

ASSET PURCHASE AGREEMENT

BETWEEN

KS ECOLOGY (CANADA) INC.

and –

MAPLE LEAF REFORESTATION INC.

JULY 27, 2011

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is dated the 27th day of July, 2011.

BETWEEN

KS ECOLOGY (CANADA) INC., a corporation
validly existing under the laws of the Province of British
Columbia.

(the "Seller")

- and -

MAPLE LEAF REFORESTATION INC., a
corporation validly existing under the laws of the
Province of Alberta.

(the "Buyer")

(each a "Party" or collectively, the "Parties")

CONTEXT:

- A. The Seller carries on the Business of operating Yellowhorn tree plantations, harvesting Yellowhorn fruit and producing a full line of products from Yellowhorn trees and fruit (the "Business").
- B. The Seller wishes to sell, and the Buyer wishes to buy, substantially all of the Seller's assets that are used in connection with the Business, as set-out in Appendix "A".

FOR GOOD AND VALUABLE CONSIDERATION, the parties agree as follows:

ARTICLE 1 PURCHASE AND SALE

1.1 Agreement of Purchase and Sale

- 1.1.1 Subject to the terms and conditions of this agreement, on the Closing Date (as defined in Section 3.1) the Seller will sell and the Buyer will purchase, as a going concern, all of the rights, assets, privileges, benefits and property, owned, or used by the Seller or held by it for use in, or with respect to the operation of the Business, including and limited to the properties, assets and rights set-out in Appendix "A" (the "Purchased Assets"), and which shall also include all cash, accounts receivable and inventories of the Business not specifically mentioned in Appendix "A".
- 1.1.2 Despite Section 1.1.1, the Buyer will not be obligated to assume, but will still have the right to assume at its sole discretion, any agreement, partnership, contract, permit, license or similarly described intangible asset that the Seller is presently a party to and which is described in Appendix "A". If so desired by the Buyer, the Seller hereby undertakes to make

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all commercially reasonable efforts to assist the Buyer with re-negotiating the terms of any business arrangement described in this Section.

1.2 Indemnification of the Buyer

The Seller will indemnify and hold the Buyer harmless against all loss, costs or damages which the Buyer may suffer after the Closing Date as a result of the assertion against the Buyer by any person, firm or corporation of any failure or alleged failure of the Seller to perform or satisfy any of its liabilities or obligations.

**ARTICLE 2
PURCHASE PRICE**

2.1 Amount of Purchase Price

- 2.1.1 Subject to adjustment under Section 2.3, the deemed purchase price payable by the Buyer to the Seller for the Purchased Assets will be Cdn \$2,019,600 (RMB¥ 13,733,200) (the "Purchase Price").
- 2.1.2 The Parties acknowledge and agree that the Purchase Price, despite any adjustment being required under Section 2.3, will be set using a conversion of Cdn \$1 for every RMB¥ 6.8.
- 2.1.3 The Purchase Price will be satisfied by the Buyer through the issuance of common shares from its treasury ("Shares") at a deemed value of \$0.15 per Share. Full satisfaction of the Purchase Price will require the issuance of 13,464,000 Shares.

2.2 Payment of Purchase Price

The Buyer will satisfy the Purchase Price at the Closing (as defined in Section 3.1) as follows:

- 2.2.1 by validly executing and delivering to the Seller a copy of a treasury order representing the issuance of 8,976,000 Shares to the Seller ("Share Tranche #1"), with an undertaking that the original version of this treasury order will be submitted to the Buyer's registered Transfer Agent immediately upon closing; and
- 2.2.2 by validly executing and delivering to the Seller a conditional promissory note representing the obligation to issue 4,488,000 Shares to the Seller on the date that is one year from the Closing Date ("Share Tranche #2"), if and only if, the Buyer is satisfied with the performance of the Purchased Assets. The Buyer will not be permitted to avoid its obligations pursuant to this conditional promissory note based on commercially unreasonable expectations regarding the performance of the Purchased Assets.

