRC, respectively, and are in good standing under the corporate laws of the British Virgin Islands, Hong Kong and the PRC, respectively. Each of Jiayuan, Yuanxing HK and Yuanxing China are in good standing under the corporate laws of each jurisdiction in which they carry on business. No proceedings have been instituted or are pending for the dissolution or liquidation of Jiayuan, Yuanxing HK or Yuanxing China.

(2) **Corporate Power.** Each of the Targets has the corporate power and authority to own or lease its property and to carry on the Business as now being conducted by it.

(3) **Qualification.** Each of the Targets is duly qualified, licensed or registered to carry on business and is in good standing in the jurisdictions listed in Schedule C. The jurisdictions listed in Schedule C include all jurisdictions in which the nature of the Business or the property owned or leased by the Targets make such qualification necessary or where the Targets own or lease any material properties or assets or conduct any material business.

(4) **Authorized and Issued Capital.** The authorized capital of Jiayuan consists of 50,000 number of shares, of which (i) at the date hereof, 50,000 shares have been duly issued and are outstanding as fully paid and non-assessable, and (ii) at the Closing Time, 50,000 shares and no more shall have been duly issued and shall be outstanding as fully paid and non-assessable.

(5) **Options.** Except for the Purchaser's right hereunder, no person has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement for (i) the purchase from the Vendors of any of the Purchased Shares or for the purchase from the Targets; (ii) the purchase, subscription, allotment or issuance of any unissued shares or securities of the Targets; or (iii) other than in the ordinary course of the Business, the purchase or other acquisition from the Targets of any of its undertaking, property or assets.

(6) **Title to Purchased Shares.** The Purchased Shares are owned by the Vendors as the registered and beneficial owners thereof with good and marketable title thereto, free and clear of all Encumbrances.

(7) **Subsidiaries.** Jiayuan does not have any Affiliates or wholly-owned or majority owned subsidiaries except for Yuanxing HK, of which Jiayuan is the registered and beneficial owner of all of the issued and outstanding shares in the share capital thereof, and Yuanxing China, of which Yuanxing HK is the registered and beneficial owner of 100% of the equity interest thereof.

Jiayuan's 100% ownership interest in Yuanxing HK consists of all Ten Thousand (10,000) issued and outstanding shares in the capital of Yuanxing HK, which are registered in the name of Jiayuan. Yuanxing HK's 100% equity interest in Yuanxing China consists of registered capital equal to HK\$50,000,000, all of which have been fully paid and contributed.

(8) **Dividends and Distributions.** Since the Audited Statements Date, none of the Targets have, directly or indirectly, declared or paid any dividends or declared or made any other distribution on any of its shares of any class and has not, directly or indirectly, redeemed, purchased or otherwise acquired any of its outstanding shares of any class or agreed to do so. The cash balance of Yuanxing China at the Closing Date will be no less than Eight Million Canadian Dollars (\$8,000,000 CAD) and Yuanxing China has not taken any actions, directly or indirectly, to declare or pay any dividends or declared or made any other distribution on any of its shares of any class that may reduce the cash balance of Yuanxing China as at the Closing Date.

(9) **Corporate Records.** The corporate records of the Targets are complete and accurate and all corporate proceedings and actions reflected therein have been conducted or taken in compliance with all applicable Laws and with the articles and by-laws of the Targets, respectively, and without limiting the generality of the foregoing, (i) the minute books contain complete and accurate minutes of all meetings of the directors and shareholders of the Targets held since their respective dates of incorporation, and all such meetings were duly called and held; (ii) the minute books contain all written resolutions passed by the directors and shareholders of the Targets and all such resolutions were duly passed; (iii) the share certificate books, registers of shareholders and registers of securities transfers of the Targets are complete and accurate, and all transfers of securities have been duly completed and approved and any exigible tax payable in connection with the transfer of any securities of the Targets has been duly paid; and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers of the Targets were duly elected or appointed as the case may be.

(10) **Validity of Agreement.**

- (a) Each of the Vendors has all necessary corporate power to own the Purchased Shares and to enter into and perform its obligations under this Agreement, and each of the Vendors and the Targets have all necessary corporate power to enter into and perform their respective obligations under any other agreements or instruments to be delivered or given by it pursuant to this Agreement.
- (b) The Vendors' execution and delivery of, and performance of its obligations under, this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of each of the Vendors and the Targets, respectively.
- (c) This Agreement or any other agreements entered into pursuant to this Agreement to which either of the Targets or the Vendors are parties constitute legal, valid and binding obligations of each of the Targets or the Vendors, as the case may be, enforceable against each of them in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

(11) **No Violation.** The execution and delivery of this Agreement by each of the Vendors, the consummation of the Transactions and the fulfilment by the respective Vendors of the terms, conditions and provisions hereof will not (with or without the giving of notice or lapse of time, or both):

- (a) contravene or violate or result in a breach or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligations of the Vendors or the Targets under:
 - (i) any applicable Law;
 - (ii) any judgment, order, writ, injunction or decree of any Government Authority having jurisdiction over the Vendors or the Targets;
 - (iii) the articles, by-laws or any resolutions of the board of directors or shareholders of the Vendors or the Targets;
 - (iv) any Consent held by the Vendors or the Targets or necessary to the ownership of the Purchased Shares or the operation of the Business; or

- (v) the provisions of any Contract to which any of the Vendors or the Targets is a party or by which any of them is, or any of their properties or assets are, bound; or
 - (b) result in the creation or imposition of any Encumbrance on any of the Purchased Shares or any of the property or assets of the Targets.
- (12) **International Jurisdiction**
- (a) Each Vendor is a resident of an International Jurisdiction;
 - (b) Each Vendor is knowledgeable of, or has been independently advised as to, the International Securities Laws which would apply to the issuance of the Purchaser Common Shares;
 - (c) Each Vendor is acquiring the Purchaser Common Shares pursuant to an applicable exemption from any prospectus, registration or similar requirements under the International Securities Laws of that International Jurisdiction, or, if such is not applicable, is permitted to acquire the Purchaser Common Shares under the International Securities Laws of the International Jurisdiction without the need to rely on exemptions;
 - (d) the acquisition of the Purchaser Common Shares by each Vendor does not contravene any of the International Securities Laws applicable to such Vendor and the Purchaser and does not give rise to any obligation of the Purchaser to prepare and file a prospectus or similar document or to register the Purchaser Common Shares or to be registered with any governmental or regulatory authority; and
 - (e) the International Securities Laws do not require the Purchaser to make any filings or seek any approvals of any kind whatsoever from any regulatory authority of any kind whatsoever in the International Jurisdiction with respect to such securities issuances.
- (13) **Shareholders' Agreements.** There are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the shares of the Targets.
- (14) **Government and Contractual Consents.** There is no requirement to make any filing with, give any notice to or obtain any Consent from any Government Authority as a condition to the lawful consummation of the Transactions, except for:
- (a) the filings, notifications and Consents described in Schedule E; and
 - (b) final acceptance of the Transactions by the Exchange.
- There is no requirement under any Contract relating to the Business or to which any of the Vendors or the Targets is a party or by which any of them are bound to make any filing with, give any notice to, or to obtain the Consent of, any party to such Contract relating to the Transactions except for the filings, notifications or Consents described in Schedule E.
- (15) **Financial Statements.** The Audited Financial Statements, the Interim Financial Statements:
- (a) have been prepared prepared, in accordance with IFRS on a basis consistent with that of prior fiscal periods;

- (b) are complete and accurate; and
- (c) present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Yuanxing China as at their respective balance sheet dates, and the consolidated results of operations of Yuanxing China.

(16) **Records.** The Records have been duly maintained in accordance with all applicable legal requirements and contain full and accurate records of all material matters relating to the Business. All material financial transactions relating to the Business have been accurately recorded in the Records in accordance with IFRS. No Records are in the possession of, recorded, stored, maintained by, or otherwise dependent on, any other person.

