A copy of this preliminary prospectus, which does not relate to a public offering, has been filed with the securities regulatory authority in the provinces of Ontario, British Columbia, Alberta and Nova Scotia. Information contained in this preliminary prospectus may not be complete and may have to be amended. This Prospectus does not constitute a public offering of securities.

No securities authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise.

NON-OFFERING PRELIMINARY PROSPECTUS

May 13, 2011

CANADA PACIFIC CAPITAL CORP.
(a Capital Pool Company)

(To be renamed China Freeze-Dry Products Corporation upon Completion of the Proposed Qualifying Transaction)

This Prospectus is being filed to enable Canada Pacific Capital Corp. ("**CPCC**"), a company incorporated under the laws of the province of Ontario, to complete a proposed reverse take-over transaction (the "**Proposed Qualifying Transaction**" or "**Acquisition**") with China Freeze-Dry Inc., a British Virgin Islands based company ("**BVICo**"), notwithstanding that no securities are being offered under this Prospectus. BVICo is the 100% owner of Supertown Trading Company Limited, a corporation governed by the laws of Hong Kong ("**HKCo**"). HKCo is the 100% owner of the share capital of Linyi Shenhe Foodstuff Co., Ltd. ("**Shenhe**"). No proceeds will be raised and, all expenses in connection with the preparation and filing of this Prospectus and the Proposed Qualifying Transaction will be paid by Shenhe and CPCC from working capital and the BVICo Financing (as hereinafter defined).

Immediately prior to the completion of, and as a condition to, the Proposed Qualifying Transaction, CPCC proposes to consolidate the outstanding CPCC common shares (the "**Pre-Consolidation Shares**") on the basis of one (1) "new" Post-Consolidation common share (a "**Post-Consolidation Share**") for every ten (10) outstanding Pre-Consolidation Shares (the "**Consolidation**"). The Consolidation will be subject to approval of the TSX Venture Exchange (the "**TSXV**"). In addition, the proposed Consolidation will be submitted to CPCC shareholders for approval at a special meeting to be held on June 20, 2011.

The Acquisition of BVICo by the Corporation will constitute the Corporation's "Qualifying Transaction" under the CPC Policy, as defined below (a "**Qualifying Transaction**"). The Acquisition is subject to the satisfaction of certain conditions, including the receipt of certain regulatory approvals. See "*Information Concerning Proposed Qualifying Transaction*".

As at May 12, 2011, CPCC had 11,600,000 Pre-Consolidation Shares issued and outstanding. The common shares of CPCC ("**CPCC Shares**") are listed for trading on the TSXV under the symbol "CPR.P".

This Prospectus is also being filed with the TSXV under the requirements of Policy 2.4 of the TSXV Corporate Finance Manual entitled "Capital Pool Companies" ("**CPC Policy**") in lieu of a Filing Statement. ***Neither the TSXV nor any securities regulatory authority has in any way passed upon the merits of the Proposed Qualifying Transaction described in this prospectus.***

This Proposed Qualifying Transaction must be approved by the TSXV in accordance with the CPC Policy. CPCC is a Capital Pool Company ("**CPC**") under the CPC Policy. It has not commenced commercial operations and has no assets other than cash. Except as specifically contemplated in the CPC Policy, until completion of the Proposed Qualifying Transaction, CPCC has not carried on and will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. See "*Information Concerning CPCC – General Development of the Business of CPCC*". The last trading price prior to the TSXV halting trading on January 20, 2011 pending the issuance of the Proposed Qualifying Transaction press release was $0.20. **INVESTMENT IN THE SECURITIES OF CPCC SHOULD BE REGARDED AS HIGHLY SPECULATIVE**

DUE TO THE PROPOSED NATURE OF CPCC'S BUSINESS AND ITS PRESENT STAGE OF DEVELOPMENT. CPCC HAS NEITHER A HISTORY OF EARNINGS NOR HAS IT PAID ANY DIVIDENDS AND IT IS UNLIKELY TO GENERATE EARNINGS OR PAY DIVIDENDS IN THE IMMEDIATE OR FORESEEABLE FUTURE.

CPCC was only recently incorporated, does not own any ongoing business operations and has no assets other than cash. There is no assurance that CPCC will successfully complete the Proposed Qualifying Transaction with Shenhe, or even if it does, that businesses acquired from Shenhe will be profitable or will succeed. Moreover, additional funds may be required to successfully implement the Shenhe business plan, and CPCC may not be able to obtain such financing or may not be able to raise sufficient funds to take a meaningful position in a potential target. If any additional funds are raised through the issuance of shares from CPCC's treasury, control of CPCC may change and shareholders may suffer additional dilution. Holders of CPCC securities may be unable to enforce Canadian statutory and civil remedies against non-residents.

If the Proposed Qualifying Transaction is completed, the Resulting Issuer will be subject to a number of risks relating to its business. AS A RESULT OF THESE RISK FACTORS, AN INVESTMENT IN SECURITIES OF CPCC IS SUITABLE ONLY TO THOSE INVESTORS WHO CAN AFFORD TO RISK A LOSS OF THEIR ENTIRE INVESTMENT. SEE "*INFORMATION CONCERNING CPCC – RISK FACTORS*" AND "*INFORMATION CONCERNING RESULTING ISSUER – RESULTING ISSUER RISK FACTORS*".

No underwriter has been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus. Subject to completion of satisfactory due diligence, PI Financial Corp. has agreed to act as Sponsor in connection with the Proposed Qualifying Transaction. See "*General Matters - Sponsorship*".

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GLOSSARY

The following terms have the meanings set out below. Each term should be read in the context of the particular section of this Prospectus in which such term is used. Words importing the masculine shall be interpreted to include the feminine or neuter and the singular include the plural and vice versa where the context so requires. All references to “dollar” or the use of the symbol “$” or “C$” are to Canadian dollars, all references to “U.S. dollars” or “US$” are to United States dollars, all references to “Hong Kong dollars” or “HK$” are to Hong Kong dollars and all references to “RMB” are to Renminbi, the legal currency of the PRC. For all balance sheet items, the RMB to Canadian dollar exchange rate is the noon buying rate provided by the Bank of Canada on the date of the balance sheet. For all income statement items the RMB to Canadian dollar exchange rate is the average noon rate provided by the Bank of Canada for the period covered by the income statement. Except as otherwise specified herein, for all other Canadian dollar amounts in this Prospectus converted from another currency, the date as of which such currency amounts were converted to Canadian dollars is March 31, 2011.

Acquisition Agreement means the formal share purchase and exchange agreement effective May 13, 2011 entered into among CPCC, BVICo, Shenhe and the BVICo Shareholders whereby CPCC has agreed to acquire, and the BVICo Shareholders have agreed to sell, a 100% equity interest in BVICo.

Acquisition or Proposed Qualifying Transaction Each means the proposed acquisition by CPCC of all the BVICo Shares from the BVICo Shareholders pursuant to the terms and conditions set forth in the Acquisition Agreement.

AD BVICo Shareholders means the five Current BVICo Shareholders who have been granted the Anti-Dilution Right, being Ms. Li Shufen, Messrs. Liu Xiaodong, Yang Wentao, Geng Shangshen and Li Jun.

Affiliate means a company that is affiliated with another company as described below:

A company is an “Affiliate” of another company if:

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same Person.

(a) A company is “controlled” by a Person if:

(i) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person, or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

Agency Agreement means the agency agreement to be entered into between BVICo and the agent(s) for the BVICo Financing.

Agent's IPO Warrants	means the 800,000 broker warrants issued by CPCC to PI Financial Corp. to purchase 800,000 Pre-Consolidation Shares in connection with the IPO.
Anti-dilution Right	means the anti-dilution right granted by Shenhe to the AD BVICo Shareholders whereby the AD BVICo Shareholders are entitled to receive that number of Post-Consolidation Shares upon Closing from the NAD BVICo Shareholders on a pro rata basis so that the AD Shareholders will have the same shareholding percentages in the Resulting Issuer on Closing on a fully-diluted basis as their current shareholding percentages in BVICo among the Current BVICo Shareholders as at the date hereof. See "*Information Concerning Qualifying Transaction –Acquisition Agreement*."
Arm's Length Transaction	has the meaning set out in Policy 1.1 of the TSXV Corporate Finance Manual.
Articles of Association	means the Articles of Association of BVICo, HKCo or Shenhe, as the case may be.
Associate	has the meaning set out in the *Securities Act* (Ontario).
BVICo	means China Freeze-Dry Inc., a British Virgin Islands based company, which directly owns 100% of the issued and outstanding shares of HKCo. Upon completion of the Proposed Qualifying Transaction, BVICo will become the direct, wholly-owned subsidiary of CPCC.
BVICo Broker Warrants	means warrants of BVICo which may be issued to agents in the BVICo Financing, with each warrant entitling to the holder to purchase one BVICo Share at a price of $3,610.06 per BVICo share for a period of two years following the Completion of the Proposed Qualifying Transaction.
BVICo Financing	means the private placement of a maximum of 8,310 BVICo Shares at a price of $3,610.06 per BVICo Share for gross proceeds of up to $30,000,000, to be completed immediately prior to the Completion of the Proposed Qualifying Transaction.
BVICo Shares	means the ordinary shares in the capital of BVICo.
BVICo Shareholders	means collectively, the Current BVICo Shareholders and purchasers in the BVICo Financing.
CEO	means, with respect to an issuer, each individual who served as chief executive officer of the issuer or acted in a similar capacity during the relevant time.
CFO	means, with respect to an issuer, each individual who served as chief financial officer of the issuer or acted in a similar capacity during the relevant time.
Closing	means the completion of the Proposed Qualifying Transaction and the BVICo Financing on the Closing Date in accordance with the terms of the Acquisition Agreement.
Closing Date	means the date of closing of the Acquisition as specified in the Acquisition Agreement.
company	unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
Completion of the	means the date the Final Exchange Bulletin is issued by the Exchange for the

Proposed Qualifying Transaction	Proposed Qualifying Transaction.
Consolidation	means the consolidation of common shares of CPCC on a 10:1 basis with each 10 Pre-Consolidation Shares being consolidated into one Post-Consolidation Share.
Control Person	means any Person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of a company to affect materially the control of that company, or that holds more than 20% of the outstanding voting securities of a company except where there is evidence showing that the holder of those securities does not materially affect the control of the company.
CPC	means a corporation: (a) that has been incorporated or organized in a jurisdiction in or outside Canada, (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and (c) in regard to which the completion of a Qualifying Transaction has not yet occurred.
CPC Escrow Agreement	means the escrow agreement dated December 22, 2010 between CPCC, the Escrow Agent and the Insiders of CPCC.
CPC Escrowed Shares	means those Pre-Consolidation Shares subject to the CPC Escrow Agreement.
CPC Policy	means Policy 2.4 "*Capital Pool Companies*" of the corporate finance manual of the TSXV.
CPCC or the Corporation	means Canada Pacific Capital Corp., a corporation governed under the laws of Ontario.
Current BVICo Shareholders	means collectively, the current shareholders of BVICo, being the NAD BVICo Shareholders (Shen Demin, Chen Xiangfang, Li Shuman, Li Xiaochen, Central Capital Advisory Limited and Atlantis China Fortune Fund Li Shufen), and the AD BVICo Shareholders (Li Shufen, Liu Xiaodong, Yang Wentao, Geng Shangzhen and Li Jun).
Escrow Agent	means Olympia Trust Company.
Exchange	means the TSXV or such other stock exchange to which CPCC makes an application to list the Resulting Issuer Shares.
Exchange Policies	means generally the policies promulgated by the TSXV and published in the TSXV Corporate Finance Policies.
Exchange Requirements	means and includes the policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the TSXV as from time to time enacted, any instructions, decisions and directions of the TSXV (including those of any committee of the TSXV as appointed from time to time), and all applicable provisions of the

securities laws of any other jurisdiction.

Final Exchange Bulletins means the TSXV bulletins which are issued by the TSXV following Closing and the submission of all required documentation and that evidences the final TSXV acceptance of the Proposed Qualifying Transaction.

HKCo means Supertown Trading Company Limited, a corporation governed by the laws of Hong Kong.

Insider as used in relation to CPCC, includes:

(a) a director or senior officer of CPCC;

(b) a director or senior officer of a company that is an Insider or subsidiary of CPCC; and

(c) a Person that beneficially owns or controls, directly or indirectly, securities carrying more than 10% of the voting rights attached to all outstanding securities of CPCC.

IPO means the initial public offering of CPCC by way of a CPC Prospectus (as that term is defined in the TSXV Corporate Finance Manual) that was completed on December 31, 2010.

Letter of Intent means the initial letter of intent dated January 20, 2011, as amended and restated on April 29, 2011, between CPCC, Shenhe and BVICo.

MD&A means management discussion and analysis of the financial results of an issuer pursuant to prescribed requirements of the securities laws and regulations applicable to such issuer.

NAD BVICo Shareholders means those Current BVICo Shareholders who do not have the Anti-Dilution Right, being Ms. Chen Xiangfang and Messrs. Shen Demin, Li Shuman and Li Xiaochen, Central Capital Advisory Limited and Atlantis China Fortune Fund.

Non Arm's Length Qualifying Transaction has the meaning set out in the CPC Policy.

Order means:

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

OTCBB means over-the-counter (OTC) bulletin board, an interdealer electronic quotation system in the United States that displays real-time quotes, last-sale prices and volume information for many over-the-counter equity securities that are not listed on the NASDAQ stock exchange or a national securities exchange in the United States.

Person means a company or individual.

Post-Consolidation Shares	means the common shares of CPCC after the Consolidation taking effect.
PRC or China	means the People's Republic of China, and for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan.
PRC GAAP	means generally accepted accounting principles as prescribed under the applicable laws and regulations of the PRC.
Pre-Consolidation Shares	means common shares of CPCC before the Consolidation taking effect.
President's List	means the list provided by BVICo to the agent(s) in the BVICo Financing in advance of Closing of purchasers of BVICo Shares in the BVICo Financing based in Hong Kong who are identified by Shenhe and agreed to by the agent(s).
Principals	has the meaning as set out in the TSXV Policy 1.1.
Prospectus	means this prospectus dated May 13, 2011.
Qualifying Transaction	means a transaction pursuant to which a CPC acquires Significant Assets by way of purchase, amalgamation, merger or arrangement with another company or by other means other than by cash.
Replacement Broker Warrants	means agent warrants to be issued by the Resulting Issuer upon Completion of the Proposed Qualifying Transaction in exchange for and as replacement of the BVICo Broker Warrants, with each warrant entitling the holder to purchase one Post-Consolidation Share at the price of $2.00 per share for two years after the Completion of the Proposed Qualifying Transaction.
Resulting Issuer	means the resulting corporate entity that exists upon issuance of the Final Exchange Bulletin and Completion of the Proposed Qualifying Transaction, which will result in each of BVICo, HKCo and Shenhe becoming a wholly owned subsidiary of CPCC, which entity is expected to be renamed “China Freeze-Dry Products Corporation” or such other name as may be chosen by the directors of the Resulting Issuer approved by the CPCC Shareholders and accepted by the Exchange upon Completion of the Proposed Qualifying Transaction.
Resulting Issuer Board	means the board of directors of the Resulting Issuer.
Resulting Issuer Shares	means the common shares in the capital of the Resulting Issuer after the Consolidation taking effect.
RMB	means Renminbi or Yuan, the legal currency of the PRC.
Selling Firms	means other duly registered investment dealers approved by the Agent.
Shenhe	means Linyi Shenhe Food Co., Ltd., a company organized under the laws of PRC.
Shenhe Business	means Shenhe's freeze-dried food processing business which focuses on food dehydration and food color, freshness and quality preservation by use of vacuum freeze-drying technology.
Significant Assets	means one or more assets or businesses, which when purchased, optioned or otherwise acquired by a CPC, together with any other concurrent transactions, would result in the CPC meeting the minimum listing requirements of the TSXV.

Sponsor	means PI Financial Corp.
Sponsorship Agreement	means the formal sponsorship agreement to be entered into between CPCC and the Sponsor on or prior to the delivery by the Sponsor of the final Sponsor's report to the Exchange to set out the full terms and conditions for the Sponsor acting as sponsor for the Proposed Qualifying Transaction.
Sponsorship Engagement Letter	means the letter agreement dated January 20, 2011 entered into by CPCC and the Sponsor, wherein the Sponsor has agreed to act as sponsor for the Proposed Qualifying Transaction subject to certain conditions.
Stock Option Plan	means CPCC's incentive stock option plan approved by CPCC's board of directors on December 22, 2010.
Time of Closing	means 10:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as Aquarius and Shenhe may agree.
TSXV	means the TSX Venture Exchange.

ENFORCEMENT OF CIVIL LIABILITIES

CPCC is a corporation incorporated under the *Business Corporation's Act* (Ontario) ("**OBCA**"). BVICo is a corporation incorporated under the laws of British Virgin Islands, HKCo is a corporation incorporated under the laws of Hong Kong and Shenhe is a corporation incorporated under the laws of PRC. Upon Completion of the Proposed Qualifying Transaction, a substantial portion of the Resulting Issuer's assets will be located outside of Canada. Certain of the Resulting Issuer's directors, officers and promoter will be resident of jurisdictions outside of Canada. Although the directors, officers and promoter resident in foreign jurisdiction have appointed Fogler, Rubinoff LLP, 95 Wellington Street W., Suite 1200, Toronto, Ontario, Canada M5J 2Z9, as their agent for service of process in Canada, it may still not be possible for shareholders to effect service within Canada upon those directors, officers and promoter who are not residents of Canada. Moreover, China does not have treaties with Canada and many other countries providing for the reciprocal recognition and enforcement of civil judgment of courts. As a result, recognition and enforcement in the PRC of judgments of a Canadian court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible, and Canadian shareholders may have substantial difficulty in protecting their interests through actions against the Resulting Issuer, BVICo, HKCo or Shenhe or their directors, officers and promoter than would shareholders of a corporation with assets and management members located in Canada. See "*Information Concerting the Resulting Issuers - Risk Factors - Shareholder's Rights and Enforcement of Judgements.*"

USE OF MARKET AND INDUSTRY DATA

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by Shenhe management on the basis of its knowledge of and experience in the industry in which Shenhe operates (including management's estimates and assumptions relating to the industry based on that knowledge). In particular, the "*Information Concerning Shenhe, HKCo and BVICo - Industry Overview*" section of the Prospectus includes data from Foreign Agricultural Trade of the United States, Foreign Agricultural Service of the United States Department of Agriculture, National Bureau of Statistics of China, International Monetary Fund, Journal of Beijing Technology and Business University, China Farming Industry Statistical Yearbook, Journal of Northwest Gardening, Meat Food, Investors Newspaper and baidu.com. Management's knowledge of the industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, none of CPCC, BVICo, HKCo or Shenhe management have independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

FORWARD LOOKING INFORMATION

This Prospectus includes statements that express CPCC’s and Shenhe’s opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "seeks", "projects", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding management’s intentions, beliefs or current expectations concerning, among other things, results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which Shenhe operates. In particular, the forward looking statements in this Prospectus include statements with respect to:

- the Completion of the Proposed Qualifying Transaction (including the completion of the BVICo Financing);
- Shenhe's plan to develop new products, and its ability to expand product offerings into new markets;
- Shenhe's plan to increase production capacity;
- Shenhe's plan to develop its own brand;
- ability to maintain credit and raise capital;
- PRC and global market for freeze-dried food; and
- proposed use of available funds.

These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. The forward looking information contained in this Prospectus is based on certain assumptions and analysis by management of CPCC in light of its experience and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate.

By their nature, forward-looking statements involve significant known and unknown risks, uncertainties and assumptions because they relate to events and depend on circumstances that may or may not occur in the future. Many factors could cause Shenhe’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation:

- Business Risks
    - Operating Risks
    - Quality Control Systems
    - Production Technology
    - Permits and Business Licenses
    - Volatility of Raw Material and Utility Prices
    - Failure of the Business Plan
    - Competition
    - Dependence on Management Team
    - Dependence on Key Customers and Suppliers
    - Dependence on Foreign Markets.
    - Future Financing Requirements
    - Financial Reporting and Internal Controls
    - Exchange Rate Fluctuations

- Interest Rate Fluctuations
- Bad Debt Risk
- Insurance Risks
- Protection of Intellectual Property Rights
- Environmental Risks and Hazards
- Seasonality

• Risks associated with doing business in China

- Government Intervention
- Foreign Investment Risks
- Developing Legal System
- Appropriation
- Repatriation of Profit and Currency Conversion
- Compliance with SAFE Regulations
- Taxation
- Shareholders' Rights and Enforcement of Judgments
- The existence of tainted or contaminated food products produced in China could negatively affect the image of China's FD processing industry
- Publicity concerning accounting fraud involving numerous PRC-based companies could negatively affect investors' perceptions on the Resulting Issuer

• Transaction risks

- The Proposed Qualifying Transaction may not be completed
- Share ownership by management
- Lack of dividends
- Lack of a liquid market
- Risk of price volatilities beyond the company's control
- Risk of further dilution

See the sections in this Prospectus on "Risk Factors" for a complete list of risks relating to an investment in CPCC. These factors should not be construed as exhaustive and should be read with the other cautionary statements in this Prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Prospectus. Readers should not place undue reliance on the forward-looking statements.

Although CPCC and Shenhe base their forward-looking statements on assumptions that they believe were reasonable when made, which assumptions include, but are not limited to the Shenhe's future growth potential, results of operations, future prospects and opportunities, execution of the Shenhe's business strategy, a stable workforce, no material variations in the current tax and regulatory environments, future levels of indebtedness and the current economic conditions remaining unchanged, CPCC and Shenhe caution the reader that forward-looking statements are not guarantees of future performance and that Shenhe's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if Shenhe's results of operations, financial condition and liquidity, and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements in this Prospectus speak only as of the date of such statement, and we do not undertake, and specifically decline, except as required by applicable law, any obligation to update such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements.

CURRENCY

The following are the exchange rates of 1.0 RMB to Canadian Dollars as at the respective dates shown based on the Bank of Canada noon spot rates:

Date	Canadian $ / RMB
May 12, 2011	0.1486
March 31, 2011	0.1485
December 31, 2010	0.1509
June 30, 2010	0.1564
June 30, 2009	0.1702
June 30, 2008	0.1486

SUMMARY OF PROSPECTUS

The following is a summary of information relating to CPCC, BVICo, HKCO, Shenhe, and the Resulting Issuer (assuming Completion of the Proposed Qualifying Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

Principal Terms of the Acquisition

On May 13, 2011, CPCC, Shenhe and BVICo entered into the Acquisition Agreement providing for the Proposed Qualifying Transaction. Pursuant to the Acquisition Agreement, CPCC will acquire a 100% equity interest in BVICo.

BVICo was incorporated under the laws of British Virgin Islands on November 16, 2010. BVICo holds 100% of the outstanding shares of HKCo, a corporation formed in Hong Kong. HKCo holds 100% of all contributed capital of Shenhe. Upon Completion of the Proposed Qualifying Transaction, BVICo, HKCO and Shenhe will be wholly owned subsidiaries of CPCC and the principal business of CPCC will be the business of Shenhe. The Resulting Issuer is expected to be named "China Freeze-Dry Products Corporation" or such other name as may be chosen by the directors of the Resulting Issuer, approved by the CPCC Shareholders and accepted by the Exchange upon Closing. See "*Information Concerning the Qualifying Transaction - The Acquisition Agreement*."

Shenhe was established on March 22, 2001 under the laws of the PRC. Based in Shandong Province, Shenhe is engaged in the freeze-dried (FD) food processing industry. Shenhe's business is mainly focused on food dehydration and food color, freshness and quality preservation using vacuum freeze-drying technology. Such technology not only allows a high quality combination of food color, smell, taste and shape, but also preserves most of the nutritious elements such as vitamins and protein. Notably, without using preservatives throughout the whole process, food processed with this technology has a consumable life of approximately 3 years when kept at room temperature. Shenhe's technology and production method allow Shenhe to serve the growing demand for environmentally friendly, healthy and convenient food, and management believes this gives Shenhe a competitive advantage over many other FD food processors in China. Shenhe has experienced continuous growth in sales and from 2005 to 2010. See "*Information Concerning Shenhe, HKCo and BVICo – Narrative Description of the Business*".

As consideration for the Acquisition, CPCC has agreed to issue to the Current BVICo Shareholders an aggregate of 90,251,562 Post-Consolidation Shares at a deemed weighted average price of $1.50 per Post-Consolidation Share, at a weighted average exchange ratio of 1,805.03124 Post-Consolidation Shares for each BVICo Share (the "**Weighted Exchange Ratio**"), for a total value of C$135,377,343, representing 5.0 times the three year average annual operating cash flow of Shenhe as indicated in its audited June 30, 2010, 2009 and 2008 financial statements calculated by adding amortization expenses to net income in each year.