2.3 Due Diligence Period for Review of Purchase Price

Between the date ascribed to this agreement and the Closing Date (as defined in Section 3.1) the Buyer will be permitted to undertake extensive due diligence efforts with respect to the valuation of the Purchased Assets (the "Due Diligence"), and the Seller shall fully cooperate to provide the Buyer with what it requires to adequately perform the Due Diligence. As a result of the Buyer's findings during the Due Diligence, it will be entitled to reasonably request that the Purchase Price be adjusted downward to

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reflect a more accurate valuation. As a result of the Buyer's findings during the Due Diligence, it will also be entitled to void this agreement in its entirety due to the Purchased Assets being primarily inconsistent with the details regarding the Purchased Assets which have been given to the Buyer from the Seller as of the date of this agreement.

2.4 Finder's Fee

The Parties acknowledge and agree that subject to all regulatory approvals, and subject to all regulatory limitations, the Buyer may pay cash or issue Shares to an arm's length party as a finder's fee for introducing the Parties and assisting with facilitating and finalizing this agreement, up to the maximum of 10% of the value of the Purchase Price and if the finder's fee is satisfied by issuing Shares, a deemed value per Share of \$0.15 will be used.

ARTICLE 3 CLOSING ARRANGEMENTS

3.1 Closing Arrangements

The completion of the sale of the Purchased assets under this agreement (the "Closing") will occur on October 28, 2011 (the "Closing Date"), when the Buyer will pay the Purchase Price by delivering to the Seller a treasury order, as required by Section 2.2.1 and by delivering a conditional promissory note as required by Section 2.2.2.

3.2 Seller's Deliveries & Undertakings

The obligation of the Buyer to complete the transactions contemplated by this agreement will be subject to the Seller having delivered to the Buyer the following in form and substance satisfactory to the Buyer on or prior to the Closing Date:

- 3.2.1 all conveyances, bills of sale, transfers, assignments, consents and other documents necessary to transfer good and marketable title, free and clear of all liens, charges and encumbrances, in the Purchased Assets to the Buyer;
- 3.2.2 evidence satisfactory to the Buyer that all necessary corporate action, including shareholder approval, has been duly taken to approve this agreement and the completion of the transactions contemplated by this agreement;
- 3.2.3 an undertaking by the Seller indicating that:
 - 3.2.3.1 Immediately upon Closing, it will validly effect the distribution of Shares received pursuant to Share Tranche #1 to its shareholders on a pro rata basis to the number of shares of the Seller held by each of its shareholders;
 - 3.2.3.2 Immediately upon receipt of Share Tranche #2, it will validly effect the distribution of Shares received pursuant to Share Tranche #2 to its shareholders on a pro rata basis to the number of shares of the Seller held by each of its shareholders; and

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- 3.2.3.3 Receipt of the Shares comprising Share Tranche #1 and Share Tranche #2 by the Seller, and subsequently its shareholders following the distributions described in 3.2.3.1 and 3.2.3.2, neither the Seller nor any of its shareholders will own more than 9.9% of the issued and outstanding Shares of the Buyer.

ARTICLE 4 TAXES

4.1 Taxes

The Seller will pay all taxes relating to the operation of the Business which arise prior to, or are related to a period of time prior to, the Closing Date.

4.2 Responsibility for Taxes

The Seller and the Buyer agree that except as provided in this Section, the Seller will be liable for and will pay all taxes properly payable in connection with the sale and transfer of the Purchased Assets.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Seller's Representations and Warranties

The Seller represents and warrants to the Buyer that:

- 5.1.1 the Seller is a corporation duly incorporated and validly existing under the laws of British Columbia;
- 5.1.2 the execution, delivery and performance of this agreement has been duly authorized by all necessary corporate action (including shareholder approval) on the part of the Seller;
- 5.1.3 the Seller is not a party to, bound by, or subject to any agreement, indenture, mortgage, lease, instrument, order, judgment, decree, or any provision of its by-laws or articles of incorporation, which would be violated, contravened or infringed by the execution and delivery of this agreement by the Seller or the performance of its obligations under this agreement;
- 5.1.4 the Seller owns, possesses and has good and marketable title to all of the Purchased Assets to, free and clear of all liens charges and encumbrances (other than liens for current taxes not yet due). At the Closing, the Seller will have the absolute and exclusive right to sell the Purchased Assets to the Buyer as contemplated by this agreement;
- 5.1.5 all statements made and information presented by the Seller to the Buyer relating to the Purchased Assets are true and correct in all respects;
- 5.1.6 since June 27, 2011, the Seller has not entered into any contract, commitment or transaction other than in the ordinary course of the Business;