(17) **No Material Adverse Change.** Since the Audited Statements Date, no material adverse change has occurred in any of the assets, business, financial condition, earnings, results of operations or prospects of any of the Targets nor has any other event, condition, or state of facts occurred or arisen which might have a material adverse effect on the assets, business, financial condition, earnings, results of operations or prospects of the Targets on a consolidated basis.

(18) **Absence of Undisclosed Liabilities.** Except to the extent reflected or reserved against in the balance sheet (including the notes thereto) forming part of the Audited Financial Statements or incurred subsequent to the date thereof and disclosed in Schedule H and except normal trade creditors payable in the ordinary course of the Business, the Targets do not have any outstanding indebtedness or any liabilities (whether accrued, absolute, contingent or otherwise) nor any outstanding commitments or obligations of any kind.

(19) **Consents.** The Targets have conducted the Business in compliance with, and hold all Consents necessary for the lawful operation of the Business, pursuant to all applicable Laws, all of which Consents are listed on Schedule I and all of which are valid and subsisting and in good standing with no violations in respect thereof as of the date of this Agreement. All such Consents are renewable by their terms or in the ordinary course of the Business without the need for any of the Targets to comply with any special qualification or procedures or to pay any amounts other than routine filing fees. The Vendors have provided a true and complete copy of each Consent and all amendments thereto to the Purchaser.

(20) **Compliance with Laws.** Each of the Targets has complied, and the Business is now being conducted in compliance, with all Laws applicable to the Business or the Targets.

(21) **Conduct of Business in Ordinary Course.** Since the Audited Statements Date the Business has been carried on in the ordinary course consistent with past practice. The Business is the only business operation carried on by the Targets, and the property and assets owned or leased by the Targets are sufficient to carry on the Business.

(22) **Location of Tangible Personal Property.** With the exception of inventory in transit, all the tangible assets of the Targets are situate at the locations set out in Schedules Schedule O and Schedule P.

(23) **Condition of Assets.** All material tangible personal property used by the Targets in or in connection with the Business or any part thereof is in good operating condition, repair and proper working order, having regard to the use and age thereof, except only for reasonable wear and tear.

(24) **Title to Personal and Other Property.** The property and assets of the Targets (other than the Real Properties) are owned by the Targets, as the case may be, as the beneficial owner thereof with a good and marketable title thereto, free and clear of all Encumbrances other than the Permitted Encumbrances.

(25) **Litigation.** Except as disclosed in Schedule J, there are no actions, suits or proceedings, judicial or administrative, (whether or not purportedly on behalf of a Target) pending or threatened, by or against or affecting the Targets, at law or in equity, or before or by any Government Authority. Except for the matters referred to in Schedule J, there are no grounds on which any such action, suit or proceeding might be commenced with any reasonable likelihood of success. Except as disclosed in Schedule J, there is not presently outstanding against any of the Targets any judgment, injunction or other order of any Government Authority.

(26) **Capital Expenditures.** Other than as disclosed in the Audited Financial Statements and the Interim Financial Statements, none of the Targets is committed to make any capital expenditures, nor have any capital expenditures been authorized by the Targets at any time since the Audited Statements Date, except for capital expenditures made in the ordinary course of the Business which, in the aggregate, do not exceed \$10,000.

(27) **Inventories.** The inventories of the Targets do not include any material items that are slow moving, below standard quality or of a quality or quantity not useable or saleable in the ordinary course of the Business, the value of which has not been written down on its books of account to net realizable market value. The inventory levels of the Targets have been maintained at such amounts as are required for the operation of the Business as previously conducted and as proposed to be conducted, and such inventory levels are adequate therefor.

(28) **Accounts Receivable.** The accounts receivable due or accruing to the Targets reflected in the Interim Financial Statements and all accounts receivable of the Targets arising since the date of the Interim Financial Statements arose from bona fide transactions in the ordinary course of the Business and are valid, enforceable and fully collectible accounts (subject to a reasonable allowance, consistent with past practice, for doubtful accounts as reflected in the Interim Financial Statements in accordance with IFRS or as previously disclosed in writing to the Purchaser). Such accounts receivable are not subject to any defence, set off or counterclaim.

(29) **Material Contracts.** The contracts listed in Schedule K constitute all the material Contracts of the Targets. Without limiting the generality of the foregoing, and except as otherwise set out in Schedule A and Schedule K, none of the Targets is a party to or bound by any:

- (a) distributor, sales, advertising, agency or manufacturer's representative Contract;
- (b) collective bargaining agreement or other Contract with any labour union;
- (c) continuing Contract for the purchase of materials, supplies, equipment or services involving more than \$10,000 in respect of any such Contract;
- (d) employment or consulting Contract or any other Contract with any officer, employee or consultant other than oral Contracts of indefinite hire terminable by the employer without cause on reasonable notice;
- (e) profit sharing, bonus, stock option, pension, retirement, disability, stock purchase, medical, dental, hospitalization, insurance or similar plan or agreement providing benefits to any current or former director, officer, employee or consultant;
- (f) trust indenture, mortgage, promissory note, loan agreement, guarantee or other Contract for the borrowing of money, the provision of financial assistance of any kind or a leasing transaction of a type required to be capitalized in accordance with IFRS, or any Contract creating an Encumbrance relating thereto;
- (g) commitment for charitable contributions;

- (h) Contract for capital expenditures in excess of \$10,000 in the aggregate;
- (i) Contract for the sale of any assets, other than sales of inventory to customers in the ordinary course of the Business;
- (j) Contract pursuant to which any of the Targets is a lessor of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property material to the Business;
- (k) confidentiality, secrecy or non-disclosure Contract (whether a Target is a beneficiary or obligor thereunder) relating to any proprietary or confidential information or any non-competition or similar Contract;
- (l) license, franchise or other Contract that relates in whole or in part to any Intellectual Property;
- (m) agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to, the obligations, liabilities (whether accrued, absolute, contingent or otherwise) or indebtedness of, or any agreement to provide financial assistance of any kind to, any other person (except for cheques endorsed for collection);
- (n) Contract that expires, or may expire if the same is not renewed or extended at the option of any person other than a Target, more than one year after the date of this Agreement;
- (o) Contract with any officer, director, employee, shareholder or any other person not dealing at arm's length with any of the Targets (within the meaning of the ITA) except for Contracts of employment; or
- (p) Contract entered into by any of the Targets other than in the ordinary course of the Business.

The Targets have performed all of their obligations required to be performed by them and are entitled to all of the benefits under any Contract relating to the Business to which any of them is a party or by which any of them is bound. The Contracts listed in Schedule K are all in full force and effect unamended and no default exists in respect thereof on the part of any of the parties thereto. None of the Targets is in default or in breach of any Contract to which it is a party and there exists no condition, event or act which, with the giving of notice or lapse of time or both would constitute such a default or breach and all such Contracts are in good standing and in full force and effect unamended and the Targets are entitled to all benefits thereunder. The Vendors have provided to the Purchaser a true and complete copy of each Contract listed in Schedule K and all amendments thereto.

(30) **Insurance.** The Targets have all of their property and assets insured against loss or damage by all insurable hazards or risks on a replacement cost basis and such insurance coverage will be continued in full force and effect to and including the Closing Time. None of the Targets is in default with respect to any of the provisions contained in any such insurance policy, nor has failed to give any notice or present any claim under any such insurance policy in a timely fashion, and none of the Targets has received notice from any insurer denying any claim.

(31) **Bank Accounts and Powers of Attorney.** Schedule L is a correct and complete list showing (i) the name of each bank, trust company or similar institution in which a Target has an account or safe deposit box, the number or designation of each such account and safe deposit box and the names of all persons authorized to draw thereon or to have access thereto; and (ii) the names of any persons holding powers of attorney from a Target and a summary of the terms thereof. The cash balance of

Yuanxing China in its bank accounts at the Closing Date will be no less than Eight Million Canadian Dollars (\$8,000,000 CAD).