Prior to completion of the Acquisition, BVICo will use its best efforts to complete a private placement financing (the "**BVICo Financing**") of a minimum of 554 BVICo Shares for gross proceeds of $2,000,000 (the "**BVICo Minimum Offering**") and a maximum of 8,310 BVICo Shares for gross proceeds of $30,000,000 (the "**BVICo Maximum Offering**") at a price of $3,610.06 per BVICo Share. On Completion of the Proposed Qualifying Transaction, the BVICo Shares issued in the BVICo Financing will be exchanged for a minimum of 1,000,000 Post-Consolidation Shares in the case of the BVICo Minimum Offering, and a maximum of 15,000,000 Post-Consolidation Shares in the case of the BVICo Maximum Offering, at an effective price of $2.00 per Post-Consolidation Share. BVICo has engaged PI Financial Corp. as lead agent for the BVICo Financing and BVICo has agreed to pay a cash commission equal to 7% (or 3.5% with respect to purchasers on the President's List) of the gross proceeds of the BVICo Financing and to issue broker warrants (the "**BVICo Broker Warrants**") to purchase that number of BVICo Shares equal to 7% (or 3.5% with respect to purchasers on the President's List) of the BVICo Shares sold in the BVICo Financing for a period of two years at a price of $3,610.06 per BVICo Share (38.78 BVICo Broker Warrants in the case of the BVICo Minimum Offering or 581.71 BVI Broker Warrants in the case of the BVICo Maximum Offering, assuming there is no President's List). On Completion of the Proposed Qualifying Transaction, the BVICo Broker Warrants will be exchanged into broker warrants of the Resulting Issuer (a "**Replacement Broker Warrant**") (70,000 Replacement Broker Warrants in the case of BVICo Minimum Offering or 1,050,000 Replacement Broker Warrants in the case of BVICo Maximum Offering, assuming there is no

President’s List) with each Replacement Broker Warrant entitling the holder to purchase one Post-Consolidation Share at $2.00 per share for a period of two years following the Completion of the Proposed Qualifying Transaction. Purchasers of the BVICo Shares and the holders of the BVICo Broker Warrants issued in the BVICo Financing will sign an acknowledgement to become a party to the Acquisition Agreement. The BVICo Financing will be a concurrent financing for the Proposed Qualifying Transaction and it will be a condition to the Completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering. See “*Information Concerning Proposed Qualifying Transaction – BVICo Financing*”.

On Closing and (i) assuming the BVICo Minimum Offering is completed, the Resulting Issuer will have 92,411,562 Post-Consolidation Shares outstanding on a non-diluted basis, and current CPCC Shareholders will own 1.26%, Current BVICo Shareholders will own 97.66% and purchasers in the BVICo Financing will own 1.08%, of the Post-Consolidation Shares outstanding; (ii) assuming the BVICo Maximum Offering is completed, the Resulting Issuer will have 106,411,562 Post-Consolidation Shares outstanding on a non-diluted basis, and current CPCC Shareholders will own 1.09%, Current BVICo Shareholders will own 84.81% and purchasers in the BVICo Financing will own 14.10%, of the Post-Consolidation Shares outstanding.

On a fully diluted basis, on Closing and (i) assuming the BVICo Minimum Offering is completed and there is no President's List, the Resulting Issuer will have 92,677,562 Post-Consolidation Shares outstanding. Current CPCC Shareholders will own 1.46%, Current BVICo Shareholders will own 97.38% and purchasers and Agent in the BVICo Financing will own 1.15%, of the Post-Consolidation Shares outstanding; (ii) assuming the BVICo Maximum Offering is completed and there is no President's List, the Resulting Issuer will have 107,657,562 Post-Consolidation Shares outstanding, and current CPCC Shareholders will own 1.26%, Current BVICo Shareholders will own 83.83% and purchasers and agent(s) in the BVICo Financing will own 14.91%, of the Post-Consolidation Shares outstanding.

The Acquisition is expected to constitute an arm's length Qualifying Transaction in accordance with the policies of TSXV and is not subject to shareholder approval. However, CPCC plans to hold a shareholders meeting on June 20, 2011 and CPCC Shareholders will be asked to approve at the meeting, among other things, the Consolidation and the proposed name change of CPCC.

Completion of the Proposed Qualifying Transaction is conditional on obtaining all necessary regulatory approvals, including but not limited to, TSXV acceptance, and other customary conditions for a transaction of this kind. In addition, the BVICo Financing will occur concurrently with the Proposed Qualifying Transaction and it will be a condition to the Completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering.

No tax advice or opinions whatsoever are being provided by either Fogler, Rubinoff LLP or McMillan LLP to CPCC, BVICo, HKCo, Shenhe or their respective shareholders in respect of the Proposed Qualifying Transaction or the tax position of CPCC. Shareholders are urged to obtain tax advice from their own advisors in respect of the Proposed Qualifying Transaction having regard to their own circumstances.

Resulting Issuer Principal Business

The Resulting Issuer, through its wholly-owned subsidiary Shenhe, will be specializing in the production of freeze-dried food in three categories, namely FD fruits and vegetables, FD health food products and FD instant noodle and soup products. Shenhe will manufacture, market and distribute Shenhe food products to customers in both the PRC and international markets. See “*Information Concerning Shenhe, HKCo and BVICo – Narrative Description of Business*”.

Resulting Issuer Business Strategies

- Develop new products
- Increase production capacity
- Expand markets
- Develop Shenhe's own brand

See "*Information Concerning Shenhe, HKCo and BVICo – Narrative Description of Business - Business Strategies*".

Resulting Issuer's Competitive Strengths

Shenhe has several competitive advantages over other FD food producers, including:

- Advantage of economies of scale and price influence
- Quality advantage
- Process technology advantage
- Product variety advantage
- Experienced management team
- Location advantage

See "*Information Concerning Shenhe, HKCo and BVICo – Narrative Description of Business - Competitive Strengths*".

Resulting Issuer's Board and Management

Upon completion of the Acquisition,

(a) the Resulting Issuer Board is expected to be comprised of six directors: Mr. Shen Dapeng, Mr. Shen Demin, Mr. Adam K Szweras, Mr. Michael Pesner, Mr. Francesco (Frank) Galati and Mr. Francis N.S. Leong;

(b) Mr. Shen Dapeng is the proposed Chairman of the Resulting Issuer Board, and Mr. Michael Pesner is the proposed lead director of the Resulting Issuer Board.

(c) the audit committee of the Resulting Issuer is expected to be comprised of: Mr. Michael Pesner (Chair), Mr. Francesco (Frank) Galati and Mr. Francis N.S. Leong;

(d) the compensation committee is expected to be comprised of: Mr. Mr. Francesco (Frank) Galati (Chair), Mr. Francis N.S. Leong and Mr. Michael Pesner; and

(e) the corporate governance and nominating committee is expected to be comprised of: Mr. Francis N.S. Leong (Chair), Mr. Michael Pesner and Mr. Mr. Francesco (Frank) Galati.

The management team of the Resulting Issuer is expected to be comprised of the following persons:

- Mr. Shen Dapeng, CEO, President and Chairman of the Resulting Issuer Board
- Mr. Zhao Yan, CFO
- Ms. Judith Hong Wilkin, Corporate Secretary

See "*Information Concerning Resulting Issuer – Directors, Officers and Promoters*".

Interests of any Insider, Promoter or Control Person

Upon completion of the Acquisition:

- Mr. Shen Dapeng will become an Insider of the Resulting Issuer by virtue of his appointment as President, CEO and Chairman of the Resulting Issuer Board. See "*Information Concerning Shenhe, HKCo and BVICo – Principal Shareholder*".

- Mr. Shen Demin will become an Insider and Control Person of the Resulting Issuer by virtue of his ownership in 53.14% in the case of BVICo Minimum Offering or 45.70% in the case of BVICo Maximum Offering (on a non-diluted basis) of the Resulting Issuer and by his appointment to the Resulting Issuer Board. See "*Information Concerning Shenhe, HKCo and BVICo - Principal Shareholder* ".

- Ms. Chen Xiangfang will become an Insider and Control Person of the Resulting Issuer by virtue of her ownership in 19.50% in the case of BVICo Minimum Offering or 16.77% in the case of BVICo Maximum Offering (on a non-diluted basis) of the Resulting Issuer. See "*Information Concerning Shenhe, HKCo and BVICo - Principal Shareholders*".

- Each of Mr. Zhao Yan and Ms. Judith Hong Wilkin will become an Insider of the Resulting Issuer by way of being appointed CFO and Secretary, respectively, of the Resulting Issuer. See "*Information Concerning Shenhe, HKCo and BVICo – Directors and Officers*".

- Messrs. Michael Pesner, Francesco (Frank) Galati, Adam Szweras and Francis N.S. Leong will become Insiders of the Resulting Issuer by way of being appointed to the Resulting Issuer Board upon the Completion of the Proposed Qualified Transaction.

All such Insiders will hold Resulting Issuer Shares as follows:

Insider, Promoter or Control Person of Resulting Issuer	BVICo Minimum Offering			BVICo Maximum Offering		
	Number	Percentage[1]		Number	Percentage[1]	
		Non-Diluted	Fully-Diluted		Non-Diluted	Fully-Diluted
Shen Dapeng President, CEO and Chairman	Nil	Nil	Nil	Nil	Nil	Nil
Shen Demin Director	49,110,150[2]	53.14%	52.99%	48,634,990[2]	45.70%	45.18%
Chen Xiangfang	18,022,073[3]	19.50%	19.45%	17,847,703[3]	16.77%	16.58%
Michael Pesner Director	Nil	Nil	Nil	Nil	Nil	Nil
Francesco (Frank) Galati Director	Nil	Nil	Nil	Nil	Nil	Nil
Adam Szweras Director	30,000[4]	0.03%	0.06%	30,000[4]	0.03%	0.05%
Francis N.S. Leong Director	16,000	0.02%	0.02%	16,000	0.02%	0.01%
Zhao Yan CFO	Nil	Nil	Nil	Nil	Nil	Nil
Judith Hong Wilkin Secretary	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Assuming no participation in the BVICo Financing. Assume there is no President's List.

(2) The numbers of Post-Consolidation issuable to Mr. Shen Demin are calculated based on the operation of the BVICo Anti-dilution Right. The exact number will be determined on Closing based on the number of BVICo Shares sold in the BVICo Financing.

(3) The numbers of Post-Consolidation issuable to Ms. Chen Xiangfang are calculated based on the operation of the BVICo Anti-dilution Right. The exact number will be determined on Closing based on the number of BVICo Shares sold in the BVICo Financing.

(4) Does not include options to purchase 23,200 Resulting Issuer Shares at $1.00 per share. Held under the CPC Escrow Agreement.

Directors, officers and Insiders of the Resulting Issuer, as a group, on a non-diluted basis, will own a total of 67,178,223 (or 72.69%) of the Resulting Issuer Shares on Closing in the case of BVICo Minimum Offering, or 66,528,693 (or 62.52%) of the Resulting Issuer Shares on Closing in the case of BVICo Maximum Offering. Directors, officers and Insiders of the Resulting Issuer, as a group, on a fully diluted basis, will own a total of 67,178,223 (or 72.51%) of the Resulting Issuer Shares on Closing in the case of BVICo Minimum Offering, or 66,528,693 (or 61.80%) of the Resulting Issuer Shares on Closing in the case of BVICo Maximum Offering.

See “*Information Concerning the Resulting Issuer - Principal Securityholders*”, “*Information Concerning the Resulting Issuer - Directors, Officers and Promoters*”, “*Information Concerning the Resulting Issuer - Options to Purchase Securities*”.

Arm's Length Transaction

The Acquisition is not a Non-Arm's Length Qualifying Transaction, as such term is defined under Exchange Policies.

Selected Pro Forma Consolidated Financial Information

The following pro-forma financial information set out below is based on and derived from (i) the unaudited interim consolidated financial statements of BVICo for the nine months ended March 31, 2011 referenced in “*Information Concerning Shenhe, HKCo and BVICo - Selected Consolidated Financial Information*” and contained in Exhibit C “*Financial Statements of BVICo and Shenhe - China Freeze-Dry Inc., Linyi Shenhe Foodstuff Co., Ltd., Consolidated Financial Statements for the Nine Months ended March 31, 2011 and 2010 (unaudited)*”, and (ii) the unaudited interim financial statements of CPCC for the six months ended February 28, 2011 contained in Exhibit A “*Annual and Interim Financial Statements of CPCC - Six Months Ended February 28, 2011 (unaudited)*”, together with other information available to the companies. The unaudited pro forma consolidated financial statements give effect to the proposed transactions and assumptions as if they had occurred as at March 31, 2011. Accounting policies used in the unaudited consolidated pro forma financial statements are consistent with the policies used by BVICo and CPCC in their financial statements. In the opinion of management of BVICo and CPCC, the unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described herein. The unaudited pro forma financial information is presented for informational purposes only and is not intended to represent or to be indicative of the combined results of operations or financial position that BVICo would have reported had the transaction been completed as of the dates described, and should not be taken as representative of BVICo’s future results of operations or financial position. Investors should read the following financial information together with the pro forma consolidated balance sheet of the Resulting Issuer. See “*Exhibit D - Pro Forma Financial Statements of the Resulting Issuer*”.

			BVICo Minimum Offering Pro Forma			BVICo Maximum Offering Pro Forma		
	CPCC	BVICo	Note	Adjustments	Consolidated	Note	Adjustments	Consolidated
ASSETS								
Current assets								
Cash	763,564	42,739,337	(a)	975,000	44,477,901	(a)	27,015,000	70,517,901
Accounts receivable	-	13,999,635			13,999,635			13,999,635
Other receivable	15,416	121,364			136,780			136,780
Advance to suppliers	-	1,980,083			1,980,083			1,980,083
Deposit and prepaid expenses on qualifying transaction	45,000	-			45,000			45,000
Due from shareholders	-	54,080			54,080			54,080

Inventory, net	-	5,612,246			5,612,246			5,612,246
Total current assets	823,980	64,506,745		975,000	66,305,725		27,015,000	92,345,725
Property, plant and equipment, net	-	40,008,634			40,008,634			40,008,634
Construction in progress	-	8,539,181			8,539,181			8,539,181
Intangible assets	-	21,881,049			21,881,049			21,881,049
Other assets	-	6,105,888			6,105,888			6,105,888
Total assets	823,980	141,041,497		975,000	142,840,477		27,015,000	168,880,477
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities								
Accounts payable and accrued liabilities	60,420	1,532,305			1,592,725			1,592,725
Other payable	-	-			-			-
Due to shareholders	-	-			-			-
Taxes payable	-	2,629,542			2,629,542			2,629,542
Total current liabilities	60,420	4,161,847		-	4,222,267		-	4,222,267
Shareholders' equity								
Paid - in capital	745,427	11,350,189	(b)	(745,427)	13,088,749	b	(745,427)	39,128,749
			(b)	763,560		b	763,560	
			(a)	975,000		a	27,015,000	
Contributed surplus	105,092	-		(105,092)	-		(105,092)	-
Reserves	-	13,972,188			13,972,188			13,972,188
Retained earnings (Accumulated deficit)	(86,959)	112,452,769		86,959	112,452,769		86,959	112,452,769
Accumulated other comprehensive income	-	(895,496)			(895,496)			(895,496)
Total equity	763,560	136,879,650		975,000	138,618,210		27,015,000	164,658,210
Total liabilities and shareholders' equity	823,980	141,041,497		975,000	142,840,477		27,015,000	168,880,477

Notes:

(a) The amount $975,000 is the net proceeds of the BVICo Minimum Offering after deducting agent's commission of $140,000 (assuming there is no President's List), cost of the BVICo Financing and Acquisition of BVICo of $415,000 and of CPCC of $470,000. The amount $27,015,000 is the net proceeds of the BVICo Maximum Offering after deducting agent's commission of $2,100,000 (assuming there is no President's List), cost of the BVICo Financing and Acquisition of BVICo of $415,000 and of CPCC of $470,000. See "*Information Concerning Shenhe, HKCo and BVICo - Capitalization*".

(b) The Acquisition Agreement was executed and the net assets of CPCC were effectively recorded as a charge to the shareholder's equity. The assets acquired and liabilities assumed were to be recorded at their fair values which are the same as their carrying values. BVICo is deemed to have acquired the following net assets of CPCC of $763,560 comprised as followed:

Cash	763,564
Other receivable	15,416
Deposit and prepaid expenses on qualifying transaction	45,000
Accounts payable and accrued liabilities	(60,420)
Net assets	763,560

Details Respecting CPCC's Listing on the TSXV

CPCC was incorporated under the *Business Corporations Act* (Ontario) on May 28, 2010 and is classified as a CPC as defined in the CPC Policy. On December 31, 2010, CPCC completed its IPO of 8,000,000 shares at $0.10 per share for total gross proceeds of $800,000, and the CPCC Shares were listed on the TSXV on January 6, 2011 under the symbol “CPR.P”. CPCC currently has 11,600,000 Pre-Consolidation Shares, incentive stock options to purchase 1,160,000 Pre-Consolidation Shares and Agent's IPO Warrants to purchase 800,000 Pre-Consolidation Shares, issued and outstanding.

The securities of Shenhe, BVICo or HKCo are not listed on any stock exchange and there is no public market for their securities.

Market Price of the Securities of CPCC

The market price of the CPCC Shares on January 20, 2011, the last trading day before announcement of the Acquisition, was $0.20. Trading in the CPCC Shares has remained halted since January 20, 2011. See “*Information Concerning CPCC - Stock Exchange Price*”.

Relationship between CPCC and Shenhe and Any Agent or Sponsor

Subject to completion of satisfactory due diligence, PI Financial Corp. has agreed to act as Sponsor in connection with the Acquisition pursuant to the Sponsorship Engagement Letter. Under the Sponsorship Engagement Letter, the Sponsor will receive a sponsorship fee of $65,000, of which $20,000 was paid upon signing of the Sponsorship Engagement Letter, and the balance is payable on submission of the final sponsorship report, plus taxes and reasonable expenses. CPCC and the Sponsor intend to enter into the Sponsorship Agreement on or prior to the delivery by the Sponsor of the final Sponsor’s report to the Exchange. See “*General Matters - Sponsorship*”.

Conflicts of Interest

The proposed directors and officers of the Resulting Issuer are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and the laws requiring disclosure by directors and officers of conflicts of interest. The Resulting Issuer will rely upon such laws in respect of any such conflict of interest or in respect of any breach of duty by any of the Resulting Issuer's directors or officers. All such conflicts are required to be disclosed by such directors or officers in accordance with the OBCA and the directors of the Resulting Issuer will be required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Interests of Experts

No person or company, whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus, holds any beneficial interest, directly or indirectly, in any property of the Resulting Issuer or of an associate or affiliate of the Resulting Issuer and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or of an associate or affiliate of the Resulting Issuer and except that Mr. Adam Szweras is a partner at Fogler, Rubinoff LLP, counsel to CPCC and Mr. Szweras holds 300,000 Pre-Consolidation Shares and options to purchase 232,000 Pre-Consolidation Shares at $0.10 per share until December 31, 2012, and that no such person is a promoter of the Resulting Issuer or an associate or affiliate of the Resulting Issuer, except that Mr. Adam Szweras and Ms. Judith Hong Wilkin, each a partner at Fogler, Rubinoff LLP, is expected to be appointed as a director and the corporate secretary of the Resulting Issuer, respectively, upon Completion of the Proposed Qualifying Transaction.

Summary of Risk Factors

The current business of Shenhe will be the business of the Resulting Issuer upon completion of the Acquisition. Due to the nature of it's business, Shenhe is subject to significant risks. Shenhe's future development and operating results may be very different from those expected as at the date of this Prospectus. Readers should carefully consider all such risks and should be particularly aware that there are risks related to doing business in PRC. Risk factors relating to the Resulting Issuer include:

Business Risks

- Operating risks
- Quality control systems
- Production technology
- Permits and business licenses
- Volatility of raw material and utility prices
- Failure of the business plan
- Competition
- Dependence on management team
- Dependence on key customers and suppliers
- Dependence on foreign markets.
- Future financing requirements
- Financial reporting and internal controls
- Exchange rate fluctuations
- Interest rate fluctuations
- Bad debt risk
- Insurance risks
- Protection of intellectual property rights
- Environmental risks and hazards
- Seasonality

Risks associated with doing business in China

- Government intervention
- Foreign investment risks
- Developing legal system
- Appropriation
- Repatriation of profit and currency conversion
- Compliance with SAFE Regulations
- Taxation
- Shareholders' rights and enforcement of judgments
- The existence of tainted or contaminated food products produced in China could negatively affect the image of China's FD processing industry
- Publicity concerning accounting fraud involving numerous PRC-based companies could negatively affect investors' perceptions on the Resulting Issuer

Transactional Risks

- The Proposed Qualifying Transaction is subject to final acceptance of the TSXV and there is no assurance that all of the necessary approvals will be obtained.
- Management will have significant beneficial share ownership and effective control of the Resulting Issuer.
- CPCC has not paid any dividend in the past and the Resulting Issuer is not expected to pay any dividend in the foreseeable future.
- A liquid market for CPCC Shares may not develop.
- Publicly traded securities such as CPCC Shares are subject to price volatilities which are beyond the CPCC's control.
- CPCC Shareholders may experience further dilution if the Resulting Issuer completes future equity financings.

For a detailed description of these risk factors see "*Information Concerning the Resulting Issuer – Resulting Issuer Risk Factors*".

Sponsorship and Special Relationships

PI Financial Corp. has been retained as Sponsor in connection with the Proposed Qualifying Transaction. CPCC and the Sponsor intend to enter into the formal Sponsorship Agreement on or prior to the delivery by the Sponsor of the final Sponsor's report to the Exchange. For a discussion of the terms and conditions of the Sponsorship Engagement Letter, see "*General Matters – Sponsorship*".

INFORMATION CONCERNING CPCC

CORPORATE STRUCTURE

Canada Pacific Capital Corp. was incorporated under the *Business Corporations Act* (Ontario) on May 28, 2010. The registered and head office address of CPCC is 95 Wellington Street West, Suite 1200, Toronto-Dominion Centre, Toronto, Ontario M5J 2Z9.

CPCC has no subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS OF CPCC

CPCC is a CPC established pursuant to the CPC Policy and to date has not carried on any active business operations. The principal business of CPCC has been to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation agreement, subject to acceptance for filing by the TSXV. CPCC does not have business operations or assets, other than cash, and currently has no written or oral agreements in principle for the acquisition of an asset or business other than the Acquisition Agreement.

On December 31, 2010, CPCC completed its CPC IPO by selling a total of 8,000,000 Pre-Consolidation Shares for gross proceeds of $800,000. The CPCC Shares were listed on the TSXV under the symbol “CPR.P” and began trading on January 6, 2011.

On January 20, 2011, CPCC entered into a letter of intent with BVICo and Shenhe to acquire all of the issued and outstanding shares in the capital stock of BVICo, which was amended and restated on April 29, 2011.

On January 20, 2011, at the request of CPCC, the TSXV halted trading in the CPCC Shares in connection with CPCC entering into the letter of intent with BVICo and Shenhe.

On January 20, 2011, CPCC entered into a letter agreement with PI Financial Corp. pursuant to which PI Financial Corp. agreed to act as the sponsor for the Proposed Qualifying Transaction.

On April 12, 2011, CPCC provided a $25,000 non-refundable deposit to Shenhe to be used for legal fees and other related purposes.

On April 25, 2010, CPCC called an annual and special shareholders meeting to be held on June 20, 2011. At the meeting, CPCC will seek shareholder approval for, among other things, the Consolidation, the change of the corporate name to “China Freeze-Dry Products Corporation” or such other name as may be chosen by the directors of the Resulting Issuer and accepted by the Exchange upon Closing of the Acquisition and to approve an amended CPCC's Share Option Plan.

On May 13, 2011, CPCC, BVICo, Shenhe, HKCo and the BVICo Shareholders entered into the Acquisition Agreement.

NARRATIVE DESCRIPTION OF THE BUSINESS

As stated above under “*Information Concerning CPCC - General Development of the Business of CPCC*”, CPCC is a CPC and, pursuant to the policies of the TSXV, to date has not carried on any operations. For information on the proposed principal business to be conducted following the Acquisition, see “*Information Concerning Resulting Issuer – Narrative Description of the Business*”.

DIVIDENDS OR DISTRIBUTIONS

Since inception, CPCC has not declared any cash dividends or distributions although there are no restrictions precluding CPCC from declaring any such cash dividends or distributions, other than pursuant to the Exchange Policies and the requirements of the OBCA.

DIVIDEND POLICY

The board of directors of CPCC intends to retain future earnings for reinvestment in CPCC's business, and therefore, has no current intention to declare or pay dividends on the CPCC Shares in the foreseeable future. CPCC's dividend policy will be reviewed from time to time in the context of its earnings, financial condition and other relevant factors.

SELECTED ANNUAL FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Information from Inception

Since incorporation, CPCC has incurred costs in carrying out its IPO, in seeking, evaluating and negotiating potential Qualifying Transactions, in meeting the disclosure obligations imposed upon it as a reporting issuer, and for general corporate and administrative costs. The following table sets forth selected historical financial information for CPCC for the period from May 28, 2010 (the date of incorporation) to August 31, 2010 and for the six months ended February 28, 2011, and should be read in conjunction with audited and unaudited financial statements included elsewhere in this Prospectus. See "*Exhibit A – Annual Financial Statements of CPCC*".