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- 5.1.7 since June 29, 2011, there has not been any material adverse change in the assets, liabilities, business or operations of the Business or any substantial loss of or damage to the Purchased Assets;
- 5.1.8 there is no action, litigation or other proceeding in progress, pending or threatened against the Seller;
- 5.1.9 all facts relating to the Business which would be material to an intending buyer of the Purchased Assets have been disclosed to the Buyer; and
- 5.1.10 the representations and warranties contained in this Section 5.1 will be true on and as of the Closing Date with the same effect as if made on and as of the Closing Date.

5.2 Buyer's Representations and Warranties

The Buyer represents and warrants to the Seller that:

- 5.2.1 the Buyer is a corporation duly incorporated and validly existing under the laws of Alberta;
- 5.2.2 the execution, delivery and performance of this agreement has been duly authorized by all necessary corporate action on the part of the Buyer;
- 5.2.3 the Buyer is not party to, bound by, or subject to any agreement, indenture, mortgage, lease, instrument, order, judgment, decree, or any provision of its by-laws or articles of incorporation, which would be violated, contravened or infringed by the execution and delivery of this agreement by the Buyer or the performance of its obligations under this agreement; and
- 5.2.4 the representations and warranties contained in this Section 5.2 will be true on and as of the Closing Date with the same effect as if made on and as of the Closing Date.

ARTICLE 6 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

6.1 Survival of Representations and Warranties

All representations and warranties of the parties contained in this agreement or in any agreement or other document delivered or given pursuant to this agreement, will survive the closing of the transactions contemplated by this agreement and, despite any investigation made by or on behalf of either party, will continue in full force and effect, for the applicable limitation period imposed by law.

6.2 Conditions

All representations, warranties and agreements in this agreement may, at the option of the party to which they are given, be treated as conditions, the breach of any of which will entitle that party to terminate this agreement.

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ARTICLE 7 COVENANTS

7.1 Conduct of Business Before Closing

During the period beginning on the date of this agreement and ending on the Closing Date, the Seller will:

- 7.1.1 conduct the Business diligently and prudently and refrain from entering into any contract, lease, commitment or other agreement pertaining to the Business except in the ordinary course of the Business, or with the prior written consent of the Buyer;
- 7.1.2 continue in full force all insurance policies maintained in respect of the Business;
- 7.1.3 comply in all respects with all laws applicable to the Business;
- 7.1.4 apply for, maintain in good standing and renew all permits held for, used in or necessary to the operation of the Business as currently operated;
- 7.1.5 not increase the wages, salaries or other compensation of any employee of the Business;
- 7.1.6 not sell, dispose or encumber any of the purchased assets; and
- 7.1.7 give to the Buyer's representatives full access during business hours to all properties, premises, assets, agreements, and records relating to its business and the Purchased Assets and to furnish them with any information that they reasonably request.

7.2 Risk of Loss

All of the Purchased Assets will be and remain at the risk of the Seller until the completion of the transactions contemplated by this agreement and the Seller will give all notices and present all claims under all insurance policies in due and timely fashion. If the Purchased Assets, or any substantial part of them, should be damaged or destroyed prior to the completion of the transactions contemplated by this agreement, the Buyer will have the option to terminate this agreement or complete the purchase and have all proceeds of insurance paid to it.

7.3 Use and Disclosure of Personal Information

The collection, use and disclosure of Personal Information by any of the Parties prior to the Closing is restricted to those purposes that relate to the transactions contemplated by this Agreement. Following the closing of the sale of Purchased Assets under this agreement the Buyer will use and disclose the personal information about identifiable individuals transferred to it under this agreement (the "**Disclosed Personal Information**") only for the purposes for which it was initially collected by the Seller. The Buyer will indemnify and hold the Seller harmless against all loss, costs or damages which the Seller may suffer as a result of the assertion against the Seller by any individual of any breach or alleged breach of applicable privacy laws by the Buyer in respect of the Disclosed Personal Information.