(32) **Brokers.** None of the Vendors or the Targets has engaged any broker or other agent in connection with the Transactions and, accordingly, there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to act or have acted for the Vendors or the Targets.

(33) **Customers and Suppliers.** Schedule M sets out the major customers and suppliers of the Target (being those customers and suppliers of the Targets each accounting for more than 20% of sales of or to the Targets on a consolidated basis, for the period January 1 to December 31, 2011) and there has been no termination or cancellation of, and no modification or change in, the Targets' business relationship with any major customer, supplier or group of major customers or suppliers since December 31, 2011. The benefits of all relationships with the major customers or suppliers of the Targets will continue after the Closing Date in substantially the same manner as prior to the date of this Agreement.

(34) **Tax Matters.** The Targets do not owe any Taxes to any Government Authority, other than in the ordinary course of business and where the payment of such Taxes would not have a Material Adverse Effect on the Targets.

(35) **Real Properties and Leased Premises.**

- (a) Schedule O attached hereto lists all Real Properties owned in whole or in part by the Targets and sets forth the legal descriptions thereof. There are no Contracts to sell, transfer or otherwise dispose of any of the Real Properties, or to purchase or acquire any real properties other than the Real Properties, or which would restrict the ability of any of the Targets, as applicable, to transfer any of the Real Properties.
- (b) The Targets are the absolute beneficial owners of, and has good and marketable title in fee simple to each of the Real Properties, free and clear of any and all Encumbrances, except for the Permitted Encumbrances. Complete and correct copies of all documents creating those Permitted Encumbrances which affect the Real Properties have been provided to the Purchaser. Except as otherwise disclosed in Schedule P, none of the Real Properties is leased or licenced, in whole or in part, to any other person.
- (c) Schedule Q describes all Leases under which the Targets lease or sublease any real property as Lessee. Other than the Leases, none of the Targets is a party to or is bound, as Lessee, by any lease, sublease, license or other instrument relating to real property. Complete and correct copies of the Leases have been provided to the Purchaser. The Leases are in full force and effect, unamended. The Lessee under each Lease is exclusively entitled to all rights and benefits as Lessee under such Lease, and no Lessee has sublet, assigned, licensed or otherwise conveyed any rights in any of the Leased Premises or in any of the Leases to any other person.
- (d) All rental and other payments and other obligations required to be paid and performed by the Lessee pursuant to each of the Leases have been duly paid and performed. The Lessee is not in default of any of its obligations under any of the Leases and none of the landlords or other parties to the Leases are in default of any of their obligations under any of the Leases. No waiver, indulgence or postponement of the Lessee's obligations under any of the Leases has been granted by the landlord thereunder. There exists no event of default under any Lease or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default under the Lease. None of the terms and conditions of any of the Leases will be

affected by, nor will any of the Leases be in default as a result of, the completion of the Transactions, and all Consents of landlords or other parties to the Leases required in order to complete the Transactions have been obtained, or will have been obtained by the Closing Time, and are, or once obtained will be, in full force and effect.

- (e) The use by the Targets, as applicable, of each of the Real Properties and Leased Premises is not in breach of any Laws, including any building, zoning or other statutes or any official plan, or any covenants, restrictions, rights or easements, affecting such Real Property or Leased Premises. All buildings, structures and improvements situated on any of the Real Properties, and those situated on any of the Leased Premises, are located wholly within the boundaries of such Real Property or Leased Premises, as applicable, and comply with all Laws, covenants, restrictions, rights and easements affecting the same. There are no outstanding work orders, non-compliance orders, deficiency notices or other such notices relative to any of the Real Properties or Leased Premises. No part of any of the Real Properties or Leased Premises has been condemned, taken or expropriated by any Government Authority, nor has any notice or proceeding in respect thereof been given, commenced or threatened. Each of the Real Properties and Leased Premises is fully serviced by utilities having adequate capacities for the normal operations of the Business. Each of the Real Properties and Leased Premises has adequate rights of access to and from public streets or highways for the normal operations of the Business thereon and there is no fact or circumstance which could result in the termination or restriction of such access. There is no defect or condition affecting any of the Real Properties or Leased Premises (or the soil or subsoil thereof) or any adjoining property which would impair the current use of such Real Property or Leased Premises.
 - (f) No amounts including, without limitation, municipal property Taxes, local improvement Taxes, levies or assessments, are owing by the Targets in respect of any of the Real Properties or the Leased Premises to any Government Authority or public utility, other than current accounts which are not in arrears. There are no outstanding appeals on assessments which have been issued or raised by any Government Authority or by any of the Targets concerning any realty, business or other Taxes with respect to any of the Real Properties or Leased Premises. All amounts for labour or materials supplied to or on behalf of the Targets relating to the construction, alteration or repair of or on any of the Real Properties or Leased Premises have been paid in full and no one has filed or has a right to file any construction, builders', mechanics' or similar liens in respect thereof.
 - (g) The buildings and structures comprising the Real Properties and the Leased Premises are free of any structural defect. The heating, ventilating, plumbing, drainage, electrical and air conditioning systems and all other systems used in any of the Real Properties or the Leased Premises are in good working order, fully operational and free of any defect, except for normal wear and tear.
- (36) Environmental Matters.
- (a) Except as disclosed in Schedule R, the Targets, the operation of the Business and the assets owned or used by the Targets have been and are in compliance with all Environmental Laws, including all Environmental Consents.
 - (b) Except as disclosed in Schedule R: (i) the Targets have not been charged with or convicted of any offence for non-compliance with Environmental Laws, or been fined or otherwise sentenced or settled any prosecution short of conviction; and (ii) there are no notices of judgment or commencement of proceedings of any nature and the Targets have never been investigated relating to any breach or alleged breach of Environmental Laws.

- (c) The Targets have obtained all Environmental Consents necessary to conduct the Business and to own, use and operate their respective properties and assets. All such Environmental Consents are listed in Schedule R and complete and correct copies thereof have been provided to the Purchaser.
- (d) Except as disclosed in Schedule R, there are no Hazardous Substances located on or in or under the surface of any Real Properties or Leased Premises of any of the Targets, and no Release of any Hazardous Substances has occurred on, in or from any Real Properties or Leased Premises or has resulted from the operation of the Business and the conduct of activities thereon.
- (e) Except as disclosed in Schedule R, none of the Targets has used any of its Real Properties or Leased Premises to produce, generate, manufacture, treat, store, handle, transport or dispose of any Hazardous Substances except in compliance with Environmental Laws.
- (f) Except as disclosed in Schedule R, there are no underground or above-ground storage tanks or associated piping or appurtenances (active or abandoned), or urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls or radioactive substances located on or in or under the surface of any of the Real Properties or Leased Premises or other assets used thereon.
- (g) Except as disclosed in Schedule R, none of the Targets is, and there is no basis upon which any of the Targets could become, responsible for any clean-up or corrective action under any Environmental Laws. The Targets have provided the Purchaser with copies of any environmental audits, site assessments and studies (including all drafts thereof) concerning any of the Real Properties and Leased Premises, or that are in any way related to the Business, that it has ever conducted or that are in its possession or control.

(37) **Intellectual Property.** Attached hereto as Schedule S is a complete and accurate list of Intellectual Property, including particulars of any registration thereof, details of all applications for registration in respect thereof and, where unregistered, the date of first use thereof. The Targets are the sole owners of the Intellectual Property except in the case of Intellectual Property licensed to the Targets. Complete and correct copies of all Contracts whereby any rights in respect of Intellectual Property have been granted or licensed to the Targets have been provided to the Purchaser. Except as disclosed in Schedule S, the Targets have the exclusive right to use all of the Intellectual Property and has not granted any licence or other rights to any other person in respect of the Intellectual Property. The Intellectual Property is free and clear of any Encumbrances other than the Permitted Encumbrances. The Intellectual Property comprises all patents, trade-marks, trade names, copyrights, industrial designs, business names, certification numbers, inventions, know-how, service marks, formulae, processes, technology, trade-secrets, computer systems and application software and other industrial or intellectual property necessary to conduct the Business. None of the Targets has used or enforced, or failed to use or enforce, any of the Intellectual Property in any manner which could limit its validity or result in its invalidity. Except as disclosed in Schedule S, there has been no infringement or violation of the Targets' rights in and to the Intellectual Property or any trade secrets or confidential information, nor any claim of adverse ownership, invalidity or other opposition to or conflict with any of the Intellectual Property. None of the Targets is or has engaged in any activity that violates or infringes any intellectual property rights of any other person.