Income Statement Data	**Six Months Ended February 28, 2011**	**Period from May 28, 2010 (the date of incorporation) to August 31, 2010**
	(unaudited)	**(audited)**
Total Expenses	$ 84,231	$ 2,728
Net Loss	84,231	2,728
Net Loss per Share (basic and diluted)	0.03	0.001
Balance Sheet Data	**As at February 28, 2011**	**As at August 31, 2010**
	(unaudited)	**(audited)**
Cash	$ 763,564	$ 174,335
Total Assets	823,980	185,985
Total Liabilities	60,420	8,713
Shareholders' Equity	763,560	177,272

Management's Discussion and Analysis

The MD&A of CPCC for the period from May 28, 2010 (the date of incorporation) to August 31, 2010 and for the six months ended February 28, 2011 are included in this Prospectus as Exhibit "B" and should be read in conjunction with the audited financial statements of CPCC for period from May 28, 2010 (the date of incorporation) to August 31, 2010 and the unaudited interim financial statements of CPCC for the six months period ended February 28, 2011 and the notes thereto.

DESCRIPTION OF THE SECURITIES OF CPCC

Existing Securities

The authorized capital of CPCC consists of an unlimited number of CPCC Shares without par value. As of the date hereof, there are 11,600,000 Pre-Consolidation Shares, stock options to purchase 1,160,000 Pre-Consolidation Shares at $0.10 per share until December 31, 2015 and Agent's IPO Warrants to purchase 800,000 Pre-Consolidation Shares at $0.10 per share until January 6, 2013, issued and outstanding.

The CPCC shareholders are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of its shareholders and, upon liquidation, to share equally in such assets of CPCC as are distributable to its shareholders. No dividends have been declared to date.

Consolidation

As a condition to the completion of the Acquisition, CPCC proposes to complete the Consolidation. Upon completion of the Consolidation, CPCC will have 1,160,000 Post-Consolidation Shares, stock options to purchase 116,000 Post-Consolidation Shares at $1.00 per share until December 31, 2015 and Agent's IPO Warrants to purchase 80,000 Post-Consolidation Shares at $1.00 per share until January 6, 2013, outstanding.

Proposed Securities Issuances

To complete the Acquisition, CPCC proposes to issue to the BVICo Shareholders an aggregate of 90,251,562 Post-Consolidation Shares from treasury at a deemed price of $1.50 per Post-Consolidation Share in exchange for all of the 50,000 BVICo Shares currently issued and outstanding. Further, CPCC proposes to issue 1,000,000 Post-Consolidation Shares in exchange for 554 BVICo Shares issued in the BVICo Minimum Offering or 15,000,000 Post-Consolidation Shares in exchange for 8,310 BVICo Shares issued in the BVICo Maximum Offering. In addition, the Corporation will grant the agent(s) in the BVICo Financing the Replacement Broker Warrants to replace the BVICo Broker Warrants issued in the BVICo Financing to purchase 70,000 Post-Consolidation Shares in the case of BVICo Minimum Offering (assuming there is no President's List) or 1,050,000 Post-Consolidation Shares in the case of BVICo Maximum Offering at $2.00 per share for two years following Closing. See "*Plan of Distribution*" for more details on the securities to be issued in the BVICo Financing.

STOCK OPTION PLAN

CPCC has adopted an incentive stock option plan (the "**Stock Option Plan**"), which provides that the board of directors of CPCC may from time to time, in its discretion, and in accordance with the Exchange Requirements, grant to directors, officers, employees and consultants to CPCC, non-transferable options to purchase CPCC Shares, provided that the number of CPCC Shares reserved for issuance will not exceed 10% of the issued and outstanding CPCC Shares. Such options will be exercisable for a period of up to 5 years from the date of grant. The number of CPCC Shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding CPCC Shares, the number of CPCC Shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding CPCC Shares and the number of CPCC Shares reserved for issuance to persons employed to provide investor relations services will not exceed two percent (2%) of the issued and outstanding CPCC Shares. While under the Option Plan, options may be exercised no later than 90 days following cessation of the optionee's position with CPCC (provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, or if the director or officer resigned following completion of a Qualifying Transaction, the option may be exercised within a maximum period of one year after such death or resignation, subject to the expiry date of such option). Any CPCC Shares acquired pursuant to the exercise of options prior to the Completion of the Proposed Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. See "*Information Concerning the Resulting Issuer - Escrowed Securities*".

OPTIONS TO PURCHASE SECURITIES

The following table summarizes stock options outstanding as of the date of this Prospectus:

Stock Options Outstanding	Expiry Date	Exercisable Date	Exercise Price
1,160,000[(1)]	December 31, 2015	December 31, 2010[(2)]	$0.10

Note:

(1) CPCC granted stock options to purchase 1,160,000 Pre-Consolidation Shares exercisable at $0.10 per share to directors and officers of CPCC. The fair value of the options granted to directors and officers was estimated at $71,953, using the Black-Scholes pricing model, with the following assumptions: dividend yields of 0%, volatility factors of the expected market price of CPCC's common stock of 75%, risk-free interest rate of 2.23%, and an expected life of 5 years. The fair value of stock options issued during the period was $0.62 per option. Upon completion of the Consolidation, CPCC will have options to purchase 116,000 Post-Consolidation Shares at $1.00 per share until December 31, 2015.

(2) All options vested on December 31, 2010.

The following table summarizes the Agent's IPO Warrants outstanding as of the date of this Prospectus:

Agent's IPO Warrants Outstanding	Expiry Date	Exercisable Date	Exercise Price
800,000[(1)]	January 6, 2013	December 31, 2010	$0.10

Note:

(1) Upon completion of the IPO, CPCC granted the Agent's IPO Warrants to purchase 800,000 Pre-Consolidation Shares exercisable at $0.10 per share until January 6, 2013. The fair value of the Agent's IPO Warrants granted to the agent was estimated at $33,139, using the Black-Scholes pricing model, with the following assumptions: dividend yields of 0%, volatility factors of the expected market price of CPCC Shares of 75%, risk-free interest rate of 1.68%, and an expected life of 2 years. The above Agent's IPO Warrants were not included in the computation of diluted net loss per share as they are anti-dilutive. Upon completion of the Consolidation, CPCC will have Agent's IPO Warrants to purchase 80,000 Post-Consolidation Shares at $1.00 per share until January 6, 2013.

There are no assurances that the options or Agent's IPO Warrants described above will be exercised in whole or in part.

CONSOLIDATED CAPITALIZATION

See "*Information Concerning Resulting Issuer - Pro Forma Consolidated Capitalization*".

PRIOR SALES

Post-Consolidation Shares

Since the date of incorporation of CPCC, 11,600,000 Pre-Consolidation Shares have been issued as follows:

Date	Number of Pre-Consolidation Shares	Issue Price per Share	Aggregate Issue Price	Consideration Received
May 28, 2010	3,600,000[(1)]	$0.05	$180,000	Cash
December 31, 2010	8,000,000[(2)]	$0.10	$800,000	Cash

Notes:

(1) CPCC issued 3,600,000 Pre-Consolidation Shares (or seed shares) at $0.05 per share to persons who are directors and officers of CPCC, which are subject to the CPC Escrow Agreement dated December 22, 2010. See "*Information Concerning the Resulting Issuer - Escrowed Securities*".

(2) CPCC completed its IPO on December 31, 2010 in Ontario, British Columbia, Alberta and Nova Scotia by issuing 8,000,000 Pre-Consolidation Shares at a price of $0.10 per share for gross proceeds of $800,000.

Sales to persons connected to CPCC, such as directors, officers and insiders, have been made as follows:

Shareholder	Date	Type of Ownership	Number of Pre-Consolidation Shares
Rong Lu	May, 28, 2010	Direct	600,000
Michael Lam	May, 28, 2010	Direct	100,000
Adam Szweras	May, 28, 2010	Direct	300,000
Yan Gang Li	May, 28, 2010	Direct	600,000
Daniel Noone	May, 28, 2010	Direct	400,000
Jason Donville	May, 28, 2010	Direct	500,000
Paul Marsiglio	May, 28, 2010	Indirect(1)	1,000,000
Mendel Ekstein	May, 28, 2010	Direct	100,000
			3,600,000

Note:

(1) Held through Rare Opportunities Corporation, a private holding company wholly-owned by Mr. Paul Marsiglio.

Securities Convertible into Post-Consolidation Shares

Since the date of incorporation of CPCC, options and Agent's IPO Warrants to purchase an aggregate of 1,960,000 Pre-Consolidation Shares have been issued as follows:

Grant Date	Type	Number of Pre-Consolidation Shares	Exercise Price per Share	Expiry Date
December 31, 2010	Options	1,160,000	$0.10	December 31, 2015
December 31, 2010	Agent's IPO Warrants	800,000	$0.10	January 6, 2013

STOCK EXCHANGE PRICE

CPCC Shares have been listed and posted for trading on the TSXV since January 6, 2011. The following table sets out trading information for the Pre-Consolidation Shares for the periods indicated.

Period	High	Low	Close	Volume
January 6, 2011(1) to January 20, 2011(2)	$0.20	$0.105	$0.20(3)	2,525

Notes:

(1) CPCC Shares were listed on the TSXV on January 6, 2011.

(2) Trading in CPCC Shares was halted on January 20, 2011 pending the announcement of the Proposed Qualifying Transaction and will remain halted pending Closing and receipt of final Exchange approval.

(3) Based on closing price on the last day shares traded, which was January 12, 2011.

ARM'S LENGTH TRANSACTION

CPCC is not currently a party to any material Arm's Length Transactions other than the Proposed Qualifying Transaction. The Proposed Qualifying Transaction is not a Non-Arm's Length Qualifying Transaction.

ESCROWED SECURITIES

An aggregate of 3,600,000 Pre-Consolidation Shares, representing 31.03% of the presently outstanding Pre-Consolidation Shares, are held in escrow with the Escrow Agent under the terms of the CPC Escrow Agreement. See "*Information Concerning Resulting Issuer – Escrowed Securities*".

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and officers of CPCC, as of the Prospectus date, no shareholders beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of CPCC voting securities. For information on principal securityholders of the Resulting Issuer, see "*Information Concerning Resulting Issuer – Principal Securityholders*".

DIRECTORS AND EXECUTIVE OFFICERS OF CPCC

<u>Directors and Executive Officers of CPCC</u>

The names and municipalities of residence of, and the number and percentage of voting securities and options beneficially owned, directly or indirectly, or over which control or direction is exercised by the current executive officers and directors of CPCC as well as the offices held by each and the principal occupation of each during the past five years are as follows:

Name, Municipality of Residence and Position with CPCC	Director or Officer Since	Principal Occupation	Number of Pre-Consolidated Shares owned	Number of Options Held
Rong Lu *Markham, Ontario* President & Director	May 28, 2010	President, Kailas Capital Limited	600,000	232,000
Michael Lam *Markham, Ontario* Chief Financial Officer & Director	May 28, 2010	Self-Employed	100,000	232,000
Adam Szweras[(1)] *Thornhill, Ontario* Corporate Secretary & Director	May 28, 2010	Partner, Fogler, Rubinoff LLP	300,000	232,000
Yan Gang Li *Vancouver, British Columbia* *Director*	May 28, 2010	Self-Employed	600,000	232,000
Daniel Noone[(1)] *Toronto, Ontario* *Director*	May 28, 2010	General Manager, Ironbark International Inc.	400,000	174,000
Mendel Ekstein[(1)(2)] *Monroe, New York* *Director*	May 28, 2010	President, Policy Services Inc.	100,000	58,000

Notes:

(1) Member of the audit committee of CPCC.

(2) Chairman of the Audit Committee

Each director will hold office until the earlier of (i) the Completion of the Proposed Qualifying Transaction at which time the board of directors will be the board of directors of the Resulting Issuer, as set out in "*Information Concerning the Resulting Issuer - Directors, Officers and Promoters*", and (ii) the next annual meeting or until his successor is appointed, unless his or her office is earlier vacated in accordance with the *Business Corporations Act* (Ontario) and the by-laws of CPCC. Each officer will hold office until the Completion of the Proposed Qualifying Transaction at which time officers would be the officers of the Resulting Issuer, as set out in "*Information Concerning the Resulting Issuer - Directors, Officers and Promoters*".

The total aggregate number of Pre-Consolidation Shares beneficially owned, directly or indirectly, by all directors and officers of CPCC is 2,100,000, which is equal to 18.1% of the issued and outstanding Pre-Consolidation Shares (not including any options held by the holders). None of the directors or officers of CPCC has entered into a non-competition or non-disclosure agreement with CPCC.

In addition to any other requirements of the Exchange, the Exchange expects management of CPCC to meet a high management standard. The directors of CPCC believe that, on a collective basis, management possesses the appropriate experience, qualifications and history to be capable of identifying, investigating and acquiring a Significant Asset.

Rong Lu, *President and Director,* age *41* – From June 2002 to March 2010, Ms. Lu was a geoscientist with Shell Exploration and Production Company stationed in Houston, Texas, USA. Ms. Lu was a geoscientist with BP Canada Energy Company from October 2000 to February 2003 and Shell Canada Limited from May 1996 to October 2000. Ms. Lu holds a MBA degree from Rice University, Texas, USA and a M.Sc. degree from the University of Alberta. Ms. Lu has been the President of Kailas Capital Limited since May 2010.

Michael Lam, *Chief Financial Officer and Director, age 41* – Mr. Lam was a senior manager of Mintz & Partners LLP, an audit, tax, consulting and financial advisory services firm from October 1997 through December 2007. Mintz & Partners merged with Deloitte & Touche LLP on January 28, 2008 and Mr. Lam continued with Deloitte & Touche LLP from January 2008 though January 2009. Since February 2009, Mr. Lam is self employed in the business of consulting extensively on financial reporting and regulatory matters for public companies.

Adam Szweras, *Corporate Secretary and Director, age 39* – From January 1996 to June 1997, Mr. Szweras acted as the media relations co-ordinator of the Consulate General of Israel in Toronto, attending to media monitoring and lobbying. In June 1997, Mr. Szweras practiced corporate and securities law with Burns Solicitors, as an associate lawyer. Mr. Szweras continued his securities law practice with Carbonaro Sugar Szweras LLP from March 1999 through August 2001. In December 2001 to August 2004, Mr. Szweras practiced securities law as an associate at Fasken Martineau DuMoulin LLP. Mr. Szweras went on to continue his securities law practice as a partner at Heenan Blaikie LLP from August 2004 to January 2006. In February 2006 Mr. Szweras moved his securities law practice to Fogler, Rubinoff LLP, where he continues to practice law. In November 2006, Mr. Szweras also became Chairman and a director of Foundation Markets Inc., an exempt market dealer, which position he also currently holds.

Yan Gang Li, *Director, age 48* – From May 2000 to August 2004, Mr. Li held the position of executive deputy general manager of China Travel Communications Corporation, in which he participated in the development and operation of internal communication networks within the Chinese tourism system. Since September 2004 Mr. Li has been self-employed in the business of private investing in the stock market.

Daniel Noone, *Director, age 42* – From April 1997 through March 2004, Mr. Noone held the position of partner with Ironbark International Inc., an oil and gas acquisition and development company. Since March 2004, Mr. Noone has also been the general manager of Ironbark International Inc., which position he currently holds.

***Mendel Ekstein**, Director, age 62* – Since 2002, Mr. Ekstein has been involved in oil and gas exploration in Québec. Since December 2007, Mr. Ekstein has served as the President, CEO and a director of Petrolympic Ltd., a junior oil and gas exploration company. Mr. Ekstein currently serves as a director of Grasslands Entertainment Inc., a communications and media company since December 2008.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, in the 10 years prior to the date of this Prospectus, none of the directors, executive officers or promoters of CPCC was a director, CEO or CFO of any company (including CPCC) that was:

(i) subject to an Order that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or

(ii) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO; or

(iii) has been within 10 years before the date of this Prospectus, a director or executive officer of any issuer that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Adam Szweras was a director and Secretary of Bassett Media Group Corp. ("**Bassett**"), a TSXV-listed company, until March 16, 2010. Bassett has been subject to a cease trade order since June 16, 2010.

Personal Bankruptcies

In the 10 years prior to the date hereof, none of the directors, executive officers or promoters of CPCC or a shareholder holding a sufficient number of securities of CPCC to affect materially the control of CPCC has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director, officer, Insider or promoter of CPCC or a shareholder holding a sufficient number of securities of CPCC to affect materially the control of CPCC, has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body or self regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

CPCC management believes that there are no existing or potential material conflicts of interest between CPCC and any director, officer or promoter of CPCC. Adam Szweras, a director of CPCC, is a partner at the law firm providing legal services to CPCC.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee

National Instrument 52-110 – Audit Committees ("**NI 52-110**"), *National Instrument 41-101 – General Prospectus Requirements and Related Amendments* ("**NI 41-101**") and Form 52-110F2 require CPCC, as a venture issuer, to disclose certain information relating to CPCC's audit committee and its relationship with CPCC's independent auditors.

Audit Committee Charter

The text of CPCC's audit committee charter is attached as Exhibit "E".

Composition of the Audit Committee

The members of CPCC's audit committee are:

Adam Szweras	Not Independent(1)	Financially literate(2)
Daniel Noone	Independent(3)	Financially literate(2)
Mendel Ekstein	Independent(3)	Financially literate(2)

Notes:

(1) Mr. Szweras is not independent due to his position as Corporate Secretary of CPCC.

(2) An individual is considered to be financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by a corporation's financial statements.

(3) A member of an audit committee is considered to be independent if the member has no direct or indirect material relationship with the corporation that could, in the view of the CPCC board of directors, reasonably interfere with the exercise of a member's independent judgement.

Each member of the CPCC's present Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

(a) an understanding of the accounting principles used by CPCC to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;

(b) experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by CPCC's financial statements or experience actively supervising individuals engaged in such activities; and

(c) an understanding of internal controls and procedures for financial reporting.

See "*Information Concerning CPCC – Directors and Executive Officers of CPCC*" for further details.

Audit Committee Oversight

At no time since the commencement of CPCC's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the CPCC board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the CPCC's most recently completed financial year has CPCC relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The current audit committee has not adopted specific policies and procedures for the engagement of non-audit services. The audit committee reviews the engagement of non-audit services as required. It is anticipated that the audit committee of Resulting Issuer will operate in a similar fashion.

External Auditor Service Fees (By Category)

The aggregate fees billed by the CPCC's external auditors during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010 were as follows:

Financial Year Ended	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
August 31, 2010	$6,000	Nil	Nil	Nil

Exemption

CPCC has relied upon the exemption provided by section 6.1 of NI 52-110, which exempts a venture issuer from the requirement to comply with the restrictions on the composition of its Audit Committee and the disclosure requirements of its audit committee in an annual information form as prescribed by MI 52-110.

Corporate Governance

General

The CPCC board of directors believes that good corporate governance improves corporate performance and benefits all shareholders. *National Policy 58-201 – Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as CPCC. In addition, *National Instrument 58-101 - Disclosure of Corporate Governance Practices* ("**NI 58-101**") prescribes certain disclosure by CPCC of its corporate governance practices. This disclosure is presented below.

Board of Directors

The CPCC board of directors facilitates its exercise of independent supervision over CPCC's management through frequent meetings of the CPCC board of directors. The CPCC board of directors is comprised of six (6) directors, of whom each of Yan Gang Li, Daniel Noone and Mendel Ekstein are independent for the purposes of NI 58-101. Rong Lu, Michael Lam and Adam Szweras are not independent as Ms. Lu serves as President of CPCC, Mr. Lam serves as the CFO of CPCC, and Mr. Szweras serves as corporate secretary of CPCC.

Directorships

The following table sets out the directors, officers and promoter(s) of CPCC that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

Name	Name of Reporting Issuer	Exchange or Market	Position	From	To
Rong Lu	Leo Acquisitions Corp.	TSXV	Director	March 20, 2010	Present
Adam Szweras	Petrolympic Ltd.	TSXV	Secretary	June 2008	Present
	Star Navigation Systems Group Ltd.	TSXV	Secretary	May 2008	Present
	Sagittarius Capital Corp.	TSXV	Director	August 2009	August 2010
	InterAmerican Gaming, Inc.	TSXV	Director	May 2008	June 2009
	Silver Shield Resources Corp.	TSXV	Director	December 2007	January 2009
	Academy Capital Corp.	TSXV	Director	August 2005	November 2005
	Willowstar Capital Corp.	TSXV	Director	August 2004	November 2005
	Koda Resources Ltd.	TSXV	Director	April 2000	May 2003
Daniel Noone	Guyana Goldfields Inc.	TSX	Director	April 2009	Present
	Amerix Precious Metals Corporation	TSXV	Director	April 2009	Present
	Aquiline Resources Inc.	TSX	Vice-President, Peru Operations	March 2008	January 2010
	Coronation Minerals Inc.	TSXV	Director	March 2008	Present
	Odin Mining & Exploration Ltd.	TSXV	Director	October 2007	Present
	Aranka Gold Inc.	TSXV	Director	July 2005	January 2009
	Absolut Resources Corp.	TSXV	President, CEO and Director	April 2003	March 2009
Mendel Ekstein	Petrolympic Ltd.	TSXV	President, CEO and Director	December 2007	Present
	Grasslands Entertainment Inc.	TSXV	Director	December 2008	Present
	Capricorn Business Acquisitions Inc.	TSXV	Director	May 2008	Present

Orientation and Continuing Education

New CPCC board of directors members receive an orientation package which includes reports on operations and results, and public disclosure filings by CPCC. In addition, management of CPCC makes itself available for discussion with all CPCC board of directors members.

Ethical Business Conduct

The CPCC board of directors has found that the fiduciary duties placed on individual directors by CPCC's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the CPCC board of directors in which the director has an interest have been sufficient to ensure that the CPCC board of directors operates independently of management and in the best interests of CPCC.

Nomination of Directors

The CPCC board of directors considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the board's duties effectively and to maintain a diversity of view and experience. The CPCC board of directors does not have a nominating committee, and these functions are currently performed by the CPCC board of directors as a whole. However, if there is a change in the number of directors required by CPCC, this policy will be reviewed.

Compensation

The CPCC board of directors is responsible for determining compensation for the directors and officers of CPCC to ensure it reflects the responsibilities and risks of being a director or officer, as applicable, of a public company.

Other Board Committees

The CPCC board of directors has no other committees, other than the Audit Committee.

Assessments

Due to the minimal size of CPCC's board of directors, no formal policy has been established to monitor the effectiveness of the directors, the CPCC board of directors and its committees.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

CPCC has not yet completed a Qualifying Transaction pursuant to the CPC Policy. Accordingly, the executive officers of CPCC were not paid any compensation during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010 (other than a grant of incentive stock options, as described below), as the CPC Policy prohibits directors and officers from receiving remuneration while CPCC is a capital pool company.

Summary of Compensation

The following table contains information about the compensation paid to, or earned by, the only executive officers of CPCC during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010:

Name and Principal Position	Period from May 28, 2010 (date of incorporation) to August 31	Salary ($)	Share-based Awards ($)	Option-based Awards ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compen-sation ($)	Total Compen-sation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
Rong Lu President	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael Lam CFO	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

On December 31, 2010, each of Ms. Rong Lu and Mr. Lam was granted 232,000 options to purchase Pre-Consolidation Share at $0.10 per Pre-Consolidation Share until December 31, 2015. The fair value of options granted was $0.06 per option, or $14,390.60 for options granted to each of Ms. Lu and Mr. Lam. CPCC calculated the compensation cost by using the Black-Scholes option pricing model assuming a risk free interest rate of 2.23%, a dividend yield of nil, an expected annual volatility of CPCC's share price of 75% and an expected life of the options of five years.

Narrative Discussion

As a CPC, CPCC does not have any paid employees or employment agreements. Apart from the stock options listed above, no compensation was paid to any executive officers. All of the stock options granted to the executive officer vested upon their grant date of December 31, 2010.

Incentive Plan Awards

Incentive stock options to purchase up to 1,160,000 Pre-Consolidation Shares were granted to the executive officers and the directors of CPCC in connection with the closing of the IPO on December 31, 2010. While CPCC is a CPC, the total number of CPCC Shares reserved under option for issuance pursuant to the CPCC's incentive option plan may not exceed 10% of the CPCC Shares outstanding as at the closing of the IPO. The allocation of the option grants was approved by the board of directors of the CPCC.

Outstanding Share-Based Awards and Option-based Awards

No options were granted during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010.

The following table sets forth all awards outstanding for the executive officers of CPCC as of February 28, 2011.

Name and Principal Position	Grant Date	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-money Options ($)
Rong Lu President	December 31, 2010	232,000	$0.10	December 31, 2015	$23,200[(1)]
Michael Lam CFO	December 31, 2010	232,000	$0.10	December 31, 2015	$23,200[(1)]

Note:

(1) "In-the-money" options means the difference between the market value of the securities on February 28, 2011, being CPCC's financial period end date, and the exercise or base price of the options. Based upon a closing price of $0.20 for the Pre-Consolidation on the Exchange on January 20, 2011, being the closing price for the CPCC Shares on the day that the shares were halted. See "*Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year*" below.

Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year

No options were granted during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010.