7.4 Non-competition

For five years after the Closing Date, the Seller will not, either directly or indirectly, in any manner whatsoever including, without limitation, individually or in partnership or otherwise jointly or in



conjunction with any other person (be it as principal, beneficiary, director, officer, shareholder, partner, member, manager, nominee, executor, trustee, agent, servant, employee, consultant, independent contractor, supplier, lender, or financier) carry on or have any interest in or advise or assist any person, firm or corporation engaged or interested in any business which is carried on in China or Canada and which is competitive with the business carried on by the Buyer at the date of this agreement.

ARTICLE 8 GENERAL

8.1 Time of Essence

Time is of the essence in all respects of this agreement.

8.2 Governing Law

This agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Alberta and the laws of Canada applicable in that Province.

8.3 Further Assurances

Each of the Parties, upon the request of the other Party, whether before or after the Closing Date, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to complete and give full effect to the transactions contemplated by this agreement.

8.4 Entire Agreement


This agreement constitutes the entire agreement between the parties pertaining to the subject matter of this agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no representations, warranties or other agreements between the parties in connection with the subject matter of this agreement except as specifically set out in this agreement. No party has been induced to enter into this agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this agreement.

8.5 Assignment and Enurement

Neither this agreement nor any right or obligation under this agreement may be assigned by either party without the prior consent of the other party. This agreement enures to the benefit of and is binding upon the parties and their respective successors and permitted assigns.

8.6 Counterparts

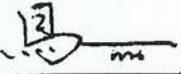
This agreement may be executed and delivered by the parties in one or more counterparts, each of which when so executed and delivered will be an original and each of which may be delivered by facsimile or

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functionally equivalent electronic means, and those counterparts will together constitute one and the same instrument.

Each of the parties has executed and delivered this agreement as of the 27th day of July, 2011.

KS ECOLOGY (CANADA) INC.

Per: 
Name: Li Ma
Title: President

MAPLE LEAF REFORESTION INC.

Per: 
Name: Raymond Lai
Title: President & C.E.O.

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APPENDIX "A"

KS Ecology (Henan) Inc. 科盛生态有限公司 - 河南

<u>Assets:</u>	<u>RMB\$ (人民币)</u>	<u>CAD \$ (加元)</u>
Renovated Office – 2 locations (after assessment)	3,880,000.00	
Nursery under construction: 300 mu of land @ 400 Yuan per mu per year	120,000.00	
Yellowhorn Forestry Research Institute under construction (total 3 phases)	600,000.00	
planting field (3rd Year): 300 mu of land @ 400 Yuan per year	120,000.00	
Yellowhorn trees: 40,000 trees @ 4 Yuan per tree	160,000.00	
小计 Subtotal	4,880,000.00	
接管九麟公司,该公司控制以下内容:		
<u>Taken over 九麟 Company's following assets:</u>		
Yellowhorn plantation 5,000 mu of land @ 400 Yuan per mu per year	2,000,000.00	
Yellowhorn Nursery 300 mu of land @ 400 Yuan per mu per year	120,000.00	
Yellowhorn trees (1 year old) 2 million trees @ 1.50 Yuan per tree	3,000,000.00	
Yellowhorn trees (2 years old) 600,000 trees @ 3.50 Yuan per tree	2,100,000.00	
Pistacia Chinensis 6 million trees @ 0.70 Yuan per tree	4,200,000.00	
小计 Subtotal	11,420,000.00	
Cash in Canadian Fund \$55,000	374,000.00	
Total \$	16,674,000.00	2,452,058.82
KS's Ownership - 80%		
科盛拥有业权 - 80%	13,339,200.00	1,961,647.06

KS Ecology Technology (Beijing) Inc. 科盛生态有限公司-北京

Assets:

Yellowhorn plantation 310 mu of land @ 880 Yuan per mu per yea
 Yellowhorn trees - 22,000 trees @ 5 Yuan per tree

284,000.00
110,000.00

Total \$

394,000.00

57,941.18

GRAND TOTAL \$

13,733,200.00

2,019,588.24

ROUNDED TO

2,019,600.00

Note: Exchange Rate : Cdn\$1 = \$6.8 RMB