(38) **Privacy Matters.** The Targets have conducted and are conducting the Business in compliance with all Laws applicable to privacy and the protection of personal information.

3.2 Representations and Warranties of the Purchaser

The Purchaser hereby makes the following representations and warranties to the Vendors and acknowledges that the Vendors are relying on such representations and warranties in entering into this Agreement and completing the Transactions:

(1) **Incorporation and Existence.** The Purchaser is a corporation duly incorporated, organized and validly existing under the laws of the Province of British Columbia. Purchaser is in good standing under the corporate laws of each province or other jurisdiction in which it carries on business. No proceedings have been instituted or are pending for the dissolution or liquidation of the Purchaser.

(2) **Validity of Agreement.**

- (a) The Purchaser has all necessary corporate power to own the Purchased Shares. The Purchaser has all necessary corporate power to enter into and perform its obligations under this Agreement and any other agreements or instruments to be delivered or given by it pursuant to this Agreement.
- (b) The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Purchaser.
- (c) This Agreement or any other agreements entered into pursuant to this Agreement to which the Purchaser is a party constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

(3) **No Violation.** The execution and delivery of this Agreement by the Purchaser, the consummation of the Transactions and the fulfilment by the Purchaser of the terms, conditions and provisions hereof will not (with or without the giving of notice or lapse of time, or both):

- (a) contravene or violate or result in a breach or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligations of the Purchaser, under:
 - (i) any applicable Law;
 - (ii) any judgment, order, writ, injunction or decree of any Government Authority having jurisdiction over the Purchaser;
 - (iii) the articles, by-laws or any resolutions of the board of directors or shareholders of the Purchaser;
 - (iv) any Consent held by the Purchaser; or
 - (v) the provisions of any Contract to which the Purchaser is a party or by which it is, or any of its properties or assets are, bound.

(4) **Authorized Capital.** At the Closing Time, following completion of the Transactions, the authorized capital of Purchaser will consist of an unlimited number of Purchaser Common Shares. At the Closing Time, following completion of the Transactions and assuming that sixty million (60,000,000) Purchaser Common Shares will be issued as partial payment of the Purchase Price, the Purchaser will

have 187,892,900 Purchaser Common Shares issued and outstanding. The Purchaser may issue up to an additional three million and five hundred thousand (3,500,000) Purchaser Common Shares pursuant to the exercise of outstanding options at an exercise price of CAD\$0.40 per Purchaser Common Share until April 26, 2014 and up to another one million and six hundred thousand (1,600,000) Purchaser Common Shares pursuant to the exercise of outstanding options at an exercise price of CAD\$0.225 per Purchaser Common Share until July 19, 2014. The sixty million (60,000,000) Purchaser Common Shares issuable on Closing to the Vendors will be duly authorized, issued and outstanding as fully paid and non-assessable securities.

(5) **Reports and Purchaser Financial Statements**

- (a) the Purchaser has made available to the Vendors true and complete copies of the audited consolidated balance sheet of Purchaser as at March 31, 2012 and the related audited consolidated statements of operations and cash flows of Purchaser for the period ended March 31, 2012;
- (b) the Purchaser has made available to the Vendors true and complete copies of the unaudited consolidated balance sheet of Purchaser as at June 30, 2012 and the related unaudited consolidated statements of operations and cash flows of Purchaser for the period ended June 30, 2012 (collectively with the statements in (a) above, the “**Purchaser Financial Statements**”); and
- (c) the Purchaser Financial Statements delivered to the Vendors were prepared in accordance with IFRS or Canadian GAAP, the balance sheet included in such Purchaser Financial Statements fairly presents the financial condition of Purchaser as at the close of business on the date thereof, and the consolidated statement of operations included in Purchaser Financial Statements fairly presents the results of operations of Purchaser for the fiscal period then ended on a consolidated basis.

(6) **Reporting Issuer Listed on the Exchange.** The Purchaser is a “reporting issuer” under the securities legislation of the provinces of British Columbia and Alberta and is not in default of such legislation or any regulation thereunder. Upon the completion of the Closing, and assuming all other conditions of the Exchange are met, the Purchaser will continue to be listed for trading on the Exchange.

(7) **Exchange Listing.** Purchaser Common Shares are listed on the Exchange, the Exchange has accepted Purchaser’s stock option plan, and Purchaser is in good standing under the rules and policies of the Exchange.

(8) **Consents.** Other than the final acceptance of the Transactions by the Exchange, there is no requirement for the Purchaser to make any filing with, give any notice to or obtain any Consent from any Government Authority as a condition to the lawful consummation of the Transactions.

(9) **Litigation.** There is no suit, claim, action, proceeding or, to the knowledge of Purchaser, investigation pending or threatened against or affecting Purchaser, or properties of the Purchaser, or any officer or director thereof in his or her capacity as an officer or director thereof, which could reasonably be expected to result in liability to Purchaser.

(10) **Regulatory Compliance.** The Purchaser is in compliance with all regulatory orders, directives and decisions that have application to Purchaser except where such non-compliance would not have a Material Adverse Effect on Purchaser and Purchaser has not received notice from any governmental or regulatory authority that Purchaser is not in compliance with any such regulatory orders, directives or decisions.

(11) **Brokers** Other than engaging Canaccord Genuity Corp. as its fiscal advisor for the Transactions, the Purchaser has engaged any broker or other agent in connection with the Transactions and, accordingly, there is no other commission, fee or other remuneration payable to any broker or agent who purports or may purport to act or have acted for the Purchaser.

(12) **Location of Office.** The Purchaser's head office is located at #929 - 555 Burrard Street, Vancouver, British Columbia, V7X 1M8, except for documents maintained at the office of Purchaser's legal counsel, all of its corporate books and records are located at such address.

3.3 Survival of Covenants, Representations and Warranties of the Vendors and Targets

To the extent that they have not been fully performed at or prior to the Closing Time, the covenants, representations and warranties of the Vendors and the Targets contained in this Agreement and any agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement shall survive the Closing and shall continue for the benefit of the Purchaser for a period of two years notwithstanding such Closing, nor any investigation made by or on behalf of the Purchaser or any knowledge of the Purchaser, except that:

(1) the representations and warranties set out in Sections 3.1(1) to and including 3.1(6), and in Section 3.1(10), and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.1(1), shall survive the Closing and continue in full force and effect without limitation of time;

(2) the representations and warranties set out in Section 3.1(34) and the corresponding representations and warranties set out in the Closing Certificates shall survive the Closing and continue in full force and effect until, but not beyond, the expiration of the period, if any, during which an assessment or other form of recognized document assessing liability for Tax, interest or penalties under Laws applicable to Tax in respect of any taxation year to which such representations and warranties extend could be issued under such Laws to the Targets, including any additional period resulting from the Targets filing a waiver or other document extending such period prior to the Closing; and

(3) a claim for breach of any such representation or warranty, to be effective, must be asserted in writing on or prior to the applicable expiration time set out in this Section 3.3, provided that a claim for any breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud or fraudulent misrepresentations may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Law.