Name and Principal Position	Financial Year Ended	Option-based Awards – Value vested during the year ($)	Share-based Awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Rong Lu President	August 31, 2010	N/A	Nil	Nil
Michael Lam CFO	August 31, 2010	N/A	Nil	Nil

Note:

(1) The value was determined by calculating the difference between the market price of the underlying CPCC Shares on the grant date and the exercise price of the options on the vesting date. The grant date and vesting date of these options was December 31, 2010. There was no market price of CPCC Shares on December 31, 2010 as they were not listed on the TSXV until January 6, 2011.

Stock Option Plan

The Stock Option Plan originally received approval from CPCC's directors on December 22, 2010. Initial shareholder approval of the Stock Option Plan was not required as CPCC adopted the plan prior to completing its IPO and disclosed the details of the Stock Option Plan in its final prospectus, dated December 22, 2010. Nonetheless, in accordance with TSXV rules, CPCC Shareholders will be asked to approve the Stock Option Plan at the special meeting scheduled to be held on June 20, 2011.

Under the Stock Option Plan, the Board is authorized to grant incentive stock options to directors, senior officers, employees and consultants of CPCC entitling them to purchase CPCC Shares. The purpose of the Stock Option Plan is to attract and retain employees, consultants, officers or directors to CPCC and to motivate them to advance the interests of CPCC by affording them with the opportunity to acquire an equity interest in CPCC through options granted under the Stock Option Plan to purchase shares.

On December 31, 2010, CPCC granted stock options to purchase a total of 1,160,000 Pre-Consolidation Shares under the Stock Option Plan, all of which were granted to directors and executive officers. All of the stock options vested immediately upon their grant date and are exercisable at a price of $0.10 per Pre-Consolidation Share until December 31, 2015. Upon completion of the Consolidation, CPCC will have options to purchase 116,000 Post-Consolidation Shares at $1.00 per share until December 31, 2015.

Termination and Change of Control Benefits

There is no employment contract, compensatory plan, or other arrangement in place with the executive officers of CPCC, nor are there any agreements between CPCC and the executive officers that provide for payment to the executive officers in connection with any termination, resignation, retirement, change in control of CPCC or change in responsibilities of the executive officers.

Director Compensation

No compensation was paid to the directors of CPCC in their capacity as directors during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010. The directors of the CPCC are eligible to receive options to purchase CPCC Shares pursuant to the terms of CPCC's incentive Stock Option Plan. On December 31, 2010, each of the non-executive directors of CPCC was granted options to purchase Pre-Consolidation Share at $0.10 per Pre-Consolidation Share until December 31, 2015.

The following table sets forth the details of compensation provided to the directors, other than the executive officers of CPCC, during CPCC financial year from May 28, 2010 (date of incorporation) to August 31, 2010 and during the six months ended February 28, 2011.

Name(1)	Fees Earned ($)	Share-based Awards ($)	Option-based Awards(2) ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Adam Szweras	Nil	Nil	$14,390.60	Nil	Nil	Nil	$14,390.60
Yan Gang Li	Nil	Nil	$14,390.60	Nil	Nil	Nil	$14,390.60
Daniel Noone	Nil	Nil	$10,792.95	Nil	Nil	Nil	$10,792.95
Mendel Ekstein	Nil	Nil	$ 3,597.65	Nil	Nil	Nil	$ 3,597.65

Notes:

(1) Neither Rong Lu nor Michael Lam appears in this table as each of them is an executive officer of CPCC.

(2) The fair value of options granted was $0.062 per option. CPCC calculated the compensation cost by using the Black-Scholes option pricing model assuming a risk free interest rate of 2.23%, a dividend yield of nil, an expected annual volatility of CPCC's share price of 75% and an expected life of the options of five years.

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table sets forth all awards outstanding for each of the directors of CPCC (other than Rong Lu and Michael Lam, whose disclosure with respect to incentive plan awards is set out above) as of February 28, 2011:

Name	Number of Pre-Consolidation Shares Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of Unexercised In-the-money Options(1) ($)
Adam Szweras	232,000	$0.10	December 31, 2015	Nil
Yan Gang Li	232,000	$0.10	December 31, 2015	Nil
Daniel Noone	174,000	$0.10	December 31, 2015	Nil
Mendel Ekstein	58,000	$0.10	December 31, 2015	Nil

Note:

(1) The value was determined by calculating the difference between the market price of the underlying CPCC Shares on the grant date and the exercise price of the options on the vesting date. The vesting date of these options was December 31, 2010 which was prior to the listing of the Pre-Consolidation Shares on the TSXV on January 6, 2011. The market price as at December 31, 2010 was therefore determined to be the offering price of the IPO which was $0.10 per Pre-Consolidation Share.

Incentive Plan Awards – Value Vested or Earned During The Year

No options were granted by CPCC during the financial year from May 28, 2010 (date of incorporation) to August 31, 2010. The only options granted by CPCC to date are the options granted on December 31, 2010 which options vested on December 31, 2010. The following table sets out the value vested or earned under incentive plans during the six months ended February 28, 2011 for each director of CPCC:

Name	Six Months Ended	Option-based Awards – Value vested during the period[(1)] ($)	Non-equity incentive plan compensation – Value earned during the period ($)
Adam Szweras	February 28, 2011	Nil	Nil
Yan Gang Li	February 28, 2011	Nil	Nil
Daniel Noone	February 28, 2011	Nil	Nil
Mendel Ekstein	February 28, 2011	Nil	Nil

Note:

(1) The options vested on December 31, 2010. Shares of CPCC did not start trading on the TSXV until January 6, 2011.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director, executive officer or other senior officer of CPCC or person who acted in such capacity, or any Associate of any such director or officer is, or has been, indebted to CPCC nor is, or at any time since the incorporation of CPCC has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by CPCC. See "*Information Concerning Resulting Issuer – Indebtedness of Directors and Officers*".

RISK FACTORS

INVESTMENT IN SECURITIES OF CPCC SHOULD BE REGARDED AS HIGHLY SPECULATIVE DUE TO THE PROPOSED NATURE OF CPCC's BUSINESS AND ITS PRESENT STAGE OF DEVELOPMENT. CPCC HAS NEITHER A HISTORY OF EARNINGS NOR HAS IT PAID ANY DIVIDENDS AND IT IS UNLIKELY TO GENERATE EARNINGS OR PAY DIVIDENDS IN THE IMMEDIATE OR FORESEEABLE FUTURE.

CPCC was only recently incorporated, does not own any ongoing business operations and has no assets other than cash. There is no assurance that CPCC will successfully complete the Proposed Qualifying Transaction with Shenhe, or even if it does, that the Shenhe businesses acquired will be profitable or will succeed. Moreover, additional funds may be required to successfully complete additional acquisitions of companies or assets, and CPCC may not be able to obtain such financing or may not be able to raise sufficient funds to take a meaningful position in a potential target. If the acquisition is financed by the issuance of shares from CPCC's treasury, control of CPCC may change and shareholders may suffer additional dilution.

Other risk factors related to CPCC include:

- There can be no assurance that an active and liquid market for CPCC Shares will develop and an investor may find it difficult to resell its CPCC Shares;

- Completion of the Proposed Qualifying Transaction is subject to a number of conditions including acceptance by the TSXV;

- Upon public announcement of the Proposed Qualifying Transaction, trading in the CPCC Shares was halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The CPCC Shares may be reinstated to trading before the TSXV has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of CPCC completing the Proposed Qualifying Transaction;

- Trading in the CPCC Shares may be halted at other times for other reasons, including for failure by CPCC to submit documents to the TSXV in the time periods required;

- Neither the TSXV nor any securities regulatory authority passes upon the merits of the Proposed Qualifying Transaction;

- Subject to the prior acceptance of the TSXV, CPCC may be permitted to loan or advance up to an aggregate of $250,000 of its proceeds to a target business without requiring shareholder approval and should CPCC do so, there can be no assurance that CPCC will be able to recover that loan.

For further risk factors relating to the Resulting Issuer, See "*Information Concerning Resulting Issuer – Resulting Issuer Risk Factors*".

LEGAL PROCEEDINGS

There are no actual or pending material legal proceedings to which CPCC is, or is likely to be, a party or of which any of its assets are, or are likely to be, subject. Management of CPCC is not aware of any legal proceedings contemplated against CPCC.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Insiders of CPCC and their respective Associates and Affiliates currently hold 2,100,000 Pre-Consolidation Shares representing 18.03% of the total outstanding Pre-Consolidation Shares. Following Completion of the Proposed Qualifying Transaction, the current Insiders of CPCC will hold 210,000 Post-Consolidation Shares on a non-diluted basis representing 0.23%% in the case of the BVICo Minimum Offering or 0.20% of in the case of the BVICo Maximum Offering of the then outstanding Resulting Issuer Shares. On a fully diluted basis, the current Insiders of CPCC will hold 326,000 Post-Consolidation Shares representing 0.35%% in the case of the BVICo Minimum Offering or 0.30% of the then outstanding Resulting Issuer Shares. See "*Information Concerning Resulting Issuer – Pro Forma Consolidated Capitalization*".

AUDITOR

The auditors of CPCC are Feldman & Associates, LLP, Chartered Accountant, Toronto, Ontario, Canada.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the CPCC Shares is Olympia Trust Company, Suite 920, 120 Adelaide Street West, Toronto, Ontario, Canada, M5H 1T1.

MATERIAL CONTRACTS

Since inception, CPCC has entered into, or will enter into prior to the completion of the Acquisition, in addition to contracts in the ordinary course of business, the following material contracts:

1. The Transfer Agency and Registrarship Agreement dated November 22, 2010 between CPCC and the Transfer Agent.

2. The CPC Escrow Agreement dated December 22, 2010 among CPCC, the Transfer Agent and certain CPCC Shareholders.

3. The Agency Agreement dated as of December 22, 2010 between CPCC and PI Financial Corp.

4. Acquisition Agreement among CPCC, BVICo, Shenhe and the BVICo Shareholders entered into on May 13, 2011. See "*Information Concerning Proposed Qualifying Transaction - The Acquisition Agreement*".

5. Sponsorship Agreement described in "*General Matters – Sponsorship.*"

Copies of these agreements are available for inspection upon request at the offices of CPCC at any time during ordinary business hours until 30 days after the completion of the Acquisition.

ADDITIONAL INFORMATION

Additional information with respect to CPCC may be found on the SEDAR website at www.sedar.com.

INFORMATION CONCERNING SHENHE, HKCO AND BVICO

NAME AND INCORPORATION

Shenhe

Shenhe's full name is “Linyi Shenhe Foodstuff Co., Ltd.” Shenhe was incorporated on March 22, 2001 under the laws of PRC. Shenhe's registration number is No. 371300400003108, with its registered and head office address at 8, Jinqueshan Wu Road, Linyi, Shandong Province, PRC.

Shenhe's business scope specified in its business license is the "dehydration, preservation, fast freezing, pickling, production, processing and sales of vegetables". Shenhe's business license has a term from March 21, 2001 to March 20, 2051.

All of the registered and paid-up capital of Shenhe is held by HKCo, resulting in Shenhe being a “wholly foreign-owned enterprise” under PRC law.

HKCo

HKCo's full name is "Supertown Trading Company Limited". HKCo was incorporated on February 16, 2000 under the Companies Ordinance of Hong Kong, with its registered address at Unit 827, 8/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

All of the issued and outstanding ordinary shares of HKCo are held by BVICo.

BVICo

BVICo's full name is “China Freeze-Dry Inc.” BVICo was incorporated on November 16, 2010 under the Business Corporations Law of the British Virgin Islands, with its registered address at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

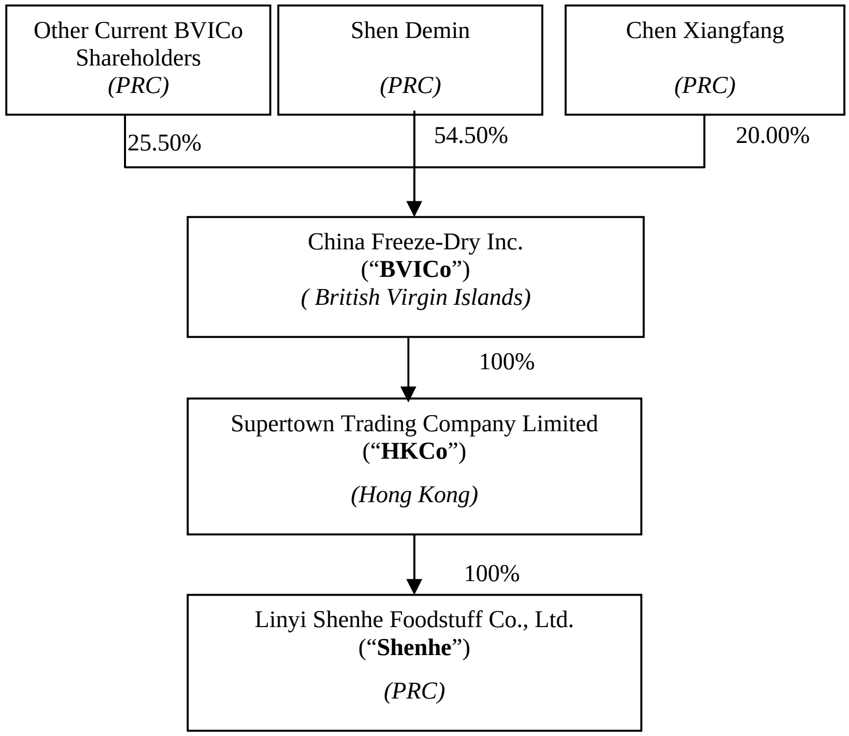
All of the 50,000 currently issued and outstanding ordinary shares of BVICo are held by the Current BVICo Shareholders.

The Articles of Association of BVICo will be amended prior to Closing to increase the authorized capital of BVICo by 15,000 BVICo Shares and on Closing to reflect the transfer of 100% of the equity interests in BVICo from the BVICo Shareholders to CPCC pursuant to the Acquisition Agreement.

INTERCORPORATE RELATIONSHIPS

Intercorporate Relationship

The corporate structure of Shenhe is as follows:



GENERAL DEVELOPMENT OF THE BUSINESS

Early History

On March 22, 2001, Shenhe was established by HKCo. Upon incorporation, the registered capital was US$100,000. The US$100,000 was contributed by HKCo in cash on May 20, 2001.

In March 2001, Shenhe leased equipment from Cangshan Shenda Industrial Park to conduct FD food processing and export. Shenhe also purchased some inventory and other non-fixed assets to support production and operations.

In March, 2001, Shenhe completed its phase 1 FD project with four FD production lines with a total FD area of 800 square meters.

In August 2002, Shenhe completed the construction of its phase 2 project which added eight new FD production lines. After phase 2, Shenhe had 12 production lines, with a total FD area of 2,400 square meters.

Shenhe passed the Kosher certification in 2003.

Shenhe won the title of "key leading enterprise for agricultural industrialization in Shandong province" in 2003.

In December 2003, Shenhe completed the construction of its phase 3 project by adding another eight new FD production lines, bringing its total of FD production lines to 20 with a total FD area of 4,000 square meters.

The duration of Shenhe upon incorporation was 21 years, which was from March 21, 2001 to March 20, 2022. On July 19, 2005, Shenhe changed its duration to 50 years, which is from March 21, 2001 to March 20, 2051. Shenhe amended its Articles of Association for this change on May 30, 2005.

In December 2005, Shenhe was selected by Shandong government as an exemplary enterprise in the agricultural processing sector in Shandong Province.

Three Year History

On May 22, 2007, HKCo issued the principal amount of US$10,600,000 zero coupon guaranteed convertible bonds due 2009 to four arm's length investors: Atlantis Investment Management Limited, South Valley Holdings Limited, Agam SPV Four Limited, and Eternal Rise International Limited. The bonds were exchanged by their holders for an aggregate of 5,000 BVICo Shares on March 30, 2011 at US$2,120 per BVICo Share.

In July 2007, Shenhe increased its registered capital to US$10.6 million. HKCo made the contribution of US$10.5 million in cash. Shenhe amended its Articles of Association for this change on August 13, 2007.

In January 2008, Shenhe introduced FD ganoderma powder as a new product. See "*Information Concerning Shenhe, HKCo and BVICo –Products*".

In February 2008, Shenhe was selected as one of the excellent foreign trade enterprises in 2007 by Linyi City government.

In May 2008, Shenhe won the title of "contract abiding & trustworthy enterprise" at the Shandong provincial level.

In June 2008, Shenhe passed the HACCP food safety certification.

Also in June 2008, Shenhe completed the construction of its executive office building, at a total cost of RMB 65.7 million.

In 2009, Shenhe started the construction of phase 4 and 5 projects. See "*Information Concerning Shenhe, HKCo and BVICo – FD Food Production Capacity*".

On May 13, 2010, Shenhe changed its business scope to: "dehydration, preservation, fast freezing, pickling, production, processing and sales of vegetables". Shenhe amended its Articles of Association for this change on May 13, 2010.

In 2010, Shenhe developed another new product segment - FD instant noodles, with FD technology adopted for both noodles and ingredients. See "*Information Concerning Shenhe, HKCo and BVICo –Products*".

Recent Developments

On January 20, 2011, Shenhe and BVICo entered into a letter of intent with CPCC with respect to the proposed Qualifying Transaction, which was amended and restated on April 29, 2011.

In May 2011, Shenhe engaged Mr. Zhao Yan as its chief financial officer.

On May 13, 2011, Shenhe, BVICo, HKCo and BVICo Shareholders entered into the Acquisition Agreement with CPCC. See "*Information Concerning Proposed Qualifying Transaction - Acquisition Agreement*".

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

Since incorporation, there have been no significant acquisitions or dispositions made by Shenhe.

INDUSTRY OVERVIEW

Shenhe is engaged in FD food production and sales, which means it is involved in both the food industry, specifically the dehydrated food industry, and the agricultural processing industry. In addition, since 50% of Shenhe's output in the past three years was FD garlic products, and FD garlic oil is one of the potential new products of Shenhe, this industry overview segment also describes the garlic processing industry.

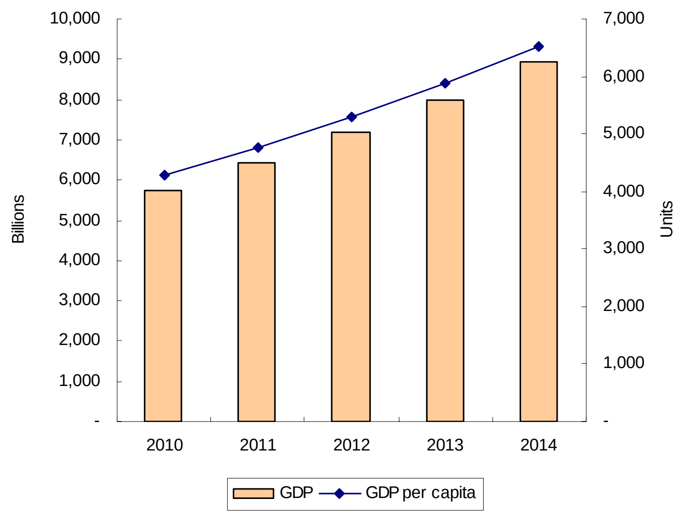
Overview of the food industry in China

The global trend of the food industry can be characterized by an increased focus on environmentally friendly, convenient and healthy foods. With the deterioration of the global environment, pollution and hazard-free food is becoming increasingly popular, which makes the environmentally friendly production of food a major trend of the food industry. Given the rapid pace of life, particularly in growing urban areas in China, demand for convenient food is also on the rise, making the production of this type of food another trend of the industry. The increasing occurrence of the 3H's (hypertension, high blood cholesterol and high blood sugar) and other cardiovascular diseases is prompting individuals to change their dietary habits to healthier options, which brings about the third trend of the food industry, namely the production of low calorie and low fat food with fewer additives.

Against the background of an expanding population, accelerated urbanization and rapid economic growth and improving living conditions in China, the disposable income of Chinese consumers has increased dramatically. Such changes have generated demand growth and the potential for continued strong growth for the PRC food industry.

As one of the fastest growing economies in the world over the past decade, China enjoyed an average GDP growth rate of 9.1% between 1999 and 2008. Even in 2008, China's GDP grew at a rate over 9.0% despite a significant decline in economic activity in many countries[1].

The following chart sets out the IMF forecast for China's GDP growth from 2010 to 2014 in billions of US$[2], which is forecast to grow at a compounded annual growth rate of 11.7%:



In the 30 years since the introduction of the economic reform and opening-up policy, China's food industry has experienced substantial development, with productivity of food production having increased dramatically. In 2008 when the world suffered from the widespread financial crisis, the total output of China's food industry reached 4.2 trillion RMB (about 13.9% of the total GDP), an increase of 31.6% from the previous year, and much higher than the average growth rate of food industries (2.3%) of the 30 OECD countries including the U.S., Japan and Europe.[3]

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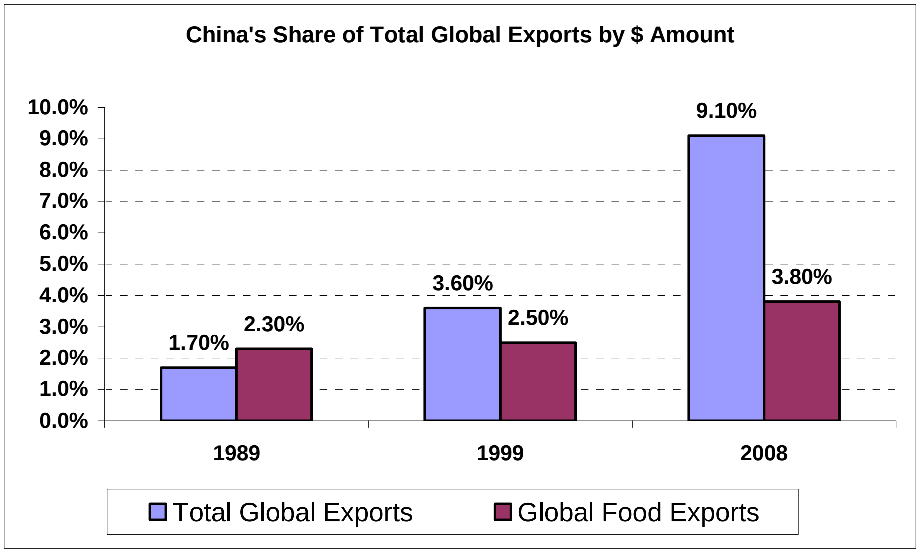
1 National Bureau of Statistics of China, "*Gross Domestic Product*", on line at http://www.stats.gov.cn/tjsj/ndsj/2009/html/C0201e.htm.

2 IMF, "*Report for Selected Countries and Subjects*" on line at http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/weorept.aspx?sy=2010&ey=2014&ssd=1&sort=country&ds=.&br=1&c=924&s=NGDPD%2CNGDPDPC&grp=0&a=&pr.x=41&pr.y=13.

3 Tan Xiangyong, "Development and Trend of China's Food Industry", *Journal of Beijing Technology and Business University (Natural Science Edition)*, Jan 2010, at P2.

Global trade growth has recently slowed following rapid growth in the previous years. However, the proportion of exports from China to the world's export total continues to rise. China's export dollar amount represented 1.7%, 3.6% and 9.1% of the world total export dollar amount in 1989, 1999 and 2008 respectively, with China's rank in the world trade rising to 2nd from 14th and 9th. During the same period, the proportion of food exports from China as a percentage of the world food export total stood at 2.3%, 2.5% and 3.8%, respectively, which suggests additional growth potential[4].



<u>Overview of the agricultural processing industry</u>

China's output of vegetables and fruits were 592,403 kilotonnes and 113,389 kilotonnes, respectively in 2008, making China the largest vegetable and fruit producing country in the world. Among fruits, China's output of apples and pears ranked the first in the world. In 2008, China's vegetable planting area was 17,876 kilohectars, accounting for 43% of the world's total. The top three provinces in China that boasted the largest vegetable output were Shandong, Hebei and Henan, with the output standing at 86.3 million tonnes (14.6% of the PRC total), 66.8 million tonnes (11.3%) and 63.9 million tonnes (10.8%), respectively. All of these provinces have laid a solid foundation for the development of agricultural processing industry and offer substantial development potential.[5]

According to reports from the Ministry of Agriculture of the U.S., exports of agricultural products from China to the U.S. valued at $1.8 billion in 2005, and rose nearly 100% to $3.4 billion in 2008, when China became the third largest fresh and canned fruit supplier to the U.S. As for vegetables, the import value of fresh and canned vegetables of the U.S. in 2007 were $4.1 billion and $3.1 billion respectively, which rose to $4.4 billion and $3.5 billion in 2008. China is expected to surpass Chile soon to become the third largest vegetable supplier to the U.S. following Mexico and Canada[6].