3.4 Survival of Covenants, Representations and Warranties of the Purchaser

To the extent that they have not been fully performed at or prior to the Closing Time, the covenants, representations and warranties of the Purchaser contained in this Agreement and in any agreement, instrument, certificate or other document delivered pursuant to this Agreement shall survive the Closing and shall continue for the benefit of the Vendors for a period of two years notwithstanding such Closing, nor any investigation made by or on behalf of a Vendor or a Target or any knowledge of the Vendor or the Target, except that:

(1) the representations and warranties set out in Sections 3.2(1) and 3.2(2), and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.2(1), shall survive the Closing and shall continue in full force and effect without limitation of time; and

(2) a claim for breach of any such representation or warranty, to be effective, must be asserted in writing on or prior to the applicable expiration time set out in this Section 3.4, provided that a claim for any breach of any of the representations and warranties contained in this Agreement or in any

agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud or fraudulent misrepresentations may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Law.

ARTICLE 4 – COVENANTS

4.1 Filings

Purchaser, Vendors and the Targets shall prepare and file any filings required under any applicable laws or rules and policies of regulatory bodies relating to the Transactions. The Purchaser covenants and agrees to take, in a timely manner, all commercially-reasonable actions and steps necessary in order that: (i) effective on the Closing Date, Purchaser Common Shares to be issued to Vendors pursuant to this Agreement will be conditionally approved for listing on the Exchange; (ii) when received, the Purchaser shall provide the Vendors with copies of the conditional and final approval of the Transactions and the listing and posting for trading of Purchaser Common Shares to be issued to the Vendors pursuant to this Agreement; and (iii) the distribution of Purchaser Common Shares to the Vendors is exempt from the prospectus requirements of Applicable Securities Laws.

4.2 Additional Agreements

Each of the Parties agrees to use its commercially-reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Transactions and to cooperate with each other in connection with the foregoing, including using commercially-reasonable efforts to:

- (1) obtain all necessary waivers, consents and approvals from other Parties to material agreements, leases and other contracts or agreements;
- (2) obtain all necessary consents, approvals, and authorizations as are required to be obtained under any Laws;
- (3) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the Transactions;
- (4) lift or rescind any injunction or restraining order or other remedy adversely affecting the ability of the Parties to consummate the Transactions;
- (5) effect all necessary registrations and other filings and submissions of information requested by any Governmental Authorities; and
- (6) comply with all provisions of this Agreement.

For purposes of the foregoing, the obligations of the Parties to use “commercially-reasonable best efforts” to obtain waivers, consents and approvals to leases, loan agreements and other contracts shall not include any obligation to agree to a materially-adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other Parties.

4.3 Conduct During Interim Period

During the Interim Period, without in any way limiting any other obligations of the Vendors and the Targets hereunder:

- (1) **Conduct Business in the Ordinary Course.** The Vendors shall cause the Targets to conduct the Business and the operations and affairs of the Targets only in the ordinary course of the

Business consistent with past practice, and the Vendors shall ensure that none of the Targets shall, without the prior written consent of the Purchaser, enter into any transaction or refrain from doing any action that would constitute a breach of any representation, warranty, covenant or other obligation of the Vendors contained herein, and provided further that, without limiting the generality of the foregoing, the Vendors shall cause the Targets to ensure that none of the Targets:

- (a) amends its articles, by-laws, constating documents or other organizational documents;
 - (b) amalgamates, merges or consolidates with, or acquires all or substantially all the shares or assets of any person;
 - (c) transfers, leases, licenses, sells or otherwise disposes of any of its assets except for inventory, or permits any Encumbrance to attach to or affect any of its assets, other than in the ordinary course of the Business consistent with past practice; or
 - (d) does any act or thing of the kind described in Sections 3.1(8), 3.1(26), or 3.1(32) or enters into any Contract of the kind described in Sections 3.1(5), 3.1(13), 3.1(29), 3.1(35)(a), or 3.1(35)(c).
- (2) **Continue Insurance.** The Vendors shall cause each of the Targets to continue to maintain in full force and effect all policies of insurance or renewals thereof now in effect, and shall take out, at the expense of the Purchaser, such additional insurance as may be reasonably requested by the Purchaser, and shall give all notices and present all claims under all policies of insurance in a timely fashion.
- (3) **Government Consents.** The Vendors shall use its best efforts to make, give or obtain or cause the Targets to make, give or obtain, as applicable, at or prior to the Closing Time, with, to or from all appropriate Government Authorities, the filings, notifications and Consents described in Schedule E.
- (4) **Contractual Consents.** The Vendors shall use its best efforts to make, give or obtain or cause the Targets to make, give or obtain, as applicable, at or prior to the Closing Time the filings, notifications and Consents described in Schedule E in respect of Contracts, on such terms as are acceptable to the Purchaser, acting reasonably.
- (5) **Preserve Goodwill.** The Vendors shall use its best efforts to preserve intact, and cause the Targets to preserve intact, the Business and the property, assets, operations and affairs of the Targets and to carry on the Business and the affairs of the Targets as currently conducted, and to promote and preserve for the Purchaser the goodwill of suppliers, customers and others having business relations with the Targets.
- (6) **Discharge Liabilities.** The Vendors shall cause the Targets to pay and discharge the liabilities of the Targets in the ordinary course of the Business in accordance and consistent with the past practice of the Targets, except those contested in good faith by the Targets.
- (7) **Corporate Action.** The Vendors shall take and cause the Targets to take all necessary corporate actions, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the transfer of the Purchased Shares to the Purchaser free and clear of all Encumbrances and to cause all necessary meetings of directors and shareholders of the Vendors and the Targets to be held for such purpose.
- (8) **Exclusive Dealing.** None the Vendors shall take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to any person, other than the Purchaser, concerning any purchase of any shares in the capital of the Targets, the

material assets of the Targets, a controlling interest in the Vendors or the Targets or any merger, sale of substantial assets or similar transaction involving the Targets or the Business, and the Vendors shall ensure that the Targets do not take any such action.

4.4 Access to Information

The Vendors shall at all times during the Interim Period make available to the Purchaser and its representatives and advisers for examination all Records and corporate records of the Targets in its possession or under its control, including environmental and health and safety reports. The Vendors shall at all times during the Interim Period give the Purchaser and its representatives and advisers access to the premises of the Targets during normal business hours and upon reasonable notice, in order to make such investigations as the Purchaser shall deem necessary or advisable, including for purposes of conducting any environmental audits, environmental site assessments (including soil and groundwater testing) or other investigations. The Vendors shall give such persons all means necessary to effect such examinations and investigations and shall cause its agents, employees, officers and directors to use their best efforts to aid such persons in such examinations and investigations. The Vendors authorize and consent to the release by any Government Authority having jurisdiction of any information, and shall sign any documents or forms of consent incidental thereto. The exercise of any rights of access, inspection or examination by or on behalf of the Purchaser shall not effect or mitigate the Vendors' covenants, representations and warranties in this Agreement. The Vendors shall provide the Purchaser and its representatives and advisers at all times during the Interim Period with an opportunity to meet with the auditors and any employees, advisers or personnel of the Targets.

4.5 Satisfaction of Closing Conditions

The Vendors jointly and severally agree to use their best efforts to ensure that the conditions set forth in Section 5.1, and the Purchaser agrees to use its best efforts to ensure that the conditions set forth in Section 5.2, are fulfilled at or prior to the Closing Time.

4.6 Notification

During the Interim Period, each of the Parties to this Agreement will promptly notify the other Parties in writing if it becomes aware of any fact or condition that causes or constitutes a material breach of any of its representations and warranties as of the date of this Agreement, if it becomes aware of the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Schedules relating to such party, such party will promptly deliver to the other Parties a supplement to the Schedules specifying such change. During the same period, each party will promptly notify the other parties of the occurrence of any material breach of any of its covenants in this Agreement or of the occurrence of any event that may make the satisfaction of such conditions impossible or unlikely.

4.7 Delivery of Records

At the Closing Time, the Vendors shall deliver to the Purchaser all the Records and corporate records of the Targets. The Purchaser agrees that it will preserve such records so delivered to it for a period of six years from the Closing Date, or for such longer period as is required by any applicable Law, and will permit the Vendors or their authorized representatives reasonable access thereto in connection with the affairs of the Vendors, but the Purchaser shall not be responsible or liable to the Vendors for or as a result of any accidental loss or destruction of or damage to any such records.

ARTICLE 5 – CONDITIONS OF CLOSING

5.1 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transactions will be subject to the fulfilment of the following conditions at or prior to the Closing Time:

(1) **Charter Documents and Certificate of Corporate Existence.** The Purchaser shall have received from the Vendors: (i) a copy, certified by a duly-authorized officer of each of the Targets to be true and complete as of the Closing Date, of the Charter and constating documents of each of the Targets; and (ii) a copy, certified by a duly-authorized officer of each of the Targets to be true and complete as of the Closing Date, of the by-laws of each of the Targets.

(2) **Representations, Warranties and Covenants.** The representations and warranties of the Vendors and the Targets made in or pursuant to this Agreement shall be true and accurate at the Closing Time with the same force and effect as though such representations and warranties had been made as of the Closing Time. The Vendors and the Targets shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by them at or prior to the Closing Time. In addition, the Vendors shall have delivered to the Purchaser a certificate confirming the foregoing. The receipt of such certificate and the completion of the Transactions shall not be deemed to constitute a waiver of any of the representations, warranties or covenants of the Vendors and the Targets contained in this Agreement. Such representations, warranties and covenants shall continue in full force and effect as provided in Section 3.3.

(3) **Due Diligence.** Purchaser, and its agents and representatives, shall have conducted and completed to Purchaser's satisfaction, acting reasonably, a legal and financial due diligence investigation of the Targets.

(4) **No Material Adverse Change.** Except as has been specifically permitted in this Agreement, since the date of this Agreement there shall not have been:

- (a) any material adverse change in any of the assets, business, financial condition, earnings, results of operations or prospects of the Targets that has, or threatens to have, a material adverse effect on the assets, business, financial condition, earnings, results of operations or prospects of the Targets on a consolidated basis or which might materially adversely affect the ability of the Targets to carry on the Business after the Closing substantially as such Business is being conducted upon the date hereof; or
- (b) any damage, destruction or loss, or other event, development or condition of any character (whether or not covered by insurance) which would have a material adverse effect on the assets, business, financial condition, earnings, results of operations or prospects of the Targets on a consolidated basis.

(5) **No Action to Restrain/No Adverse Law.** No Law shall have been made, and no action or proceeding shall be pending or threatened, which is likely to result in an order, decision or ruling imposing any limitations or conditions which may have a material adverse effect on the Transactions, the right of the Purchaser to own the Purchased Shares, or the assets, business, financial condition, earnings, results of operations or prospects of the Targets on a consolidated basis.

(6) **Consents.** All filings, notifications and Consents with, to or from Government Authorities and third parties, including the parties to the Material Contracts listed on Schedule K and the lessors of the Leased Premises listed on Schedule Q, required to permit the change of ownership of the Purchased Shares contemplated hereby without resulting in the violation of or a default under or any termination, amendment or acceleration of any obligation under any licence, permit, lease, or material

Contract affecting the Business or otherwise adversely affecting the Business or the Targets, shall have been made, given or obtained on terms acceptable to the Purchaser acting reasonably and conditional acceptance by the Exchange of the Transactions shall have been received.

(7) **Proof of Corporate Action.** The Purchaser shall have received from the Targets copies, certified by a duly-authorized officer thereto to be true and complete as of the Closing Date, of the records of all corporate action taken to authorize the execution, delivery and performance of this Agreement and the transactions contemplated thereunder.

(8) **Deliveries.** The Vendors shall have delivered to the Purchaser the following in form and substance satisfactory to the Purchaser:

- (a) favourable opinions of counsel to the Vendors and the Targets substantially in a form to be agreed upon by the Purchaser and the counsel to the Purchaser;
- (b) a non-competition agreement duly executed by Mr. Qilin Hong and substantially in the form to be agreed upon by the Purchaser and Mr. Qilin Hong;
- (c) duly executed resignations effective as at the Closing Time of those directors and officers of the Targets specified by the Purchaser;
- (d) all Records and all corporate records of the Targets and other documents referred to in this Agreement or any Schedule hereto; and
- (e) all documentation and other evidence reasonably requested by the Purchaser in order to establish the due authorization and consummation of the Transactions, including the taking of all corporate proceedings by the boards of directors and shareholders of the Vendors and the Targets required to effectively carry out the obligations of the Vendors and the Targets pursuant to this Agreement.

The agreements, certificates, documents, other evidence of compliance and opinions described in this Section 5.1 shall be in form and substance satisfactory to Purchaser, acting reasonably, and shall, except as otherwise provided, be delivered to Purchaser at the Closing; provided, however, any one or more of the foregoing conditions may be waived in writing by Purchaser.

5.2 Conditions for the Benefit of the Vendors and Targets

Notwithstanding anything herein contained, the obligations of the Vendors and the Targets to complete the Transactions will be subject to the fulfilment of the following conditions at or prior to the Closing Time:

(1) **Representations, Warranties and Covenants.** The representations and warranties of the Purchaser made in or pursuant to this Agreement shall be true and accurate at the Closing Time with the same force and effect as though such representations and warranties had been made as of the Closing Time. The Purchaser shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it at or prior to the Closing Time. In addition, the Purchaser shall have delivered to the Vendors and the Targets a certificate confirming the foregoing. The receipt of such certificate and the completion of the Transactions shall not be deemed to constitute a waiver of any of the representations, warranties or covenants of the Purchaser contained in this Agreement. Such representations, warranties and covenants shall continue in full force and effect as provided in Section 3.4.

(2) **Proof of Corporate Action.** The Vendors shall have received from Purchaser copies, certified by a duly-authorized officer thereof to be true and complete as of the Closing Date, of the

records of all corporate action taken to authorize the execution, delivery and performance of this Agreement.

(3) **Covenants.** All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser at or before the Closing Date shall have been complied with or performed and the Vendors shall have received on the Closing Date a certificate to this effect signed by an authorized officer of Purchaser.

(4) **No Material Adverse Change.** No change shall have occurred in the business, affairs, financial condition or operations of Purchaser in the Interim Period which would have a Material Adverse Effect.

(5) **Consents.** All required approvals, consents, authorizations and waivers relating to the consummation of the Transactions shall have been obtained, including the conditional acceptance of the Transactions by the Exchange.

(6) **No Action or Proceeding.** No *bona fide* legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit consummation of the Transactions, or of any part of it, or the right of the Targets or Purchaser from and after the Closing Time to conduct, expand and develop the Business of the Targets.

The agreements, certificates, documents, other evidence of compliance and opinions described in this Section 5.2 shall be in form and substance satisfactory to the Vendors and the Targets, acting reasonably, and shall, except as otherwise provided, be delivered to the Vendors at the Closing; provided, however, any one or more of the foregoing conditions may be waived in writing by Yuanxing International Limited as the representative of the Vendors.

5.3 Termination

This Agreement may be terminated by written notice given by the terminating party to the other Parties hereto, at any time prior to the Closing:

(1) by mutual written consent of each of the Vendors, Targets and Purchaser;

(2) by either: (i) the Vendors or the Targets, on the one hand; or (ii) Purchaser, on the other hand, if there has been a material misrepresentation, breach or non-performance by the other party of any material representation, warranty, covenant or obligation contained in this Agreement, which could reasonably be expected to have a Material Adverse Effect on the other party, provided the breaching party has been given notice of and thirty (30) days in which to cure any such misrepresentation, breach or non-performance;

(3) by either the Vendors or the Targets, on the one hand, or the Purchaser, on the other hand, if a condition for the terminating party's benefit, as set out in Article 5 hereto, has not been satisfied or waived on or before November 30, 2012;

(4) by either the Vendors or the Targets, on the one hand, or the Purchaser, on the other hand, if the Closing has not occurred on or before November 30, 2012 (provided that the right to terminate this Agreement under this Section 5.3(4) shall not be available to any party where failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated hereby by such date).