According to the Foreign Agricultural Service ("**FAS**") of the United States Department of Agriculture ("**USDA**"), U.S. imports of vegetables (including dehydrated vegetables) and preparations from China increased at a compound

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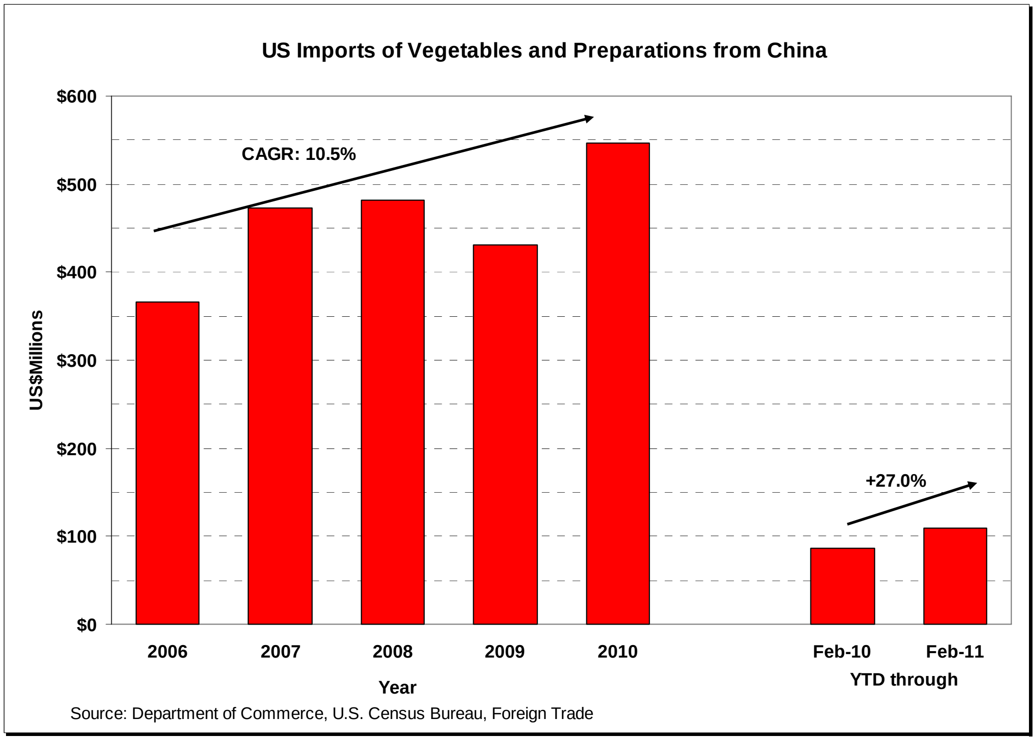
4 Supra Note 3.

5 The Agricultural Department of the Ministry of Science and Technology, "*China Farming Industry Statistical Yearbook* (2009), China Agriculture Press, 2010, at p. 409.

6 Unknown author, "US Import Value of Chinese Agricultural Products Doubles over Four Years", *Beijing Youth Daily*, Dec 3, 2008, on line at http://bjyouth.ynet.com/view.jsp?oid=46385896 (accessed May 9, 2011)

annual growth rate of 10.5% from 2006 to 2010, to reach US$546.3 million in 2010. Additionally, in the first two months of 2011, imports from China increased 27% over the 2010 amounts to reach $109 million[7].



Overview of the dehydrated food industry

China is one of the world's major dehydrated food producers. The export volume of China's dehydrated vegetables reached approximately 26,000 tonnes, and accounted for 2/3 of the world's total. In China, there are over 20 types of dehydrated vegetables for export, including dried cabbage, mushrooms, bamboo shoots, carrots, etc. The major export destinations of these products are Western Europe, the U.S., Japan, Hong Kong and others.[8]

Overview of the Freeze Dry (FD) food industry

Currently the more advanced processing method for dehydrated food is FD technology. The traditional dehydrating process has problems such as the loss of colour, quality, taste, nutrition and original shape of the food. The FD process avoids these problems, preserves the original shape, colour, aroma, taste and nutrition of the food and is good for re-hydration. In addition, FD food has the advantage of being able to be stored at room temperature. Because of these qualities, FD foods in the international market are normally priced at 4-6 times of hot air dried foods, and 7-8 times of quick frozen foods[9].

Shenhe management believes that (i) with the increasing pace of life and work as well as frequent travel, nutritious and convenient food that can be stored for longer periods has become an increasing priority; (ii) the traditional pickled, smoked and canned foods with longer shelf lives can meet part of this demand, but given increased focus on maintaining healthy lifestyles, they are no longer as popular as they used to be as they contain cancer causing

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7 Foreign Agricultural Service of the United States Department of Agriculture, *Global Agricultural Trade System*, on line at http://www.fas.usda.gov/gats/default.aspx (using quick query, product type=imports general, product group=vegetables and preparations, and partner=China) (accessed May 11, 2011)

8 Wu Jintao, "The Main Processing Vegetable Market Condition At Home And Abroad", *Journal of Northwest Gardening*, May 2008, P48.

9 Supra Note 8.

substances and their nutritional content is reduced; and (iii) against this background, the environmentally-friendly, convenient and healthy FD food category is becoming increasingly popular.

In 2007, most FD foods produced in China were for export, mainly supplied as raw materials for cooking ingredient products, food industry ingredients, processed food products and health food products, with an annual production amount of less than 20,000 tonnes. Industry insiders estimated that for the 10 year period from 2007, the demand for FD foods both internationally and in China would increase significantly, and by 2015, the FD food production for instant noodles alone would reach 50,000-60,000 tones per year, and together with fast food ingredients, FD soup and FD drink products, the demand for FD food would exceed 150,000 tones per year. The potential significant increase in demand for FD foods both domestically and internationally would likely provide good development opportunities for PRC FD food processors[10].

The FD process can be called a main milestone of the food processing industry of the 20th century. During the period from the mid 1980s to the end of 1990s, the world's FD industry experienced rapid growth, with the fastest growth in the U.S. and Japan. In 2005, there were over 100 FD food factories in the U.S., and the number in Japan was 35. FD food has been widely accepted in Europe, the U.S. and Japan. The production of nearly half of the convenient food in the U.S. and Japan uses FD technology, and FD foods are widely accepted by consumers in Europe, the U.S., Japan and other countries.[11]

In the 21st century, consumers have become more environmentally aware and health conscious and the pace of life has increased. Consumers have developed a deeper knowledge of processed foods and are demanding more food products. These new developments have contributed to the growth of the FD food technology. Based on the current international and PRC domestic trends for new food development, the demand for FD food in the international market is substantiated.[12]

Shenhe management believes that (i) the supply of FD food falls short of demand in the international market, and the China domestic FD food industry is still in its initial stage, with rather low total output; (ii) the demand is limited to the high-end markets of a few types of products such as healthcare medicine, high-end milk powder, coffee and other instant drinks; and (iii) due to continued economic growth, increasing living standards and per capita disposable income in the PRC, traditional dehydrated food can no longer meet people's demand and the FD food industry of PRC will likely experience rapid development.

From the perspective of industry concentration, FD food production enterprises are mainly located in Shandong, Guangdong and other costal provinces. The FD products are mainly FD onions, garlic and mushrooms, with Japan, the U.S. and Europe as the principal markets.[13]

Shenhe management believes that Shandong has the most FD food enterprises in the PRC, many of which are large scale, and that this is partly because of Shandong's coastal geographic location, which enables convenient transportation. Another reason, Shenhe management believes, lies in the fact that Shandong is a key fruit and vegetable production base of the PRC.

According to the Adjustment and Rejuvenation Plan of Food Industry in Linyi (2009-2011), the Linyi municipal government plans to build a vegetable processing base in the city, with Cangshan, Linmu and Hedong regions as the key areas and Shandong Xingda Food Group, Shenhe and other major enterprises as the key industrial players. Efforts will be made to develop freshness sealing, dehydrated, instantly frozen, pickled, sugared, roasted and fried products and establish a production base covering the whole process from planting to processing and exporting.

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[10] Guan Bohe, "Analysis of Status of Use of Freeze-Dry Food Technology and Development Outlook", *Meat Industry*, 2008 Issue 2 at p. 24.
[11] Supra Note 10.
[12] Supra Note 10.
[13] Supra Note 8.

Overview of FD technology

Vacuum freeze-drying is a process that involves freezing the water content in the material, vaporizing the frozen water by heating it under a vacuum environment while the material remains in the frozen state, resulting in products that are in a frozen and dehydrated state. Because this process is carried out under a low temperature and low pressure environment, the water content is directly transformed from the frozen state to vapor without becoming liquid, freeze-dried products which can preserve the color, smell, taste and shape of the material, as well as nutritional components (protein, vitamins and so on). Vacuum freeze-drying technology has the following advantages over other dehydration technologies:[14]

(1) as vacuum freeze-drying is carried out in a high vacuum drying environment with very little oxygen, materials that are prone to oxidization are well preserved, and bacteria is sterilized or inhibited;

(2) as vacuum freeze-drying is carried out under a low pressure environment, freeze-dried materials are subject to little oxidation or property changes;

(3) as vacuum freeze-drying is carried out under low temperature, volatile and heat-sensitive ingredients in the material are kept from deterioration or losing vitality;

(4) freeze-drying process can form "skeletons" in the material leaving the internal mass in a porous and sponge-like state, which can maintain the freeze-dried materials in their original forms with little shrinkage;

(5) freeze-drying is a thorough dehydration process, which gets rid of 90% to 95% of the water content. Freeze-dried materials can be kept at room temperature for a long period of time, and are lightweight for easy transportation;

(6) freeze-dried products have good rehydration quality and when put in water can rapidly recover their original shape, colour, quality and freshness almost to the full extent.

Overview of garlic processing industry

Garlic has a strong flavor, which is believed to be good for spleen and stomach and garlic is considered a natural and healthy food.

According to the Economic Research Services (“**ERS**”) of the USDA, China is by far the largest global producer of garlic, harvesting 266.5 million tons in 2009 (ERS 2010). The United States is the world’s largest import market for fresh garlic, becoming a net importer (imports less exports) of garlic in 1998. In 2009, imports (both fresh and dried product) totaled nearly 121,500 metric tons and were valued at $96.5 million. China accounted for 92% of total U.S. garlic imports. (FAS 2009). According to the statistics database of the Food and Agriculture Organization of the United Nations, China’s exports of garlic grew at a compound annual growth rate of 12.4% between 2003 and 2008 to reach US$637.9 million or 2.5 million metric tons in 2008, with the top 10 destination countries accounting for over 65% of the export value[15].

As outlined in the chart, 2006 and 2007 where extraordinary years for garlic exports, characterized by significant increases in the price of garlic, which have since stabilized[16].

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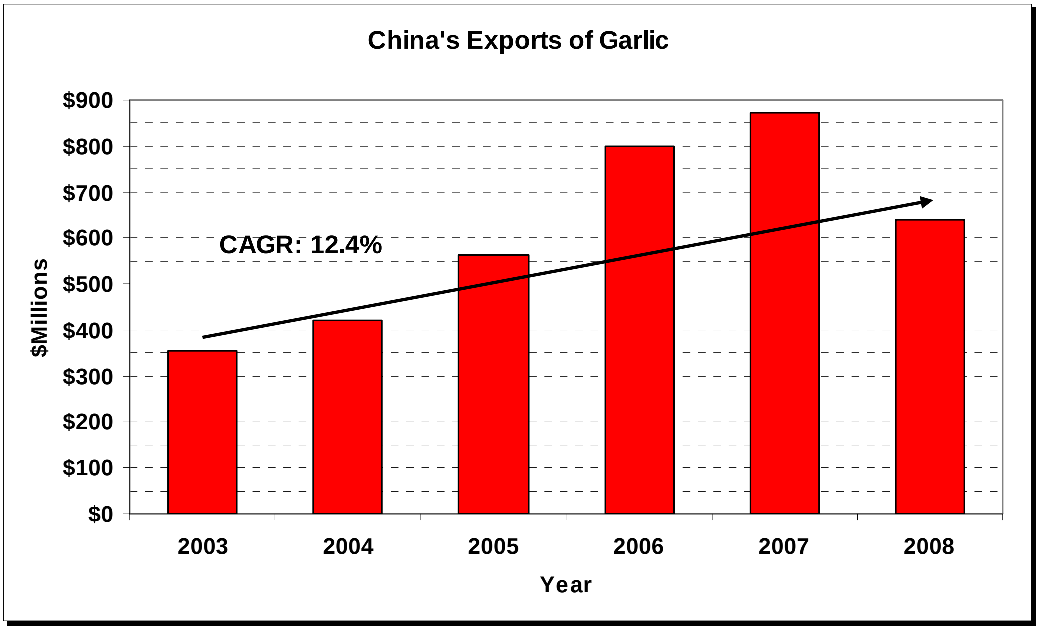
14 Supra Note 10.

15 FAS, “*Foreign Agricultural Trade of the United States (FATUS): Country Specific Data*”, on line at http://www.ers.usda.gov/Data/FATUS/Webtables/Webtables.asp?flow=IMPORTS&YEAR=2007&COUNTRY=5700 (assessed May 11, 2011)

16 Supra Note 15.



The top 10 destinations for China's garlic exports by value in 2008 are outlined as follows[17]:

Destination Country	Quantity (MT)	Value (US$mills)
Indonesia	390,205	$151.0
United States of America	68,407	$47.7
Viet Nam	141,837	$39.4
Malaysia	99,345	$37.4
Brazil	90,193	$36.6
Pakistan	59,515	$24.4
Japan	23,144	$22.9
Netherlands	41,930	$20.9
Philippines	66,926	$20.9
Bangladesh	46,249	$17.4
Total Top 10	**1,027,751**	**$418.6**

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

Based in Shandong Province, Shenhe is engaged in the freeze-dried (FD) food processing industry. Shenhe's business is focused on food dehydration to preserve color, freshness and quality using vacuum freeze-drying technology. Such technology not only maintains food color, smell, taste and shape, but also preserves most of the nutritious elements such as vitamins and protein. Notably, with no preservatives used throughout the whole process, food processed with this technology has a consumable life of approximately 3 years when kept at room temperature. Shenhe's technology scale and production methods allow Shenhe to meet the demand for green, healthy and convenient food, and Shenhe's management believes, gives Shenhe a competitive advantage over many other FD

17 Supra Note 15.

food processors in China. See “*Information Concerning Shenhe, HKCo and BVICo– Narrative Description of the Business*”.

Business Strategies

Shenhe will continue to focus on the production and sales of FD food, with FD vegetables and fruits as the core products, complemented by FD health food products and FD instant noodle products. Efforts will be made to develop new product categories to maintain and consolidate Shenhe’s leading position in agricultural industrialization as well as the domestic FD food industry.

Develop New Products

Shenhe plans to continue to develop and introduce several new products and upgrade its technology to enhance Shenhe’s competitiveness in the high-end market and differentiate Shenhe from its competitors. Shenhe will adhere to the combination of scientific innovation and product development to continuously increase the technology content of its products.

Shenhe will also continue to dedicate itself to improve the quality of its existing products. Meanwhile, based on its judgment of the market trends, special efforts will be made to develop high-end FD products with high added value. By doing this, the product categories will be further expanded and the product mix will be optimized, thus promoting the product upgrading, enhancing Shenhe’s core competitiveness, and enabling it to expand its market share in the high-end segment.

Based on market conditions, Shenhe plans to launch its product line of FD instant noodles, including: (i) a convenient series; (ii) a family kitchen series; and (iii) a catering series. Shenhe developed FD instant noodles in the second half of 2010 which are expected to target mid and high-end instant noodle markets. With decades of development by domestic instant noodles companies, this market is now in a highly mature stage. However, most instant noodle producers use deep fried noodles and target lower end of the market. The potential of mid and high-end instant noodle market is still largely untapped. Shenhe’s FD instant noodle products are not deep fried and are healthier than traditional instant noodle products. Shenhe believes its FD instant noodle products are well suited for the mid and high-end of the market. Shenhe plans to make FD instant noodles a key product to target this market, to support the sustained rapid growth of Shenhe.

Shenhe has developed a series of FD healthcare products such as FD ganoderma powder, FD garlic oil capsule and FD bone powder in 2008 and 2009. Shenhe introduced the FD ganoderma powder to the market in 2008 with the gross margins of over 85%. Shenhe will intensify its marketing efforts for these products and steadily explore new FD healthy products with the aim to open markets and enhance Shenhe’s overall profitability.

In addition to independent development, Shenhe also attaches importance to cooperation with scientific and research institutes, including Shandong Academy of Agriculture, Agriculture Science Research Institute of China Academy of Science and Shandong Agriculture University. The technology advantage of these institutes may provide considerable support for Shenhe’s new product development.

Increase Production Capacity

Shenhe started the construction of its phase 4 and phase 5 projects in 2009 when it became clear that the utilization of Shenhe’s production capacity would reach over 90%. Now the preliminary construction of the projects, which involves the laying of foundations, has been completed, with 30% of the construction fees prepaid. The phase 4 and phase 5 projects are expected to be completed and put into preliminary operation in May 2012.

By applying technology innovation, Shenhe has recently increased the total capacity of phase 1, phase , and phase 3 significantly by upgrading its FD machines. In the future, Shenhe will adopt new and advanced FD technology in the production process to improve the existing production methods, expand the productivity and lower the production costs. In addition Shenhe plans to install advanced FD machines to improve the existing production facility if necessary. By increasing productivity, Shenhe may further exploit economies of scale and operating efficiencies. See "*Information Concerning Shenhe, HKCo and BVICo – Narrative Description of the Business – FR Food Production – Production Capacity*."

Expand Markets

As an export-oriented FD food manufacturer, Shenhe has established an overseas distribution network. In the future, Shenhe plans to intensify its promotion efforts and expand this distribution network.

As for the domestic market, Shenhe will focus on increasing its market penetration in coastal cities and the surrounding areas to build an integrated marketing network. In cooperation with regional distributors, efforts will be made to strengthen relationships with large super markets, retail enterprises and regional chain stores. The purpose is to make use of these companies' sales channels and influence in different regions and entire country, thus expanding Shenhe's marketing network and extending the sales chain of its products domestically.

Develop Shenhe's Own Brand

Most of the Company's export products are products produced by Shenhe for customers under customers' brands. Shenhe has to pass a portion of the profit to its customers if the products are under customers' brands. In order to improve profitability and market share internationally and domestically, Shenhe will gradually introduce its self-branded FD products, participate in industrial exhibitions and strengthen its publicity efforts to enhance its international reputation and realize the transition from a processor of products under customers' brands to a self-branded company.

Shenhe has identified domestic market opportunities and plans to make FD instant noodles under its own brand as a key product type, which can support the sustained growth of Shenhe. Shenhe is preparing to register "Yeson" as its brand to market FD instant noodle products in Chinese domestic market.

Competitive Advantages

Shenhe has several competitive advantages over other producers of similar products in China, as set out below.

Advantage of Economies of Scale and Price Influence

Shenhe is the largest FD fruits and vegetable manufacturer in PRC in terms of the production capacity by a wide margin. Shenhe's current annual production capacity of Shenhe is over 5,500 tonnes of FD food, accounting for over 10% of the total in PRC. Shenhe has made significant investments in production equipment and machinery, and its leading operation scale enables Shenhe to hold a favourable position in price negotiations with raw material suppliers and clients, thus ensuring relatively high profitability margins.

Quality Advantage

Shenhe has established strict quality and hygiene control systems and a test center to ensure that products sold on the domestic and overseas markets are reliable in quality.

Shenhe is devoted to developing, producing and selling quality FD food. A set of internal quality and hygiene measures have been adopted to ensure that the products may meet or exceed the quality demands of clients. Shenhe's quality and hygiene control system is well established and applied throughout the whole production process from raw materials sourcing and processing, to the inspection of finished FD food. Shenhe believes that its strict quality control system allows Shenhe to safeguard its product quality, which is a fundamental business advantage of Shenhe.

Process Technology Advantage

The production time of FD food is determined by the vacuum-drying process. For Shenhe, this process is between 12 and 18 hours (lower than the industry average of 18 hours), and the overall production time is 15 to 16 hours, 1/3 shorter than the industry average[18]. The major reason lies in the fact that Shenhe has raised the heating temperature and improved vacuum technology, which helps to increase the utilization rate of the FD warehouse.

Since Shenhe's FD production line adopts leading technology, and Shenhe has conducted special research on how to increase the yield rate of raw materials the results of which Shenhe has put in practical use, management believes Shenhe's average yield rates of FD products from various raw materials are 10% to 15% higher than the average in China.[19]

Product Variety Advantage

Currently, the main products Shenhe produces are FD garlic slices, green peas, sweet corn and strawberry slices. Shenhe is also devoted to exploring new products to expand its product categories. One of the key development directions is FD health food products. Shenhe has so far introduced FD ganoderma powder and has developed FD garlic oil capsules and FD bone powder.

Moreover, considering the positive growth prospects for instant foods, Shenhe also introduced FD soup, FD fruit and other instant foods. The continuous business expansion to develop new products will further enhance Shenhe's market positioning and reduce risk through diversification.

Experienced Management team

With an average of over 10 years' managerial experience in the food industry, Shenhe's management team has broad operational and industrial experience. The board chairman, Shen Demin, entered the food industry in 1977. The president, Mr. Shen Dapeng, joined Shenhe in 2001 and successfully managed and expanded the FD food operation to today's scale.

Location Advantage

Shenhe's production is located in Cangshan County, Linyi City, Shandong province. Linyi is 200 km away from the Port of Qingdao, which is a major harbor for product delivery and cargo shipment. Qingdao port is a comprehensive international port with an annual loading and unloading capacity of approximately 100 million tonnes[20]. Shenhe believes that its location within PRC and the surrounding transportation network are conducive for Shenhe to deliver FD food in a timely manner. Moreover, since Cangshan County is one of China's biggest vegetable production bases, Shenhe has established cooperation contracts with up to 12 planting bases in this region, which helps to reduce the cost for the transportation of raw materials and products.

Products

Product Types

The FD food produced or developed by Shenhe may be divided to 3 categories: (i) fruits and vegetables, (ii) health food products and (iii) instant noodle and soup products.

FD fruits and vegetables

Shenhe's FD products in this category include garlic slices, green peas, strawberry slices, onion, mushrooms, broccoli, corn, cabbage, diced carrots, chives, celery, scallions, and others. Among them, garlic slices, green peas and strawberry slices are the top three products, and the output of these three types of products in the past three

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18 Shandong Agriculture Science Academy, September 16, 2010, "*Response to Domestic FD Food Enterprise FD Shelf Area, Yield Rate and Processing Time*", unpublished document provided to Shenhe.

19 Supra note 9.

20 Qingdao Port (Group) Co., Ltd., "*Port Overview*", on line on May 9, 2011 at http://www.qdport.com/zjhg.aspx?id=ff4ef8c7-4493-41c4-9f1a-047025323c44

fiscal years account for about 85% of the total revenue of Shenhe. Among them, garlic slices accounted for 56.3%, 57.4% and 49.6% of Shenhe's total revenue in fiscal 2008, 2009 and 2010, respectively.


FD garlic slices


FD strawberry slices


FD sweet corn

Currently, the average unit price of FD fruits and vegetables are approximately 4 to 5 times higher than ordinary dehydrated food and the average gross margins for Shenhe's major FD fruit and vegetable products are all above 30%.

Given the perceived health benefits of garlic and Shenhe's location in Cangshan County, a well known garlic producing area in China, garlic slices are one of Shenhe's key products. In the fiscal year of 2010, gross margins of FD garlic slices were 38.4%. Garlic products will continue to be a top priority in Shenhe's future product strategy. Shenhe has developed the new garlic oil product and has started research and development of other garlic processed products.

FD strawberry slice products garner a high price and large sales volume, with gross margins reaching 47.7% in the 2010 fiscal year. This product line will remain a major profit source of Shenhe and continue to hold a prominent position in Shenhe's product strategy.

Shenhe may also produce other FD fruit and vegetable products, based on market demand, seasonal productivity and potential profitability.

FD Health food Products

Shenhe introduced FD ganoderma powder in 2008 as its first FD health food product. The phase 4 project of Shenhe will be dedicated primarily for processing of FD ganoderma powder, which generated the highest gross margins among all Shenhe's products. The gross margins for FD ganoderma powder in the last three fiscal years were 86.9%, 87.5% and 87.1% respectively.

Ganoderma is a genus of polypore mushrooms which grow on wood and include approximately 80 species, many from tropical regions. Because of its extensive use in traditional Asian medicines and its potential in bioremediation, ganoderma is a very important genus economically.[21] They are popularly referred to as "shelf" mushrooms or "bracket" mushrooms.

[21] Baidu, on line at http://baike.baidu.com/view/7002.htm .


Ganoderma Freeze-dried ganoderma powder

The FD ganoderma powder products were introduced to the markets in 2008.

Currently, Shenhe's other FD health food products under research and development as set out in "*New Products under Research and Development*" below. Shenhe plans to develop its FD health food products to become one of Shenhe's key product categories.

FD Instant Noodles

FD instant noodles is a branded product line developed by Shenhe in the second half of 2010, aimed at the mid and high-end market. Shenhe's FD instant noodles are 100% FD food, with FD technology adopted not only for the base and ingredients but also for the noodles. Shenhe's brand of FD instant noodles will be marketed under its own Yeson brand.