5.4 Effect of Termination

In the event of termination of this Agreement at or prior to the Closing Time pursuant to Section 5.3, the provisions of Article 1, Article 7 and Article 8 shall survive such termination indefinitely. Upon such termination, the Purchaser shall promptly deliver to the Vendors all copies of all Records and corporate records of the Targets and other written material obtained by the Purchaser from the Vendors and the Targets in connection with this Agreement.

ARTICLE 6 – CLOSING ARRANGEMENTS

6.1 Place of Closing

The Closing shall take place at the Closing Time at the offices of Clark Wilson LLP, located at 800 – 885 West Georgia Street, Vancouver, B.C. V6C 3H1.

6.2 Deliveries at the Closing

At the Closing Time, upon fulfillment of all the conditions set out in Article 5 that have not been waived in writing by the Purchaser, the Vendors or the Targets, as applicable, the Vendors shall deliver to the Purchaser certificates evidencing all the Purchased Shares, duly endorsed in blank for transfer, the Vendors and the Targets shall deliver such documents as are required or contemplated to be delivered by the Vendors, the Targets or Vendors' counsel pursuant to this Agreement, the relevant portions of the Purchase Price shall be paid or delivered in the manner provided in Section 2.3, and the Purchaser shall deliver such documents as are required or contemplated to be delivered by the Purchaser or Purchaser's counsel pursuant to this Agreement.

ARTICLE 7 – INDEMNIFICATION

7.1 Indemnification by the Vendors

Subject to Section 3.3, the Vendors shall, jointly and severally, indemnify and save the Purchaser harmless for and from:

- (1) all debts and liabilities of the Targets, including liabilities for any Taxes, existing at the Closing Time and not disclosed on or included in the Audited Financial Statements or Interim Financial Statements, except liabilities accruing or incurred subsequent to the Closing Date in the ordinary course of the Business, consistent with past practice and except liabilities disclosed in this Agreement or any Schedule hereto;
- (2) all contingent liabilities which the Targets become obligated to pay and which exist at the Closing Time whether or not disclosed or reflected in the Audited Financial Statements or Interim Financial Statements, and whether or not the Vendors, the Targets or any of them have notice thereof or of the facts or circumstances which give rise thereto;
- (3) any assessment for Taxes for any period up to the Closing Date for which no adequate reserve has been provided and disclosed in the Audited Financial Statements or Interim Financial Statements;
- (4) any loss, damages or deficiencies suffered by the Purchaser or by the Targets as a result of any breach of representation, warranty or covenant on the part of the Vendors or the Targets contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement;

(5) any warranty, damage or similar claim made against the Targets for or arising from defects in any goods, materials, service or workmanship, in each case provided by the Targets on or prior to the Closing Date for which the Targets are or are alleged to be liable;

(6) any loss, damages or deficiencies suffered by the Purchaser or by the Targets as a result of any breach of negative covenants contained in Article 8 on the part of the Vendors; and

(7) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

The indemnification obligations of the Vendors pursuant to Article 7 will be satisfied first by the Purchaser claiming against the remaining balance of the Purchase Price, and if the remaining balance of the Purchase Price has been paid by the Purchaser to the Vendors, the Purchaser may recover its losses directly from the Vendors.

7.2 Indemnification by the Purchaser

Subject to Section 3.4, the Purchaser shall indemnify and save the Vendors and Targets harmless for and from:

(1) any loss, damages or deficiencies suffered by the Vendors as a result of any breach of representation, warranty or covenant on the part of the Purchaser contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement; and

(2) all claims, demands, costs and expenses, including legal fees, in respect of the foregoing.

7.3 Notice of Claim

The Indemnified Party shall promptly give written notice to the Indemnifying Party of any Claim. Such notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a "Third Party Claim") or whether the Claim does not so arise (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available):

(1) the factual basis for the Claim; and

(2) the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim.

7.4 Procedure for Indemnification

(1) **Direct Claims.** With respect to Direct Claims, following receipt of notice from the Indemnified Party of a Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of such 30 day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim.

If the Indemnified Party and the Indemnifying Party do not agree within such period (or any mutually agreed upon extension thereof), the Indemnified Party and the Indemnifying Party agree that the dispute shall be submitted to a single arbitrator in accordance with the *Commercial Arbitration Act* (British Columbia). Such dispute shall not be made the subject matter of an action in a court by either the Indemnified Party or the Indemnifying Party unless the dispute has first been submitted to arbitration and finally determined in accordance with the provisions of the *Commercial Arbitration Act* (British

Columbia). Any such action commenced thereafter shall only be for judgment in accordance with the decision of the arbitrators and the costs incidental to the action. In any such action the decision of the arbitrators shall be conclusively deemed to determine the rights and liabilities as between the Parties to the arbitration in respect of the matter in dispute.

(2) **Third Party Claims.** With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the negotiation, settlement or defence of such Third Party Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out of pocket expenses incurred as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend any such Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

7.5 General Indemnification Rules

The obligations of the Indemnifying Party to indemnify the Indemnified Party in respect of Claims shall also be subject to the following:

(1) Any Claim arising as a result of a breach of a representation or warranty shall be made not later than the date on which, pursuant to Sections 3.3 and 3.4, such representation and warranty terminated;

(2) The Indemnifying Party's obligation to indemnify the Indemnified Party shall only apply to the extent that the Claims in respect of which the Indemnifying Party has given an indemnity, in the aggregate, exceed \$10,000, and shall only apply in respect of such excess;

(3) In the event that any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to any person (a "Third Party") with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for any such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party;

(4) Except in the circumstance contemplated by Section 7.5(5), and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnified Party shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld);

(5) The Indemnified Party shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice thereof and an opportunity to contest such Third Party Claim;

(6) The Indemnified Party and the Indemnifying Party shall cooperate fully with each other with respect to Third Party Claims and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available); and

(7) Notwithstanding Section 7.4(2), the Indemnifying Party shall not settle any Third Party Claim or conduct any related legal or administrative proceeding in a manner which would, in the opinion of the Indemnified Party, acting reasonably, have a material adverse impact on the Indemnified Party.

ARTICLE 8 – RESTRICTIVE COVENANT

8.1 Restrictions

The Vendors acknowledge that the Purchaser has paid valuable consideration for the Purchased Shares and the Business. The use by any of the Vendors relationships they developed in their conduct of the Business and confidential information of the Business in future activities which compete with the Targets or the Purchaser would provide the competing business with an unfair advantage over the Purchaser or the Targets. Accordingly, the Purchaser wishes to restrict the Vendors' use of such information and each of the Vendors' ability to compete with the Purchaser and the Targets after the Closing. Each of the Vendors agrees, for the Purchase Price, to comply with the terms of this Article, all of which are reasonable and necessary to protect the confidential business information and trade secrets being acquired by the Purchaser and to prevent any unfair advantage from being conferred upon a competing business of the Purchaser or a Target, as set forth below.

8.2 Non-Competition

For a period of five years from the Closing Date, none of the Vendors shall, directly or indirectly, either alone or as a shareholder, partner, associate, consultant, owner, agent, creditor or co-venturer of any other person, or in any other capacity, directly or indirectly, carry on or engage in the territory of People's Republic of China, including Hong Kong and Taiwan, other than on behalf of the Purchaser, in the business involving in manufacturing, marketing or sales of bags, kraft products or packaging materials, which bags, kraft products or packaging materials are made with paper, wood fibers or other fibers such as bagasse, which is fiber remaining after the extraction of the sugar-bearing juice from sugarcane.

8.3 Non-Interference with Business Relations

For a period of five years after the Closing Date, none of the Vendors shall, directly or indirectly, solicit, induce or attempt to solicit or induce any customer, supplier, licensee or other business relation of the Purchaser or the Targets to cease doing business with such the Purchaser or the Targets in the territory of People's Republic of China, including Hong Kong and Taiwan, or in any way interfere with any such business relation of the Purchaser or the Targets in the territory of People's Republic of China, including Hong Kong and Taiwan.

8.4 Confidential Information

Each of the Vendors recognizes that the Purchaser's business interests require the fullest practical protection and confidential treatment of all information not generally known within the relevant trade group or by the public, including all documents, writings, *memoranda*, business plans, illustrations, designs, plans, processes, programs, inventions, computer software, reports, sources of supply, customer lists, supplier lists, trade secrets and all other valuable or unique information and techniques acquired, developed or used by Targets relating to the Business (the "**Protected Information**"). Each of the Vendors expressly acknowledges and agrees that Protected Information constitutes trade secrets and confidential and proprietary business information of the Purchaser. Protected Information shall not include information which is or becomes part of the public domain through no breach of this Agreement by any Vendor. Each of the Vendors acknowledge that Protected Information is essential to the success

of the Business, and it is the policy of the Purchaser to maintain as secret and confidential Protected Information, which gives the Purchaser a competitive advantage over those who do not know the Protected Information and is expressly and implicitly protected by the Purchaser from unauthorized disclosure. Accordingly, each of the Vendors agree to hold such Protected Information in a fiduciary capacity, to keep secret and to treat confidentially and not to, and not to permit any other person to, directly or indirectly, appropriate, divulge, disclose or otherwise disseminate to any other person in the territory of People's Republic of China, including Hong Kong and Taiwan nor use in any manner for the purposes or benefit of any of the Vendors or any other person, and not to use or aid others in using any such Protected Information in competition with the Purchaser or a Target except to the extent that disclosure is required by law; provided, however, that the Vendors, as applicable, shall provide the Purchaser with notice as far in advance of any required disclosure as is practicable in order for the Purchaser to obtain an order or other assurance that any information required to be disclosed will be treated as Protected Information and each of the Vendors shall use all reasonable efforts to cooperate with the Purchaser in connection therewith and in furtherance thereof. This obligation of non-disclosure of information shall continue to exist for so long as such information remains Protected Information.

ARTICLE 9 - GENERAL

9.1 Confidentiality

The Purchaser covenants and agrees that, except as otherwise authorized by the Vendors, neither the Purchaser nor its representatives, agents or employees will disclose to third parties, directly or indirectly, any confidential information or confidential data relating to the Vendors, any of the Targets or the Business discovered by the Purchaser or its representatives, agents or employees as a result of the Vendors and the Targets making available to the Purchaser and its representatives, agents or employees the information requested by them in connection with the Transactions.

9.2 Notices

(1) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by facsimile or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

(a) if to the Vendors:

Yuanxing International Limited
Attention: Mr. Qilin Hong
Fax No.: _____

(b) if to the Targets:

Yuanxing International Limited
Attention: Mr. Qilin Hong
Fax No.: _____

(c) if to the Purchaser:

Asia Packaging Group Inc.
Attention: Mr. Wenge Hong
Fax No.: 778.588.0728

(2) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing;

provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

(3) Any Party may at any time change its address for service from time to time by giving notice to the other Parties in accordance with this Section 9.2.

9.3 Public Announcements and Disclosure

The Parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the Transactions and, except as required by any applicable Law or stock exchange having jurisdiction, no Party shall issue any such press release or make any such public announcement without the prior written consent of the others, which consent shall not be unreasonably withheld or delayed. Prior to any such press release or public announcement, none of the Parties shall disclose this Agreement or any aspect of the Transactions except to its board of directors, its senior management, its legal, accounting, financial or other professional advisors, any financial institution contacted by it with respect to any financing required in connection with the Transactions and counsel to such institution, or as may be required by any applicable Law or stock exchange having jurisdiction.

9.4 Assignment

The Purchaser may assign its rights under this Agreement in whole or in part to any other person; provided, however, that any such assignment shall not relieve the Purchaser from any of its obligations hereunder. Neither the Vendors nor the Targets may assign its rights under this Agreement.

9.5 Best Efforts

The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any Party to use its “best efforts” to obtain any waiver, Consent or other document shall not require such Party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

9.6 Expenses

Unless otherwise provided herein, each of the Vendors, the Targets and the Purchaser shall be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the Transactions. In the event of termination of this Agreement, the obligation of each Party to pay its own expenses will be subject to any rights of such Party arising from a breach of this Agreement by another Party.

9.7 Further Assurances

Each of the Parties shall promptly do, make, execute, deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties hereto may reasonably require from time to time after Closing at the expense of the requesting Party for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

9.8 Entire Agreement

This Agreement, including all Schedules attached hereto, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided. No reliance is placed by any Party hereto on any warranty, representation, opinion, advice or assertion of fact made by any Party hereto or its directors, officers, employees or agents, to any other Party hereto or its directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included in this Agreement.

9.9 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

9.10 Rights Cumulative

The rights and remedies of the Parties hereunder are cumulative and not alternative.

9.11 Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

ASIA PACKAGING GROUP INC.

Per: Signed
Authorized Signatory

JIAYUAN INVESTMENT LTD.

Per: Signed
Authorized Signatory

**MING SOURCE INDUSTRIAL CO.,
LIMITED**

Per: Signed
Authorized Signatory

YUANXING HOLDINGS (HONG KONG) LTD.

Per: Signed
Authorized Signatory

YUANXING PACKAGE (CHINA) CO., LTD.

Per: Signed
Authorized Signatory

YUANXING INTERNATIONAL LIMITED

Per: Signed
Authorized Signatory

HUAYI INVESTMENT CO., LIMITED

Per: Signed
Authorized Signatory

WONDER CHOICE HOLDINGS LIMITED

Per: Signed
Authorized Signatory

SCHEDULE A
PERMITTED ENCUMBRANCES

See Attached

SCHEDULE B
FORM OF PROMISSORY NOTES

See Attached

SCHEDULE C

JURISDICTIONS IN WHICH TARGETS CONDUCTS BUSINESS

Jiayuan – British Virgin Islands

Yuanxing HK – Hong Kong

Yuanxing China – People's Republic of China

SCHEDULE D

LIST OF VENDORS

Name of Vendors	Type and Number of Purchased Shares*
Yuanxing International Limited	45,500 shares of Jiayuan
Huayi Investment Co., Limited	1,950 shares of Jiayuan
Ming Source Industrial Co., Limited	1,900 shares of Jiayuan
Wonder Choice Holdings Limited	650 shares of Jiayuan
Total	50,000 shares of Jiayuan

* The Purchaser acknowledges and agrees that the numbers of the Purchased Shares registered under the names of and owned by the respective Vendors are subject to change but the total number of the Purchased Shares will not change.

SCHEDULE E
GOVERNMENT AND CONTRACTUAL CONSENTS

See Attached

SCHEDULE F
AUDITED FINANCIAL STATEMENTS

See Attached

SCHEDULE G
INTERIM FINANCIAL STATEMENTS

See Attached

SCHEDULE H
UNDISCLOSED LIABILITIES

See Attached

SCHEDULE I

CONSENTS

See Attached

SCHEDULE J

LITIGATION

See Attached

SCHEDULE K
MATERIAL CONTRACTS

See Attached

SCHEDULE L
BANK ACCOUNTS AND POWERS OF ATTORNEY

See Attached

SCHEDULE M
CUSTOMERS AND SUPPLIERS

See Attached

SCHEDULE N

TAXES

See Attached

SCHEDULE O
REAL PROPERTIES OWNED

See Attached

SCHEDULE P
REAL PROPERTIES LEASED

See Attached

SCHEDULE Q

LEASES

See Attached

SCHEDULE R
ENVIRONMENTAL MATTERS

See Attached

SCHEDULE S
INTELLECTUAL PROPERTY

See Attached