FD Instant Noodles (picture 1) FD Instant Noodles (picture 2)

Shenhe's FD instant noodles reflect the essence of both Chinese and Western food culture, realizing the combination of kitchen technology and industrialization. Compared to traditional instant noodles, FD instant noodles have the following advantages:

1. Vacuum freeze-drying technology is adopted to keep the freshness of boiled noodles, without adding any food coloring or preservatives;

2. FD Noodles can be cooked in 3 minutes in lukewarm water, more convenient than traditional instant noodles, which need 6 to 8 minutes in hot water (over 80° C);

3. The shelf life is over 1 year, while traditional instant noodles can typically be stored for only 6 months.

Shenhe has developed some important unique core technologies in FD instant noodles after approximately 3 years of research and development, and established a solid team dedicated to FD instant noodles which include some well-known specialists in the instant noodles industry. Shenhe will make full use of its technology advantage and introduce FD instant noodles to meet the mid and high-end market demand.

The FD instant noodle products have passed production tests and the technology involved has proven to be reliable, ready for large scale commercial production. Shenhe is currently in the process of offering samples to existing customers to test market interest. The sampling period is expected to be completed in the first half of 2011. If customer feedback is positive, Shenhe may commence commercial production.

New Products under Research and Development

In addition to FD instant noodles, other new products developed by Shenhe recently are mainly other instant foods and other health food products. These products have not been commercially produced yet. The FD instant foods are designed to meet demand for convenient, environmentally friendly and healthy foods to meet the time pressures of the increased pace of modern life. The FD health food products market represents a major development direction for Shenhe, with high profitability and substantial market demand taken into consideration.

The list of recently developed FD products are as follows:

1. FD instant solid soup

FD instant solid soup, in cubic shape, is a good choice for convenient and healthy food. Soup products developed by Shenhe include: seaweed and egg; tomato and egg; spinach and egg; mushroom; hot & sour soup; pickled mustard tuber and pork; hot pepper; crabmeat; mushroom and bean curd; dried lily flower and egg; clam and leek; and sweet corn. These products can be easily cooked by adding in 250 ml of boiled water, and a bowl of soup will be ready in 1 minute.

2. Garlic oil capsules

With garlic as the raw material, garlic oil can be extracted with the adoption of FD technology and supercritical fluid extraction technology. Following that, refined oil, gelatin and glycerol are added as ingredients and put together with the garlic oil into capsules to ensure that the medical function can stay stable.

3. FD sheep placenta

Sheep placenta is a rich source of nutrients, growth factors and bio-active cytokines. Placenta's health benefits are believed to include anti-aging, skin revitalizing, boosting immune system, and improving physical vitality. FD sheep placenta capsules use 30 to 60 day-old placenta of healthy sheep raised in remote pastures in Inner Mongolia and Qinghai province, and adopts the super low temperature vacuum FD technology. This technology is used to ensure that the whole production process is conducted under low temperature to preserve the nutritious and bioactive substance in the most efficient way. Shenhe has introduced a series of products in shape of powder, oral liquid and capsule, all of which are believed to offer anti-aging functions.

The above mentioned three new products have all passed production tests and the technology involved has proved to be reliable, ready for large scale commercial production. As Shenhe identifies attractive growth trends in market demand, Shenhe will commence commercial production for target markets.

FD Food Production

Production capacity

The total production area of Shenhe is approximately 170,132 m^2. There are a total of 20 FD production lines in Shenhe’s phase 1, phase 2 and phase 3 buildings, with the total FD shelf areas reaching 4,000 m^2. Shenhe’s current annual FD food production capacity totals over 5,500 tonnes. Shenhe’s FD shelf areas and production capacities rank first in China.

Shenhe's current capacity utilization averages over 90%. Shenhe started the construction of its phase 4 and phase 5 projects in 2009 to add 16 new production lines increasing its FD shelf area by approximately 80% to 7,200 m^2 and approximately doubling its annual product capacity to 10,650 tonnes. As at April, 2011, the preliminary construction of the projects were completed, with 30% of the construction fees having been prepaid. Shenhe expects to put the phase 4 and phase 5 projects into operation in 2012.

FD chamber (picture 1)

FD chamber (picture 2)

The FD production capacity of Shenhe is as follows:

	Phase 1	**Phase 2**	**Phase 3**	**Phase 4 & 5 (to be completed)**
Facility area	39,084 m^2	131,048 m^2		Appx. 140,000 m^2
First production	March 2001	March 2002	December 2003	Estimated October, 2012
FD shelf area	800 m^2	1,600 m^2	1,600 m^2	3,200 m^2
Number of FD production lines	4	8	8	16
Annual capacity	1,150 tonnes	2,300 tonnes	2,300 tonnes	5,600 tonnes

By applying technology innovation, Shenhe has recently increased the total capacity of phase 1, phase 2 and phase 3 significantly. Shenhe has 20 FD machines in its phase 1, phase 2 and phase 3 production lines. In July 2007, Shenhe hired an independent contractor to evaluate FD machines and provide upgrading suggestions. By implementing these suggestions, the production capacity of these machines was increased by 20%. In the future, Shenhe will adopt new and advanced FD technology in the production process to improve the existing production methods, expand the productivity of FD food and lower the production costs. Meanwhile, more advanced FD machines will be installed to improve the existing production facility if necessary. By increasing productivity, Shenhe may further exploit economies of scale and operating efficiencies.

In addition to the FD processing facilities, Shenhe has a processing workshop, mainly for the advanced processing of FD ganoderma powder, which was put into operation in January 2008. Currently there is no FD production line built in the workshop. The workshop is located on a land area of 227,122 m^2, most of which is vacant for building the planned new FD production lines, with only a small part used for the advanced processing of FD ganoderma powder.

Warehouse and Storage Capacity

Shenhe's warehouses and storage facilities are as followed:

Categories	Number of rooms	Storage area	Storage capacity
- 5°C	7	1,400 m^2	3,500 tonnes
- 18°C	19	3,800 m^2	1,900 tonnes
- 30°C	10	2,000 m^2	80 tonnes/shift

Shenhe uses its warehouse and storage facilities to store FD product inventory, as well as raw materials which Shenhe is able to purchase in bulk when in season and store them for production during off-season periods. For this reason, Shenhe reduces its exposure to seasonality which is normally associated with agricultural produce.

Main Production Equipment

FD production lines are mainly composed of the following equipment:

- Product processing equipment such as vegetable processors, multi-functional vegetable cutters, flat vibrating screens and dissolving tanks
- Freeze-dry equipment, including FD drying chambers, FD control panels, water replenishing tanks, heating plates, rotary vacuum pumps, external pressure vacuum pumps, drying vacuum pumps, vacuum automatic shift valves, refrigerating sets, center valve coolers, interactive coolers, liquid storage tanks, refrigerant circulation pumps, refrigerant transmission pumps, refrigerant recovery pumps, ice melting pumps, plate heat exchangers, heat medium circulation pumps, heat medium control valves, moisture removal machines and dehumidifiers.
- Finishing and quality control equipment such as metal detectors.
- Auxiliary and supporting equipment such as electric control boxes, electromagnetic valves, recorder machines, pre-cooling tanks and material transportation systems.

Production Processes

The FD food production procedures can be divided to the following phases:

1. Preparatory procedures: selecting and preparing the raw materials;
2. FD process;
3. Post FD process: checking and packaging the finished products.

The specific production processes of FD food are as follows:

1. Selecting the raw materials

The received raw materials are strictly selected in test centers. Only the raw materials that meet Shenhe's internal quality control standards can be processed. The basic requirements include: no disease or pest injury, no dead leaves, no damage and bright in color. More importantly, the use of pesticides and fertilizers must meet Shenhe's standards to ensure the effective control from the very beginning of the process.

2. Cleaning and disinfection

Fresh fruits and vegetables are cleaned and inspected carefully. Some fruits and vegetables need to be peeled and sodium hypochlorite (bleach) might be used in the cleaning procedure for disinfection purposes. After being defrosted and sliced, the frozen raw materials are sent directly to the freeze-drying machine for the FD procedure, without additional cleaning or disinfection processes.

3. Slicing and cutting

The raw materials are sliced or cut to particles and powders depending on clients' demand.

4. Freezing

In this procedure, the sliced or cut raw materials are rapidly frozen in the freezer/.

5. Drying

The frozen products are put in the FD machines. The frozen water in the raw materials put on the internal shelf of a FD machine is evaporated in the drying process. The vacuum pump exhausts the air in the FD machine and lowers the air pressure. The heating procedure evaporates the frozen water in the materials, which flows out of the FD machine.

6. Weighing and testing

Once the raw materials are fully dried, they will be taken from the FD machines for weighing.

7. Metal ion detection

After the sample test, products failing to meet the quality standards will be isolated or removed. All finished products are inspected for metal ion contents before packaging.

8. Packaging

After metal and particle detection, all FD food products are catalogued and sealed for packaging. Production batch numbers are pasted on the packaging bags, which are then stored for delivery.

Land Use Rights and Building Ownership Rights

Land Use Rights

Under PRC law, all urban land is owned by the state, which grants land use rights for extended periods. The usual tenure of land use rights for industrial use is up to 50 years. The process of applying for land use rights involves:

1. entering into a land rights grant contract with the local government and making payments pursuant to such contract; and

2. obtaining the land use rights certificate from the appropriate administrative department of land.

Shenhe has obtained 541,107 m^2 of land use rights for its primary production facilities and headquarters located in Linyi, Shandong, PRC, as set out below:

	Cert No.	Area (m^2)	Issue Date	Expiry
1	Cang Guo Yong (2005) No. 140042	39,084.10	5 - Jan - 05	28 - Dec - 50
2	Cang Guo Yong (2005) No. 140043	35,980.00	5 - Jan - 05	28 - Dec - 50
3	Cang Guo Yong (2005) No. 140044	53,986.20	5 - Jan - 05	28 - Dec - 50
4	Cang Guo Yong (2005) No. 140045	41,081.30	5 - Jan - 05	28 - Dec - 50
5	Cang Guo Yong (2005) No. 140046	227,122.20	10 - Dec - 05	28 - Dec - 50
6	Cang Guo Yong (2007) No. 085	65,096.70	18 - Oct - 07	28 - Dec - 55

	Cert No.	Area (m^2)	Issue Date	Expiry
7	Cang Guo Yong (2007) No. 086	76,507.20	18 - Oct - 07	28 - Dec - 55
8	Lin Lan Guo Yong (2008) No. 0204	2,250.00	13 - Oct - 08	27 - Dec - 47
9	Lin Kai Guo Yong (2011) No. 019	86,146.30	25 - Apr - 11	14 - Jul - 53
	Total	**627,254.00**		

If a parcel of land is not registered or has not been granted land use rights, any building or structure built on the unregistered land will not be granted any building ownership right by the PRC government.

Building Ownership Rights

Shenhe has also obtained the following building ownership rights for buildings constructed on the lands for which Shenhe has land use rights.

	Cert No.	Area (m^2)	Use
1	2005030167	15,377.20	FD 4 Workshop Building, FD 5 Workshop Building and Warehouse
2	2005030168	13,834.73	FD 2 Workshop Building, FD 3 Workshop Building, Boiler Room, Employees Apartment and Office Building
3	2005030169	4,312.36	Business Center Building and Apartments Building
4	2005030170	5,388.80	Employees Apartment Building
5	2007102405	9,906.38	Boiler Room, FD Workshop and Freezer Room
6	2007102406	970.00	Employees Apartment and Villa
	Total:	**49,789.47**	

Certification and Quality Control

Certification

Since all Shenhe's products are now certified for export, with relatively high quality requirements, Shenhe has focused on improving product quality and enterprise management since its foundation and has acquired the following major certifications:

Certifications	Time
ISO22000:2005/GB/T 22000-2006 certification	June 2009
HACCP certification	June 2008
OU certification (Kosher)	2003
Halal certification	2003
QS license	2001

The ISO 22000 international standard developed by the International Organization of Standardization (ISO), which specifies the requirements for a food safety management system that can be applied for any organization in the food chain, from field to store.

HACCP is the abbreviation of Hazard Analysis and Critical Control Point, which is a most authoritative system of safety in food production and pharmaceuticals in the world. This certification is designed to avoid any potential biological, chemical, physical and other injury to food during the whole production process, with the aim to ensure the food quality by preventing these hazards during production instead of inspecting the finished products. Therefore, the prevention-oriented HACCP system is an internationally accepted system for safe production and quality control, which is claimed by authoritative international organizations as the most effective method to control diseases caused by food.

The Jewish Orthodox Union (also known as OU) grants KOSHER certificates to manufacturers whose products (food, ingredients and additives) are processed with the Jewish dietary law. Companies that passed the OU certification may use the world's best-known and widely accepted KOSHER symbol, which is seen as a technological threshold for entering high-end European and American super markets. OU symbol is a world famous symbol, representing the highest standard for clean inspection for Kocher products.

The Halal Certification Authority gives approval for products that satisfy Islamic dietary laws. A Halal certification shows that the goods are acceptable to all Muslim denominations. Halal certified food products and ingredients help many food companies to increase their sales in Muslim countries, as many Muslim countries require that all food products and ingredients exporting to their countries to be Halal certified.

QS is the abbreviation of "Quality Safety". Products marked with QS are certified as qualified products after the mandatory test and are allowed to sell in Chinese market. There is no physical QS license in China. If a company in China acquires National Industrial Products Production License issued by China State Bureau of Quality Technical Supervision, then its product can be marked QS.

Quality Control

The FD products produced by Shenhe are mainly consumed as food, and their nutrition and sanitary qualities can have a direct effect on the consumers' health. The wide source of raw materials, rich varieties of products and increasingly larger production scale in Shenhe's recent years have posed a high requirement for strict quality management.

Shenhe has formulated rules on contract management, international trade management, and work flow and operational procedures for its export business. These standards provide Shenhe with specific regulations on various aspects of product sales, including the discussion and signing of contracts, preparation and delivery of goods, recognition of revenue and receipt of payment, etc. Such rules reduce man-made errors and effectively control risks involved in the sales process, as well as ensure that business is carried out regularly, orderly and effectively.

Shenhe's quality control procedures are as follows:

Quality control items	Quality control points
Quality control of purchased materials	To ensure the freshness and quality of all raw materials To ensure the proper storage status of raw materials To ensure zero disinfectant residual after the cleaning process
Quality control of the production procedures	To ensure the disinfection and hygiene of production staff To ensure that the water content, the number of bacteria and the pesticide residual level meet the standard by sample testing.
Quality control of finished products	To detect metal ion
Logistics quality control	To employ a professional logistics company on a long term basis

Shenhe has an 8-person quality control team affiliated to the technology R&D department. To ensure the safety and quality of raw materials and FD food, Shenhe has established a test center along with the production facilities. The major test equipment include gas chromatography system, gas chromatography/mass spectrometry system and high performance liquid chromatography system, which can detect, identify and quantify even the tiniest chemicals such as pesticide residual, mycotoxin and other pollutants during the whole production process.

In each procedure of the FD food production process, Shenhe's quality control team examines the products in accordance with the inspection list, from the raw materials to the FD food to be delivered. Only those that fully meet Shenhe's quality control standard are allowed to proceed to the next production stage. This step-by-step inspection enables Shenhe to identify and reduce the risks of having products polluted on a timely basis. If a sample product is found with pollutants, the inspection procedures enable Shenhe to track and remove all products of the same batch that are suspected to be polluted. Shenhe has complied with applicable regulations in all material aspects and has never been forced to suspend production for failing to meet quality standards.

Supplies and Suppliers

Raw Fruits and Vegetables

Shandong province has the largest vegetable output in China. In 2010, the overall vegetable output of the province was 86.2 million tonnes, approximately 14.4% of the PRC total. Cangshan County, where Shenhe is located, is a large agricultural county, with most of its fiscal revenue coming from agricultural economy. The county is particularly famous for garlic, which is big, thin-skinned, pure white, spicy and juicy. The annual planting area of garlic in Cangshan County is 800,000 m^2 and the annual output is 130 million kg. These conditions enable Shenhe to buy raw materials locally instead of sourcing from other provinces, which not only saves on transportation costs, but also ensures the freshness of raw materials.

Due to the above mentioned resource advantages, Shenhe can purchase various raw materials at a relatively low cost compared to competitors in other counties and provinces. In addition, the scale effect also enables Shenhe to take a favourable position in the price negotiations with suppliers.

Raw Material Suppliers

The sourcing department of Shenhe is in charge of compiling and maintaining information of various raw materials suppliers. Shenhe chooses suppliers according to the evaluations based on product quality, delivery, cost and record of performance.

Shenhe currently has 18 raw materials suppliers, who purchase raw materials from farmers on the 12 planting bases designated by Shenhe and process them into frozen or raw materials as required by Shenhe. Shenhe then purchases its frozen or raw materials from its suppliers.

Concentration of Shenhe's suppliers is relatively high, with the five largest suppliers providing over 70% of the total raw materials needed by Shenhe for the fiscal year ended June 30, 2010. All these major suppliers have long term business relationships with Shenhe and have earned good reputations. The quality of the raw materials supplied by them has proven to be reliable. In the future Shenhe hopes to reduce the concentration of credit risk and economic dependence by broadening its base of potential suppliers.

Shenhe's top five suppliers of frozen raw materials in fiscal 2010 were:

No.	Supplier	Total value supplied raw materials (C$)	Percentage of Shenhe's total frozen raw materials demand
1	Jinan Jinwang Food Co., Ltd.	8,309,630	21.66%
2	Cangshan Xinxinyuan Food Co., Ltd.	5,776,560	15.06%
3	Laiyang Haiter Food Co., Ltd.	5,214,854	13.60%
4	Cangshan Dongzhen Food Co., Ltd.	4,664,813	12.16%
5	Linyi Luseyuan Food Co., Ltd.	3,917,643	10.21%
	Total	**27,883,500**	**72.69%**

With respect to payment terms for frozen raw materials, Shenhe usually pays 30% of the total price on delivery, and the remaining 70% is usually paid 30 days after delivery. With respect to payment for fresh raw materials, Shenhe normally makes payment on purchase of the materials. All the supply contracts are settled in RMB.

The supply agreements are normally entered into based certain quantities of raw material. The price is typically a variable price negotiated with Shenhe's suppliers which is based on the price the suppliers pay to the farmers from the designated planting bases which is in turn based on the prevailing market prices local wholesalers pay to farmers for the same raw material.

Planting Bases

Shenhe has 12 designated cooperative planting bases, all located in Shandong, with the total planting area surpassing 6,670,000 m^2. When selecting potential planting bases, Shenhe usually takes into consideration the following conditions:

1) Soil and surrounding environment;

2) Water and irrigation;

3) Pollution risks;

4) Distance from Shenhe's production facility.

Whenever an appropriate planting base is found, Shenhe will register it with Shandong Entry and Exit Quarantine and Inspection Bureau as its cooperative planting base. Shenhe signs contracts with farmers of these planting bases, in which Shenhe clearly identifies the types of the vegetables to be planted and the exact planting area. Shenhe also sends staff to the planting bases to provide technical support. Farmers working on these planting bases are required to strictly follow the planting guidance and quality standards, including Shenhe's policy on the use of pesticide.

Countermeasures to the Price Fluctuation of Raw Materials

Prices of agricultural products have strong cyclical and seasonal features and are prone to be indirectly affected by the national economic policies. In addition, the export price is also affected by the fluctuation of exchange rates. Therefore, the contract period signed by Shenhe with its upstream and downstream clients is usually no more than one year, with floating instead of fixed prices applied.

Despite the fluctuation in agricultural product prices, there are still some trends underlying the fluctuation. Shenhe has now accumulated years of experience in judging price trends. Meanwhile, special efforts have been made to track and forecast the price of raw materials, based on which Shenhe may flexibly adjust its raw materials inventory. For example, with domestic inflation pressure, Shenhe increased the daily raw materials inventory by large extent in the first half of 2010. The inventory of garlic was increased from 208 tonnes as at June 30, 2009 to 1,614 tonnes as at June 30, 2010, by which Shenhe successfully capitalized on the opportunity of a price increase.

Inventory Management

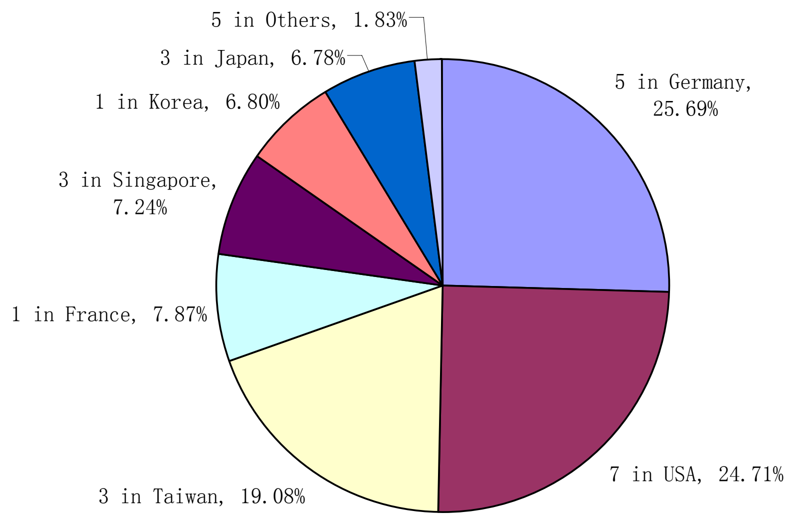
Shenhe's inventory includes raw materials, auxiliary materials and finished FD products. Shenhe controls the inventory level by tracking inventory use based on its production schedule and tracking inventory levels. Developed over years of practice, Shenhe has found its optimal level of raw materials inventory, which normally supports 10 days of production. However, to avoid supply shortages due to seasonal reasons, Shenhe may increase inventory levels of certain raw materials (such as strawberries and garlic) during certain periods. According to the general practice, finished FD products are stored in warehouses for no more than 10 days before delivery.

Since Shenhe has 18 long term suppliers and 12 designated planting bases. Despite the fact it has not signed any contracts longer than 2 years with any supplier, management of Shenhe is confident in Shenhe's ability to secure adequate raw materials in the event one or a few of its contracted suppliers are not able to provide quality raw materials.

Marketing

Market sales network

Since the domestic FD food market in China is only just emerging, Shenhe's products in the three latest fiscal years have been primarily directed for export. Over several years, Shenhe has established significant collaborative relationships with 28 well established food distributors. The following chart shows the regional distribution and sales proportion of these regions in fiscal 2010.



Sales by distributor from different countries in FY2010

As shown in the chart, the top 3 import countries or region of Shenhe's products in fiscal 2010 were Germany, the U.S., and Taiwan, with the sales revenue from these three countries or region accounting for 69.48% of the total revenue. This concentration is consistent with the relatively high FD food demand in these three countries and region. Going forward, Shenhe will continue to explore overseas markets and try to establish relationships with distributors from additional countries and regions. Shenhe may set up offices abroad in accordance to its overseas expansion plan to strengthen its direct communications with foreign distributors. Shenhe will also gradually introduce its self-branded FD food, participate in industrial exhibitions and strengthen its marketing efforts to enhance its international reputation and realize the transition from a supplier enterprise to a self-branded company. Meanwhile, Shenhe will initiate new efforts to promote its FD instant noodles in the China market by building various distribution channels, thus establishing its brand image in the domestic mid and high-end food market.

Sales Model

Most of Shenhe's export products are sold through distributors, with a few sold directly to the manufacturers who use Shenhe's FD products as auxiliary materials. This has allowed Shenhe to rapidly expand its target sales regions without having to establish its own overseas distribution network. Shenhe plans to establish its own offices in regional sales centers in order to enhance its management of international sales strategy and facilitate its products entering into new countries and regions.

As for domestic sales in China, Shenhe plans to use the current food distribution channels in the near term. For further expansion, Shenhe will develop provincial agents and municipal agents to try to establish its own distribution channels to enhance its ability to manage this sales network.

Sales and Marketing Strategy

Shenhe's overseas sales network has been well-established, supported by stable and long term relations with distributors. Therefore, Shenhe has always followed a high price strategy to seek relatively high profit margin at its current output scale. In the future, Shenhe will stay focused in the mid and high-end food markets both in China and abroad, and gradually build a mid and high-end brand image characterized by a high quality, reasonably priced brand that is environmentally friendly and healthy.

For its FD instant noodles products, Shenhe has developed the following marketing strategies:

- Sales network: Shenhe plans to spend 3 months to build the sales system and introduce the product to 11 core markets including Beijing, Shanghai, Tianjin, Shenyang, Jinan, Zhengzhou, Xi'an, Chengdu, Guangzhou, Wuhan and Shijiazhuang. In addition, Shenhe will take the opportunity of the China National Sugar and Alcoholic Commodities Fair in October 2011 to establish the sales network in other provincial capitals and the second and third tier cities. By the next China National Sugar and Alcoholic Commodities Fair in March 2012, Shenhe expects to establish its the nationwide sales network.
- Store Display Terminals: For flagship stores and hypermarkets, the major promotion methods include island displays, in-store TV display, as well as staff demonstration. For typical convenient stores and shops, the major promotion method is storefront signs.
- Advertisements: Shenhe plans to place advertisements on railways, buses, office buildings, special TV programs, and on internet. Shenhe has collaborated with a cultural celebrity in TV ads and outdoor media ads, and Shenhe will also invite a well-known business celebrity as internet advertising spokesman of Yeson FD instant noodles.

Shenhe's Major Customers

Shenhe now has business relationships with 28 distributor clients.

In fiscal 2010, 12 clients each accounted for over 4.5% of Shenhe's revenue and in aggregate accounted for 83.1% of Shenhe's total sales. Shenhe has maintained relationships with most of these 12 clients for over 2 years and the sales of the largest client accounted for only 9.5% of Shenhe's total revenue. Shenhe's largest customer will vary in different fiscal years, suggesting Shenhe's reliance on one single customer is relatively low and the default of a single customers should not have big impact on overall sales of Shenhe.

Pricing Process

The prices of FD products are usually decided following the discussion between Shenhe and its customers. During the pricing process of FD food, Shenhe often takes into consideration the market supply and demand, production cost, market price of similar products, order volume and other elements. Generally speaking, Shenhe's products are slightly more expensive than the industry average. The agreements are typically based on certain quantity of products. The products prices in the agreements are typically subject to adjustment if the costs of the raw material supply for Shenhe increase by 5% in some cases or by 8% in other cases. Typically there is no minimum volume commitment for distributors in a given year or 6 month period.

Shenhe's quotations are based on an FOB price. The products are carried by Shenhe's designated logistics company to the ports and delivered to the distributors for settlement.

Internal control procedures for sales

Shenhe has formulated Rules on Contract Management, Rules on International Trade Management and Work Flow and Operational Procedure for Export Business, which set out specific rules on various aspects of product sales, including the discussion and signing of contracts, preparation and delivery of goods, recognition of revenue and receipt of payment, etc. All these rules can provide guidance for the sales personnel to conduct sales according to the operational standards and reduce man-made errors and loss and to effectively control the risks in the sale process and ensure that the sales operation can be carried out regularly, orderly and effectively.

Seasonality

Although many of Shenhe's products have certain degrees of seasonality as agricultural produce is Shenhe's main raw material, Shenhe's overall production has not historically been significantly affected by seasonality because Shenhe has large capacity of refrigerated storage facilities to store raw materials. Therefore Shenhe is able to purchase raw materials in bulk while in season and store them for production during off-season periods.

Employees

Shenhe currently has 838 full time employees, divided in the different departments as follows:

Department	Number of persons
Finance Department	10
Marketing and Sales Department	15
Sourcing Department and Head Office	13
HR Department and General Office	47
Production Units (including Phase1, Phase2, Phase3 and Phase 4 factories and workshops, boiler and maintenance workshop)	731
Quality Management Office	6
R&D Center and Test Center	16
Total	**838**

None of the employees are subject to a collective bargaining agreement. Shenhe believes that this core group can be expanded and built upon as Shenhe grows. Two areas of specialized skills are critical for Shenhe. These skills are the technical skills of research and development and sales and marketing skills specific to Shenhe’s International clients. Shenhe has key people on staff who possess these skills. Shenhe believes that for the foreseeable future, no additional staff with these specialized skills are required.

Over the next two years, Shenhe does intend to hire sales management staff, marketing staff and additional employees. The sales management and marketing staff will be recruited from the food processing industry where trained personnel with these skills are currently available. The production employees do not require any specialized skills and those skills that are required (assembly and testing) can be attained through on-the-job training.

Research and Development

Shenhe collaborates with Shandong Academy of Agriculture for product R&D, and has conducted a series of programs, such as the determination of the condensation points for fruits and vegetables, developing full-nutrition fruit and vegetable slices, FD soup products, super-critical CO^2 extraction of garlic oil, extraction of the active ingredients of FD ginkgo powder, upgrading of FD equipment and FD Noodles.

According to the contracts signed by Shenhe and Shandong Academy of Agriculture over the past years, Shenhe provided scientific and research capital and sent technology experts to Shandong Academy of Agriculture for the research and development of new FD technologies, processes and products. The research results and related intelligent property rights are owned by Shenhe. During the R&D process, the R&D center of Shenhe closely interacts with the sales and marketing department to fully understand the market development to provide timely feedback to the Academy to determine its research direction. The R&D projects conducted by the two parties are listed as below:

Completed R&D results	Ongoing R&D projects
Determine the condensing points of different fruits and vegetables (2004)	Supercritical low temperature extraction technology for making garlic oil, Allicin and garlic capsules as well as other technologies for the deep processing of garlic
Develop FD fruit and vegetable slices (2005)	FD submicron powder flavoring (onion powder, ginger powder, garlic powder, composite flavoring powder)
Develop FD instant soup (2006)	The production technology of pomegranate and grape juice health food capsules
Advanced processing of FD ganoderma powder (2007)	Development of FD rice
Extraction of the effective content of FD bone powder and FD sheep placenta extract (2008)	Development of FD blood plasma, extraction of the effective content of FD and ginkgo powder and burdock powder
FD instant noodles (2009)	FD colostrum

Major R&D Results

Shenhe's R&D personnel have made two significant R&D discoveries that impact on the FD production process.

1. By determining the condensing points of processed products, a FD food processor could optimize process time and improve product quality.

2. By determining the relationship between the vacuum tightness and sublimation critical points in the freezing process of FD system, a FD food processor could shorten process time and reduce costs.

The above 2 R&D results produced valuable information which could be used by FD food processors. By adopting these technologies in the production process, FD operators can set the heating temperature and vacuum tightness according to the different condensation points of different products, thus shorten the drying period and raise the rate of delivery from warehouse. Such improvements can help increase output, reduce energy and material consumption and thus lower production costs.

These R&D results have been validated by the Science Commission of Shandong Province as state of the art technology after reviewing global technology information databases. However, Shenhe has not applied for patents on the discoveries to protect the confidentiality of this technology. Shenhe, however plans to select 3 to 5 self-owned practical new technologies for patent applications in the coming year.

Competition

At present, the supply of FD food falls short of demand in the international market while the development of this industry in China is still in the early stages. FD food production enterprises in China are mainly located in Shandong, Liaoning, Henan, Guangxi and a few other provinces. Among them, Shandong has the presence of most FD food enterprises, many of which are small to medium scale operations. This is partly due to Shandong's coastal geographic location, which enables convenient transportation and the fact that Shandong is a key fruit and vegetable producing region. Due to continued economic growth, increasing living standards and per capita disposable income in the PRC, traditional dehydrated food can no longer meet people's demand and the FD food industry is expected to experience rapid development.

In the FD food industry, the FD shelf area is the decisive indicator of a producer's competitiveness. FD shelf area is measured in square meters, which determines the process capacity in FD chambers. Therefore FD shelf area is a direct measure of FD processing capacity. According to preliminary estimates, the current total FD shelf area in China is approximately 20,000 m^2. The following table lists the FD areas of major PRC FD food manufacturers.[22]

Organization	Location	FD shelf area
Linyi Shenhe Food Co., Ltd.[(1)]	Shandong Province	**4,000 m^2**
Qingdao Weimei Food Co., Ltd.	Shandong Province	2,700 m^2
Linyi Dalin Food Co., Ltd.	Shandong Province	2,600m^2
Beilv FD Food Co., Ltd. (Tieling, Liaoning province)	Liaoning Province	1,600 m^2
Qingdao Dayang Food Co., Ltd.	Shandong Province	1,600 m^2
Sichuan Xicheng Food Co., Ltd.	Sichuan Province	1,400 m2
Qingdao Subo Food Co., Ltd.	Shandong Province	1,300 m^2
Guangxi Endu High-Tech Co., Ltd.	Guangxi Province	1,200 m^2
Sichuan Tiancheng Food Co., Ltd.	Sichuan Province	1,000 m^2
Total Top Nine Processors:	**17,400 m^2**	**17,400 m^2**

Note:

(1) Current capacity. After Shenhe completes its phase 4 and 5 projects, Shenhe's FD area will reach 7,200 square meters. See "*Information Concerning Shenhe, HKCo and BVICo - Narrative Description of the Business –FD Food Production – Production Capacity*".

As shown in the table, Shenhe has over 20% of the total FD capacity in the FD food industry in China. Qingdao Weimei Food Co., Ltd. has the second largest FD capacity, at 2,700 m^2. The top 9 manufacturers listed in the table account for 87% of the total estimated capacity of 20,000 m^2. Moreover, among all the manufacturers, only Shenhe specializes in the production and sales of FD food, and most other companies are mainly producing traditional food such as instant frozen food, dehydrated food, canned food, etc., with the production of FD food only a small part of their operation, making it difficult for these enterprises to compete with Shenhe in the FD food field.

Among the major FD food manufacturers, a majority of them are located in Shandong province, bringing about a cluster effect of FD food production and sales, which provides a favourable regional industrial environment for the future development of Shenhe.

Proprietary Protection

Shenhe is in the process of applying for registration of a trade mark of "Yeson" or "引食" in the PRC. The application is expected to be submitted in May, 2011.

Shenhe has a website of "www.yesonfood.com".

In addition, Shenhe uses certain proprietary manufacturing processes and "know-how" in producing its end products. Shenhe does not have patent protection in any jurisdiction regarding these processes. Shenhe, however plans to select 3 to 5 self-owned practical new technologies for patent applications in the coming year.

Protective Tariff Restrictions

Shenhe's international sales could be affected by protective tariffs put in place by the governments of countries or regions into which it sells its products. Currently, Shenhe's products are not subject to any such tariff restrictions.

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[22] Supra, Note 5.

<u>Government Regulations</u>

<u>Production and Permits</u>

Shenhe is subject to certain local government regulations regarding the conduct of its business. At the time of its inception, Shenhe applied for and received the following operational licenses:

(i) Business License:

Registration number:	371300400003108
Date of incorporation:	March 22, 2001
Registered office:	#8 Jin Que Shan Wu Road, Linyi, Shandong
Registered capital:	US$10.6 million
Duration	From March 21, 2001 to March 20, 2051
Business Scope	Dehydration, preservation, fast freezing, pickling, production, processing and sales of vegetables.
Shareholders:	Supertown Trading Company Limited
Registered with:	Linyi City Industrial and Commercial Administrative Bureau
Main Purpose:	Providing a lawful business operating permit

The continuation of Business License with above business scope will be dependent on the validity of Shenhe's food hygiene license (discussed in item (vi) below). Shenhe's current food hygiene license expires on December 31, 2013. Therefore Shenhe needs to renew its food hygiene license before December 31, 2013 to keep the business license valid.

Shenhe’s current business scope does not cover FD fruit products and FD health food products, which is required under applicable PRC law for FD fruit and FD ganoderma products. Shenhe plans to apply in May 2011 for an amended business scope to cover FD fruit, FD health food products and FD instant noodle and soup products.

(ii) Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People’s Republic of China

Certificate No.:	Shang Wai Zi Lu Fu Lin Zi (2001) 0092
Business Scope:	Dehydration, preservation, fast freezing, pickling, production, processing and sales of vegetables
Import/Export Code:	3700726687884
Issued by:	People’s Government of Shandong Province;
Issuing Date:	June 1, 2007;
Valid until:	May 31, 2057
Main Purpose:	Approving Shenhe as an enterprise with foreign investment in the PRC

(iii) Organization Code of the PRC

Certificate No.:	72668788-4
Issued by:	Technology Supervise Bureau of Linyi
Term:	From June 4, 2010, to June 4, 2014
Main Purpose:	Providing the identification code for Shenhe as an enterprise nationwide

(iv) Tax Registration Certificate

Certificate No.:	Lu Shui Lin Zi 37132426687884
Issued by:	Local Tax Bureau of Cangshan County and State Tax Bureau of Cangshan County, Shandong Province
Issuing Date:	November 2, 2010

Valid Until:	November 1, 2060
Main Purpose:	Providing identification for Shenhe in paying taxes

(v) Customs Import and Export Goods Declaration Registration Certificate

Certificate No.:	3415941587
Issued by:	Linyi Customs
Issuing Date:	May 10, 2001
Valid until:	May 19, 2011
Main Purpose:	Permits for Shenhe to import and export goods

(vi) Food Hygiene License

Certificate No.:	Lu Wei Shi Zheng Zi (2009) 371324-001173
License Scope:	Water, sea food, fruits, vegetables, dehydration, preservation, fast freezing and pickling, manufacturing, processing, exporting and selling
Term:	May 31, 2009 to December 31, 2013
Issued by:	Health Department of Cangshan County
Main Purpose:	Certifying the products of Shenhe as meeting required food hygiene standard of the Health Department

(vii) Foreign Exchange Registration Certificate

Certificate No.:	3714001301007
Issued by:	State Administration of Foreign Exchange Linyi Branch
Issuing date:	March 28, 2001
Valid until:	March 27, 2051
Main Purpose:	Permit for Shenhe to exchange foreign currency

(viii) National Industrial Products Production License

Certificate No.:	QS3713 1601 0357
Issued by:	Technology Supervise Bureau of Shandong Province
Issuing date:	October, 27, 2009
Valid until:	October 26, 2012
Main Purpose:	License for Shenhe to produce industrial products such as FD foods

Shenhe currently does not hold a National Industrial Products Production License for FD fruit products and FD health food products, which is required under applicable PRC law for FD fruit and FD ganoderma products. Shenhe plans to apply in May 2011 for an amended National Industrial Products Production License to cover FD fruit, FD health food products and FD instant noodle and soup products.

Environmental Protection Requirements

Shenhe's emissions include waste process water, gas emission and industrial residues. The waste water refers to the water that has been used for fruit and vegetable cleaning, which causes no pollution to the environment. Such water has met the national emission standards and can be used for local farmland irrigation. The gas emission refers to the boiler exhaust, mainly including CO^2, CO, SO^2, SO^3, vapor, fine dust and carbon dust. The industrial residues mainly refer to the slag emitted by boilers and solid waste left in the fruit and vegetable cleaning process.

Shenhe adopts certain measures to reuse its solid residues and dispose them as raw materials for use by construction companies as well as the raw materials for organic fertilizers that can be used by local farmers.

For gas emissions, although Shenhe has obtained a confirmation from Environment Protection Bureau of Cangshan County stating that Shenhe has met the relevant emission standards, Shenhe currently does not hold a license for discharging gas emission, which is required under applicable PRC environmental law. Shenhe believes the risk of the PRC governmental agency taking enforcement action for this breach is small. However, there is no assurance that such enforcement action will not occur. Shenhe is in the process of filing with the applicable PRC environmental protection authorities including the Department for Environmental Impact Assessment and an environmental assessment by such environmental protection authorities is currently in progress. Shenhe will make an application for emission permits if required based on the results of the environmental assessment.

Taxation

China currently has a number of laws related to various taxes imposed by both national and regional government authorities. Applicable PRC taxes include value-added tax ("**VAT**"), corporate income tax, payroll (social) taxes among others. VAT is typically payable in China at a rate of 17% of taxable sales and credited by VAT paid on materials and related expenditures. Corporate income tax is typically payable in China at the rate of 25% of corporate net income adjusted for tax purposes.

According to existing tax laws and rules, enterprises engaged in agricultural processing and sales of processed agricultural products only pay income tax (25%) and VAT (13%).

DIVIDENDS OR DISTRIBUTIONS

Since inception, Shenhe has declared dividends twice:

- distribution from year 2005's profit as dividend in amount of RMB 60,000,000; and
- distribution from year 2006's profit as dividend in amount of RMB 31,000,000.

Shenhe currently plans to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends in the foreseeable future.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS OF SHENHE

The following management's discussion and analysis ("**Annual MD&A**") of the financial condition and results of the operations of Shenhe Foodstuff Co., Ltd. ("**Shenhe**") constitutes management's review of the factors that affected Shenhe's financial and operating performance for years ended June 30, 2010, 2009 and 2008. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of Shenhe for the years ended June 30, 2010, 2009 and 2008 ("the Audited Financial Statements"), together with the notes thereto and the auditors' report thereon included in this Prospectus. Results are reported in Canadian dollars, unless otherwise noted. The Audited Financial Statements were prepared in accordance with the Canadian generally accepted accounting principles ("**GAAP**") and were presented in Canadian dollars unless otherwise noted. Information contained herein is presented as at May 13, 2011 unless otherwise indicated.

With respect to certain forward-looking statements contained herein, see the *"Forward Looking Information"* section included elsewhere in this Prospectus. The results of operations, business prospectus and financial condition of Shenhe will be affected by certain risk factors described elsewhere in this Prospectus, See "*Information Concerning the Resulting Issuer - Resulting Issuer Risk Factors"*.

Overview

Shenhe is engaged in the freeze-dried food processing industry. Its business is focused on food dehydration to preserve and protect food color, freshness and quality by use of vacuum freeze-drying technology. Shenhe is a leading Chinese freeze-dried food manufacturer with headquarters in Shandong Province, China. Shenhe currently provides over 100 kinds of freeze-dried products which mainly are freeze-dried vegetables and fruits. Shenhe's manufacturing facility is located in Cangshan County, Shandong province where Shenhe currently has 3 factories and 6 workshops and 20 production lines with an aggregate annual freeze-dried production capacity of over 5,500 tonnes.

Factors Affecting Results of Operations

Revenues

Shenhe's principal sources of revenue are derived from the sales of freeze-dried products. Freeze-dried products include garlic slices, green peas, sweet corn, strawberry slices, ganoderma powder, garlic oil, bone powder, fruit and sliced vegetables. All the Shenhe production is exported. Revenues from the sales of freeze-dried products are recognized when the products are shipped and the title passes to the customer and the significant risks and rewards of ownership have been transferred to the customers, including factors such as when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, sales and value added tax laws have been complied with, and collectability is reasonably assured. Revenue is disclosed at the net amount after value added tax and sales discounts and return allowances with a separate deduction for other sundry sale surcharges in accordance with the PRC tax laws.

Costs of Good Sold

Costs of sales consist of production costs. Production costs include raw materials, labour and manufacturing costs. All raw materials are sourced from PRC suppliers.

General and administrative expenses

Shenhe's general and administrative expenses consist mainly of salary and benefits for the administrative staffs, amortization of intangible assets, related depreciation from fix assets, R&D expenses, interest expenses and general office expenses.

Selling Expenses

Selling expenses consist mainly of commission fees, transportation fees, and sundry costs of exporting.

Foreign Currency

All of Shenhe's revenues and expenses are generated in the PRC in RMB, and its financial results are reported herein in Canadian dollars. Accordingly, the results of operations are impacted by the fluctuation of the RMB against the Canadian dollar through the translation of the financial statements. The income statements are translated using average exchange rates for one RMB, expressed in Canadian dollars, for the years ended June 30, 2010, 2009 and 2008 respectively of 0.1550, 0.1707 and 0.1391 (obtained from http://www.oanda.com/currency/converter). Assets and liabilities except for amortization of long lived assets and shareholders' equity, which are translated using historical exchange rates, are translated using year-end exchange rates for one RMB, expressed in Canadian dollars, for the years ended June 30, 2010, 2009 and 2008 respectively of 0.1544, 0.1694 and 0.1476.

Overall Performance

Results for the Years Ended June 30, 2010 and June 30, 2009:

Revenues increased from $79.6 million during the year ended June 30, 2009 to approximately $83.8 million during fiscal 2010, representing an increase of approximately 5%.

Overall gross profit decreased from $43.4 million during the year ended June 30, 2009 to $36.4 million during the year ended June 30, 2010. Gross profit as a percentage of sales decreased from 54% in 2009 to 43% in 2010. The reduction in gross profit percentage is a result of the increase in raw materials costs and the changed sales products mix in fiscal year ended June 30, 2010. The sales volume of FD ganoderma powder, which has a significantly higher gross margin than other FD products, declined dramatically in the fiscal year ended June 30, 2010, resulting in a decrease in the overall gross margin in 2010.

Net income decreased from $27.9 million during fiscal 2009 to $23.4 million during fiscal 2010.

As at June 30, 2010, Shenhe had total assets of $124,841,959 and shareholder’s equity of $119,860,629. This compares to total assets of $112,233,364 and a shareholder’s equity of $105,882,013 as at June 30, 2009. The increase in total assets was mainly due to the $5.9 million increase of the advances to suppliers which represents the increased prepayments for raw materials purchase from suppliers. The increase was also due to the increase of advances for equipment purchase and for constructions of new facilities. Inventory also increased approximately $5.4 million due to the increase of raw materials purchases and the increase of production of finished goods. No further paid-in-capital was injected between June 30, 2009 and June 30, 2010, the increase in shareholder’s equity was mainly due to an increase of retained earnings and reserves of $23.5 million as a result of improved profits and a decrease of $9.5 million in accumulated comprehensive income, which mainly consisted the foreign exchange loss incurred for translation of Shenhe’s financial statements from RMB into Canadian dollars for the year ended June 30, 2010.

As at June 30, 2010, Shenhe had working capital of $41,170,286 compared to $40,449,460 at June 30, 2009. Shenhe had cash of $14,948,893 at June 30, 2010 compares with $31,442,355 at June 30, 2009. The decrease of cash of 16,493,462 from June 30, 2009 to June 30, 2010 is primarily due to Shenhe has made payments to various suppliers to purchase raw materials and production equipments. Shenhe has sufficient cash on hand to fund its working capital needs at the current level for the twelve-month period ending June 30, 2011. See “Liquidity and Capital Resources” section below.

Results for the Years Ended June 30, 2009 and June 30, 2008:

Revenues increased from $56.4 million during the year ended June 30, 2008 to approximately $79.6 million during fiscal 2009, representing an increase of approximately 41%.

Overall gross profit increased from $31.8 million during the year ended June 30, 2008 to $43.4 million during the year ended June 30, 2009. Gross profit expressed as a percentage of sales decreased from 56% in 2008 to 54% in 2009. The reduction in gross profit percentage is a result of the increase in raw materials costs in fiscal year ended June 30 2009.

Net income increased from $21.4 million during fiscal 2008 to $27.9 million during fiscal 2009.

As at June 30, 2009, Shenhe had working capital of $40,449,460 compares with $8,736,751 at June 30, 2008. Shenhe had cash of $31,442,355 at June 30, 2009 compares with $20,348,132 at June 30, 2008. The increase in working capital of $31,712,709 and cash of $11,094,223 from June 30, 2008 to June 30, 2009 was primarily due to the improvement of operation in the year ended June 30, 2009 which caused the total increase of revenue of $23.2 million.

<u>Selected Annual Financial Information</u>

The following financial information has been derived from Shenhe's audited financial statements for the three years ended June 30, 2010, 2009 and 2008:

Presented in $'000	**Years ended June 30**		
	2010	**2009**	**2008**
Sales revenues	83,846	79,573	56,412
Net income	23,450	27,928	21,432
Earnings per share*	N/A	N/A	N/A

* Shenhe is a PRC limited liability company with no shares being issued. Therefore earnings per share is not applicable.

Revenues of Shenhe have increased from approximately $56.4 million in fiscal 2008 to $84.8 million in fiscal 2010. The primary drivers of the growth have been the result of sales to new customers and increases in average selling prices of FD products.

Net income over the three year period from 2008 to 2010 increased from $21.4 million to approximately $23.5 million and was primarily the result of increased revenues, higher cost of goods sold and a proportionately lower increase in operating expenses.

Presented in $'000	**As at June 30**		
	2010	**2009**	**2008**
Total assets	124,842	112,233	86,883
Total liabilities	4,981	6,351	18,778
Dividends payable	Nil	Nil	13,432[(1)]

Note:

(1) Payment of dividend declared for 2006 and 2005.

The increase in assets over the two year period June 30, 2008 to 2010, is attributable primarily to an increase in accounts receivable, advances to suppliers, inventory and advances Shenhe has made in accordance with relevant building construction, equipment purchase and land use right acquisition or leasing. Total liabilities over the same period decreased as a result of cash flow generated by Shenhe to fund the increase in assets and a the payment of dividends classified as dividends payable at the end of 2008

For a detailed analysis of the fluctuations of total assets as at June 30, 2010 and 2009 please refer to "Overall Performance" section provided herein. For a detailed analysis of the fluctuations of revenues and net income between the two years ended June 30, 2010 and 2009 please refer to the "Result of Operations" section found herein.

Results Of Operations

Fiscal Year Ended June 30, 2010 Compared to Fiscal Year Ended June 30, 2009

The following table sets forth key components of the results of operations for the periods indicated, both in Canada dollars and as a percentage of sales revenue.

(All amounts, other than percentage, in thousands of Canada dollars)

Item	**Year Ended June 30, 2010**		**Year Ended June 30, 2009**	
(Audited)		**As a Percentage of Sales revenue**		**As a Percentage of Sales revenue**
Sales revenue	83,846	100.00%	79,573	100.00%
Cost of sales	47,433	56.57%	36,185	45.47%
Gross profit	36,413	43.43%	43,388	54.53%
General and administrative expenses	2,443	2.91%	2,789	3.50%
Exchange gain or loss	114	0.14%	890	1.12%
Selling Expenses	2,561	3.05%	2,552	3.21%
Income from operations	31,295	37.32%	37,157	46.70%
Other income	11	0.01%	24	0.03%
Income before income taxes	31,306	37.34%	37,181	46.73%

Item	Year Ended June 30, 2010		Year Ended June 30, 2009	
(Audited)		As a Percentage of Sales revenue		As a Percentage of Sales revenue
Income taxes	7,857	9.37%	9,253	11.63%
Net income	23,450	27.97%	27,928	35.10%

Sales revenue. Sales revenue consists of revenue derived from the sales of FD products, less discounts, and returns. For the fiscal year ended June 30, 2010, sales revenue was $83.85 million compared to $79.57 million in the previous year, an increase of $4.28 million or 5.38%. The growth in sales revenue was primarily due to the increase in average selling prices of most of FD products, and in particular the selling price of FD garlic slices. The increase was also due to a lesser extent to the increase in demand of certain FD products, such as FD green peas.. As the price of garlic in China increased dramatically from 2009 to 2010, the selling price of FD garlic slices increased correspondingly over the fiscal year ended June 30, 2010.

- *Freeze-dried vegetable and fruits.* FD garlic slices and FD strawberry slices were Shenhe’s major products in this segment and FD garlic slices accounted for approximately 36% of Shenhe’s total sales revenue during the fiscal year ended June 30, 2010.
- *Freeze-dried health food products.* FD health food products are Shenhe’s new products which include bone marrow powder and Garlic oil. These products are expected to be launched in the second half year of 2011.
- *Freeze-dried noodles.* FD noodles are Shenhe’s new products which are expected to be launched in the second half of 2011. This product will build up Shenhe’s own brand in order to dev*elop both domestic an*d global markets. Shenhe will establish its own sales forces to distribute FD noodles series products.

Cost of Sales. The cost of sales was primarily comprised of the costs of raw materials, labour, overhead and sales tax. For the fiscal year ended June 30, 2010, cost of sales was $47.43 million compared to $36.19 million for the fiscal year ended June 30, 2009, an increase of $11.24 million or 31.06%. This increase was primarily caused by the combination of an increase in average purchase prices of raw materials as well as an increase in total production volume.

Gross Profit and Gross Margin. The gross profit is equal to sales revenue minus cost of goods sold. Gross profit was $36.41 million for the fiscal year ended June 30, 2010, compared to $43.39 million for the fiscal year ended June 30, 2009, a decrease of $6.98 million or 16.09%. Gross profit as a percentage of sales revenue (gross margin) was 43.43% and 54.53% for the fiscal year of 2010 and 2009 respectively. The decrease in the gross margin was primarily due to the increase in raw material costs and the changed sales products mix in fiscal year ended June 30 2010. The sales volume of FD ganoderma powder, which has higher gross margin than other FD products, declined dramatically in the fiscal year ended June 30, 2010, resulting in a decrease in the overall gross margin.

General and Administrative Expenses. General and administrative expenses included the costs associated with employees and support personnel who manage Shenhe’s business activities, office expense, professional fees paid to third parties, and depreciation of non-production facilities. General and administrative expenses decreased $0.35 million or 12.54%, to $2.44 million for the fiscal year ended June 30, 2010 from $2.79 million for the fiscal year ended June 30, 2009. As a percentage of sales revenue, general and administrative expenses were 2.91% and 3.51% of sales revenue for fiscal years 2010 and 2009, respectively. The decrease was primarily due to the improvement of controls over the expenses. Shenhe expects an increase in general and administrative expenses in connection with becoming a public company. Additional expenses will be incurred in relation to maintaining compliance with securities and other regulations, including increases in audit and legal and professional fees and investor relations expenses.

Exchange Gains and Losses. As Shenhe exports all FD products abroad, it has transaction exposure of the fluctuation of foreign currency exchange rates. The exchange gain and loss refers to the gain or loss incurred due to the change of foreign exchange rate through the exports. Exchange losses were $0.11 million and $0.89 million for fiscal years 2010 and 2009, respectively. As a percentage of sales revenue, exchange losses were 0.14% and 1.12% for fiscal years 2010 and 2009, respectively.

Selling Expenses. Selling expenses consist of packaging expenses, payroll, commissions, transportation costs and other sales related costs. Selling expenses were relatively unchanged at $2.56 million for the fiscal year 2010 and $2.55 million for fiscal year 2009. As a percentage of sales revenue, selling expenses were 3.05% and 3.21% of sales revenue for 2010 and 2009, respectively. The decrease was primarily due to more efficient controls of several selling expenses.

Other Income. Other income included revenue derived from the sales of defective FD food products that were not suitable for normal sales. Other income was $0.011 million and $0.024 million for the fiscal years 2010 and 2009, respectively. As a percentage of sales revenue, other income were 0.01% and 0.03% of sales revenue for the fiscal years 2010 and 2009.

Income Taxes. Income taxes were $7.86 million and $9.25 million for fiscal years 2010 and 2009, respectively. Shenhe's income tax rate is 25% of income from continuing operations before taxes.

Net Income. Net income decreased $4.48 million or 16.04 %, to $23.45 million for the fiscal year ended June 30, 2010 from $27.93 million for the fiscal year ended June 30, 2009, as a result of the factors discussed above.

Fourth Quarter Results

The following table sets forth the selected financial information in the three month periods ended June 30, 2010 and 2009:

(in $,000)	**Three months ended June 30**	
Operating Results	**2010**	**2009**
Sales revenue	23,899	24,194
Cost of goods sold	15,082	10,846
Gross profit	8,817	13,348
Net income	5,561	8,904

Revenues during the fourth quarter of 2010 were $23.9 million, decreased 1.2% from $24.2 million for the last quarter of 2009.

Cost of goods sold during the fourth quarter of 2010 was $15.1 million, up 39.8% from $10.8 million during the last quarter of 2009. The increase was primarily as a result of higher raw material costs. Gross profit for the fourth quarter of 2010 was $8.8 million, representing a margin of 36.9% on revenue. Gross profit for the last quarter of 2009 was $13.3 million, representing a margin of 55.0% on revenue.

During the fourth quarters of 2010 and 2009, there were no significant events and transactions that affect the results of operations, cash flows for the years ended June 30, 2010 and 2009 respectively.

Fiscal Year Ended June 30, 2009 Compared to Fiscal Year Ended June 30, 2008

The following table sets forth key components of the results of operations for the periods indicated, both in Canada dollars and as a percentage of our sales revenue.

(All amounts, other than percentage, in thousands of Canada dollars)

Item	**Year Ended June 30, 2009**		**Year Ended June 30, 2008**	
(Audited)		**As a Percentage of Sales revenue**		**As a Percentage of Sales revenue**
Sales revenue	79,573	100.00%	56,412	100.00%

Item (Audited)	Year Ended June 30, 2009		Year Ended June 30, 2008	
		As a Percentage of Sales revenue		As a Percentage of Sales revenue
Cost of sales	36,185	45.47%	24,608	43.62%
Gross profit	43,388	54.53%	31,804	56.38%
General and administrative expenses	2,789	3.50%	2,168	3.84%
Exchange gain or loss	890	1.12%	703	1.25%
Selling expenses	2,552	3.21%	1,999	3.54%
Operating income	37,157	46.70%	26,933	47.74%
Other income	24	0.03%	9	0.02%
Income before income taxes	37,181	46.73%	26,942	47.76%
Income taxes	9,253	11.63%	5,510	9.77%
Net income	27,928	35.10%	21,432	37.99%

Sales revenue. For the fiscal year ended June 30, 2009, sales revenue was $79.57 million compared to $56.41 million for the fiscal year ended June 30, 2008, an increase of $23.16 million or 41.06%. The growth of sales revenue was primarily attributable to the increased market demand for FD ganoderma powder and the increase in selling prices of FD vegetables. In the fiscal year ended June 30, 2009, one customer ordered an extremely large amount of FD ganoderma powder, resulting in an increase of sales of this product.

Cost of Sales. For the fiscal year ended June 30, 2009 our cost of sales were $36.19 million compared to $24.61 million for the fiscal year ended June 30, 2008, an increase of $11.58 million or 47.05%. This increase was primarily due to the increase in average prices of raw materials and the increase of sales volume for ganoderma powder. As a percentage of sales revenue, the cost of sales increased to 45.47% for the fiscal year ended June 30, 2009 from 43.62% for the fiscal year ended June 30, 2008.

Gross Profit and Gross Margin. Gross profit was $43.39 million for the fiscal year ended June 30, 2009, compared to $31.80 million for the fiscal year ended June 30, 2008, an increase of $11.59 million or 36.45%. Gross profit as a percentage of sales revenue (gross margin) was 54.53% and 56.38% for the fiscal year ended June 30, 2009 and June 30, 2008, respectively. The decrease in the gross margin was primarily due to the increase in raw materials costs.

General and Administrative Expenses. General and administrative expenses increased $0.62 million, or 28.57%, to $2.79 million for the fiscal year ended June 30, 2009 from $2.17 million for the fiscal year ended June 30, 2008. The increase was mainly attributable to increase in R&D expenses for the fiscal year of 2009. As a percentage of sales revenue, general and administrative expenses were 3.50% of sales revenue for the fiscal years ended June 30, 2009 and 3.84% of sales revenue for the fiscal years ended June 30, 2008. The percentage decrease is mainly due Shenhe's more efficient controls over the general and administrative expenses.

Exchange Gain and Loss. Exchange losses were $0.89 million and $0.70 million in fiscal year of 2009 and 2008 respectively. As a percentage of sales revenue, exchange losses were 1.12% and 1.25% in fiscal year of 2009 and 2008 respectively.

Selling Expenses. Selling expenses increased $0.55 million, or 27.50%, to $2.55 million for the fiscal year ended June 30, 2009 from $2.00 million for the fiscal year ended June 30, 2008. The main reason was due to the increase of the sales in the fiscal year of 2009. As a percentage of sales revenue, selling expenses decreased to 3.21% of sales revenue for the fiscal year ended June 30, 2009 from 3.54% of sales revenue for the fiscal year ended June 30, 2008. The decrease was primarily due to more efficient controls of several selling expenses.

Other Income. Other income was $0.024 million and $0.009 million in the fiscal year of 2009 and 2008 respectively. As a percentage of sales revenue, other incomes were 0.03% and 0.02% of sales revenue for the fiscal year of 2009 and 2008.

Income Taxes. Shenhe's income taxes were $9.25 million and $5.51 million in fiscal year of 2009 and 2008 respectively. Shenhe's statutory income taxes rate is 25% of income from continuing operation before taxes.

Net Income. Net income increased $6.50 million or 30.31%, to $27.93 million for the fiscal year ended June 30, 2009 from $21.43 million for the fiscal year ended June 30, 2008, as a result of the factors discussed above.

Liquidity and Capital Resources

The purpose of liquidity management is to ensure there is sufficient cash to meet Shenhe's financial commitments and obligations as they fall due. Shenhe believes that it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements for the next financial year. Shenhe's main source of funding has been cash provided by operating activities. Shenhe's main uses of funding have been to pay operating expenses, to invest in production line, and to pay the acquisitions of property, plant and equipment and land use rights.

As of June 30, 2010, 2009 and 2008, Shenhe had cash and cash equivalents of approximately $14.9 million, $31.4 million and $20.3 million respectively. The following table sets forth, for the periods indicated, a condensed summary of Shenhe's statement of cash flows.

Cash Flow

(All amounts in thousands of Canada dollars)

Item (Audited)	**For Fiscal Year Ended June 30, 2010**	**For Fiscal Year Ended June 30, 2009**	**For Fiscal Year Ended June 30, 2008**
Net cash provided by operating activities	8,840	24,897	6,248
Net cash used in investing activities	(22,605)	(179)	(17,992)
Net cash provided (used in) by financing activities	0	(16,568)	13,506
Effect of exchange rate on cash	(2,728)	2,944	1,146
Cash, beginning of the period	31,442	20,348	17,440
Cash, end of the period	14,949	31,442	20,348

Cash Flows from Operating Activities.

Net cash provided by operating activities was $8.84 million for year ended June 30, 2010, a decrease of $16.06 million from $24.90 million for year ended June 30, 2009. The decrease of net cash provided by operating activities was primarily attributable to the increase in accounts receivables, advances to suppliers and inventory, which increased $4.30 million, $5.98 million and $5.36 million in fiscal year of 2010, respectively. In the fiscal year of 2010, Shenhe increased advances to suppliers and purchased more raw materials in order to ensure the supply of raw materials and normal production.

Net cash provided by operating activities was $24.90 million for year ended June 30, 2009, an increase of $18.65 million from $6.25 million for year ended June 30, 2008. The growth in the business has been the major driver of the increased cash generated from operating activities.

Cash Flows used in Investing Activities.

Net cash used in investing activities in fiscal year of 2010 was $22.61 million, an increase of $22.43 million, compared to $0.18 million in fiscal year ended June 30, 2009. In the fiscal year of 2010, Shenhe paid approximately $13.89 million for the acquisition of, or advances towards purchase of, property, plant and equipment, approximately $5.06 million for construction in projects and approximately $3.66 million for the acquisition of intangible assets (mainly for land use rights) to expand its production capacity.

Net cash used in investing activities in fiscal year of 2009 was $0.18 million, a decrease of $17.81 million compared to $17.99 million in fiscal year ended June 30, 2008. There was nearly no net cash used in investing activities in fiscal year of 2009. In the fiscal year of 2008, Shenhe paid approximately $5.92 million for the acquisition of property, plant and equipment, approximately $3.11 million for construction in progress and approximately $8.96 million of intangible assets (mainly for land use rights) to expand production capacity.

Cash Flows from Financing Activities.

There was no net cash used in financing activities in fiscal year of 2010.

Net cash used in financing activities in fiscal 2009 was $16.57 million. Dividends paid in fiscal 2009 amounted to $15.53 million.

Capital Resources

As of June 30, 2010 Shenhe did not have any bank loans, short term or long term debt.

Capital Expenditures

Capital expenditures were $22.61 million for the fiscal year ended June 30, 2010. Shenhe’s capital expenditures primarily relate to its investment in construction projects, acquisition of property, plant and equipment and land use rights to expand its production capacity. Shenhe’s material capital expenditure requirements for the fiscal year 2011 are expected to be approximately $4.30 million, which will be used for completing the phase 4 and phase 5 projects.

Seasonality

Although many of Shenhe's products have certain degrees of seasonality as agricultural produce is Shenhe's main raw material, Shenhe's overall production has not historically been significantly affected by seasonality because Shenhe has large capacity of frozen storage facilities to store raw materials. Therefore Shenhe is able to purchase raw materials in bulk while in season and store them for production in off-season periods. However, Shenhe’s revenue may have slight seasonal changes due to overall pattern of consumer activity year around.

Effects of Inflation

Inflation and changing prices have not had a material effect on Shenhe’s business and Shenhe does not expect that inflation or changing prices will materially affect its business in the foreseeable future.

Off-Balance Sheet Arrangements

As of June 30, 2010, Shenhe did not have any significant off-balance arrangements.

Related Party Transactions

As of June 30, 2010, Shenhe did not have any related party transactions.

Commitments

As of June 30, 2010, Shenhe had capital commitments relating to the infrastructure construction and renovation and equipment purchases of $9.83 million and $6.13 million, respectively. The commitments will be due in December 2011.

Critical Accounting Policies

(a) Basis of Presentation

The financial statements of Shenhe have been prepared in accordance with Canadian GAAP. Shenhe's books and records are maintained in RMB, which is the functional currency. The financial statements are prepared in Canadian dollars, the reporting currency.

(b) Cash

Cash and cash equivalents consists of cash and highly liquid money market funds and term deposits with maturities of less than three months.

(c) Inventory

Inventories are generally measured at the lower of cost and net realizable value, with cost being determined using a weighted average formula. Net realizable value for finished goods and raw materials is generally considered to be the selling price in the ordinary course of business less the estimated costs to complete and the estimated costs to make the sale.

Shenhe did not recognize any write-downs on inventories or reversals of any previous write-downs during the periods presented.

(d) Use of estimates

The preparation of financial statements in conformity with GAAP requires Shenhe to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates used in the preparation of the financial statements include those used in the determination of amortization period for long-lived assets.

(e) Revenue recognition

Shenhe's principal sources of revenue are from the sales of freeze-dried vegetables. Revenues are recognized when the products are shipped and the title passes to the customer, there is evidence that a sales arrangement exists, the sales price is fixed and determinable, and collectability is reasonably assured.

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized on the balance sheet when Shenhe becomes a party to contractual provisions of the instrument. On initial recognition, all financial instruments must be measured at fair value which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Subsequent to initial recognition, the fair value of financial instruments is dependent on the purpose for which the financial assets were acquired or issued, their characteristics and Shenhe's designation of such instruments.

At each reporting date the carrying amounts of financial assets, other than those to be measured at fair value through income, are assessed to determine whether there is objective, significant evidence of impairment (e.g. a debtor is facing serious financial difficulties, or there is a substantial change in the technological, economic, legal or market environment of the debtor). For equity instruments, a significant or prolonged decline in fair value is objective evidence for a possible impairment. Shenhe has defined criteria for the significance and duration of a decline in fair value as discussed in the categories below.

The standards require that all financial assets be classified as held-for-trading ("**HFT**"); held-to-maturity ("**HTM**"); available-for-sale ("**AFS**") or loans and receivables ("**L&R**"). Financial liabilities should be classified as HFT or other than HFT liabilities.

Financial assets:

Held-for-trading - Financial assets required to be classified as HFT are measured at fair value, with gains, losses and transaction costs recorded in net income for the period in which they arise. A financial instrument is designated as HFT on initial recognition if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of HFT ("**fair value option**"). Held-for-trading securities are usually held for a short term and are actively traded. Shenhe has determined that its cash as classified for HFT. The fair value equals the carrying value.

Available-for-sale - Financial assets classified as AFS are measured at fair value, except for investments in equity instruments that do not have a quoted market price in an active market, which are measured at cost. Unrealized gains and losses, including the effect of changes in foreign exchange rates, are recognized directly in Other Comprehensive Income, except for impairment losses, which are recognized in net income. Upon de-recognition of the financial asset, the cumulative gains or losses, previously recognized in Accumulated Other Comprehensive Income ("**AOCI**") are reclassified to net income.

If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is reclassified from direct recognition in equity to the income statement.

Reversals with respect to equity instruments classified as available-for-sale are not recognized in the income statement. A reversal of an impairment loss on a debt instrument is reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss is recognized in income. Shenhe does not hold any available for sale financial instruments.

Held-to-maturity - Financial assets that are purchased and have a fixed maturity date and which management has the intention and the ability to hold to maturity are classified as held-to-maturity. These instruments are accounted for at amortized cost using the effective interest rate method and charged to income in the period of amortization. Shenhe currently does not hold any of these assets.

Loans and receivables **–** Loans and receivables are measured at amortized cost using the effective interest rate method. Interest income calculated using the effective interest rate method is recorded in financing income in the period in which it arises.

Financial liabilities:

HFT liabilities – Financial liabilities are measured at fair value. Gains and losses on liabilities held-for-trading are recognized in earnings. Shenhe currently does not hold any of these liabilities.

Other than HFT liabilities - Financial liabilities classified as other than HFT are measured at amortized cost using the effective interest method. Interest expense is recorded in financing expense in the period. Shenhe has determined that its accounts payables are classified as other than HFT. The fair value equals the carrying value.

(g) Property, plant and equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are depreciated to their estimated residual values on the straight-line basis over the estimated useful lives.
Residual values are estimated at 5% of the original cost. The estimated useful lives are as follows:

Buildings	30 years
Machinery	15 years
Electric Equipment	6 years
Office equipment	5 years
Vehicles	10 years

(h) Construction in progress

Construction in progress represents direct costs of construction or acquisition and design fees incurred. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until it is completed and ready for intended use.

(i) Impairment of long-lived assets

Shenhe recognizes an impairment loss for a long-lived asset to be held and used when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. No impairment loss was recognized in these financial statements.

(j) Intangible assets

Intangible assets are initially recorded at cost. Indefinite life assets are not amortized while assets with finite lives are amortized on a straight line basis to nil over their contract terms.

Land use rights	50 years
Electric power use rights	10 years

All lands in the PRC are owned by the PRC government. The government in the PRC, according to the relevant PRC law, may sell the right to use the land for a specified period of time. Thus, all of Shenhe's land purchases in the PRC are considered to be leasehold land and are stated at cost less accumulated amortization and any recognized impairment loss.

(k) Income taxes

Shenhe uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

(l) Accumulated other comprehensive income (loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss).

Certain gains and losses arising from changes in fair value are temporarily recorded outside the consolidated statement of operations in accumulated comprehensive income as a separate component of shareholders' equity.

Comprehensive income (loss) is comprised of Shenhe's net income and other comprehensive income (loss).

Other comprehensive income (loss) may include any unrealized gains and losses on foreign currency translation gains and losses on the currency used for presentation and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of taxes.

(m) Foreign currency translation

Shenhe follows the current rate method of accounting for the translation of the financial statements. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenue and expenses (including depreciation and amortization) are translated at the average rates of exchange during the period. Adjustments to the Canadian dollar equivalent of foreign denominated monetary assets and liabilities due to the impact of exchange rate changes are recognized in foreign exchange gain (loss) under the other comprehensive income in the equity section.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("**CASB**") has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, Shenhe will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the three month period ended September 30, 2011. Shenhe's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

Shenhe has established a comprehensive IFRS transition plan and engaged a third-party adviser o assist with the planning and implementation of its transition of IFRS. The following summarizes Shenhe's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS	Completed
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 - First-time Adoption of International Financial Reporting Standards.	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress expected to be completed by June 30, 2011
Resolution of the accounting policy change implications on information technology, business process and contractual arrangements.	In progress expected to be completed by July 31, 2011
Quantification of the financial statement impact of changes in accounting policies.	On going through 2011
Management and employee education and training.	On going

First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS1 – First-time Adoption of International Financial Reporting Standards ("**IFRS 1**"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to the retrospective treatment.

The following is provided in connection with Shenhe's expected adoption of IFRS and preparation of an opening IFRS statement of financial position as at July 1, 2010 (the "**Transition Date**").

Initial Elections Upon Adoption.

Set forth below are the IFRS 1 elections that Shenhe expects to make at adoption to IFRS.

IFRS Exemption Options:

- Business combinations – IFRS 3, *Business Combinations*, may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. Shenhe will not elect to retrospectively apply IFRS 3 to business combinations that occurred prior to the Transition Date and such business combinations will not be restated. Any goodwill arising on such business combinations before the Transition Date will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions except as required under IFRS 1. Shenhe will adopt this standard upon its effective date which, for Shenhe, is July 1, 2010.

- Fair value as deemed cost – IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. Shenhe will continue to apply the cost model for property, plant and equipment and will not restate property, plant and equipment to fair value under IFRS. Shenhe will use the historical bases under Canadian GAAP as deemed cost under IFRS at Transition Date.

- Cumulative translation differences – Retrospective application of IFRS would require Shenhe to determine cumulative currency translation differences in accordance with IAS 21, *The Effect of Changes in Foreign Exchange Rates*, from the date a subsidiary or associate was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. Shenhe will elect to reset all cumulative translation gains and losses to zero in opening retained earnings at the Transition Date.

- Changes in exiting decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment – IFRS 1 allows for either the retroactive adoption of prospective adoption from the transition date of IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities. Shenhe will elect not to retrospectively recognize changes to liabilities under IFRIC 1 which may have occurred before the Transition Date.

IFRS Mandatory Exceptions

- Estimates – Hindsight is not used to create or revise estimates. The estimates Shenhe previously made under Canadian GAAP cannot be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The above optional exemptions and mandatory exceptions are to be adopted in Shenhe's first interim financial statements reporting in accordance with IFRS for the quarter ending September 30, 2011.

Impact of Adopting IFRS on Shenhe's Business

Shenhe is an entity that has been established in the PRC since March 22, 2001 and therefore has also been responsible for the corporate reporting in accordance with the PRC accounting standards, which itself has been gradually merged with the International Accounting Standard ("IAS" – the predecessor version of IFRS) since 2004. In 2006, PRC accounting standards had been acknowledged by the IFRS as conversion accounting standards of IFRS. Being a company under this financial reporting environment, Shenhe has already developed its internal control and financial information gathering systems for the purpose to accomplish the PRC statutory corporate reporting requirements, which in turn can also satisfy the requirements on internal controls and financial information collection for corporation financial reporting under IFRS. As part of its analysis of potential changes to significant accounting policies, Shenhe has assessed what changes may be required to its accounting systems and business processes. Shenhe believes that the changes identified to date are not material and its systems and processes can generally accommodate the necessary changes.

To date, Shenhe has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

Shenhe's local staff involved in the preparation of the financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of Shenhe who will be affected by a change to the collection of financial reporting information of Shenhe will also be trained as necessary.

The board of directors have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting Shenhe.

Impact of Adopting IFRS on Shenhe's Financial Statements:

The adoption of IFRS will result in some changes to Shenhe's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of Shenhe's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas Shenhe has identified as having the most potential for a significant change. The IASB has a number of ongoing projects, the outcome of which may have an effect on the changes required to Shenhe's accounting policies on adoption of IFRS. At the present time, however, Shenhe is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1. Impairments – Assets Held for Sale

   Canadian GAAP – Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell, where the carrying amount for purposes of determining impairment includes cumulative translation adjustments.

   IFRS – Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell, where the carrying amount excludes cumulative translation adjustments, upon sale of the assets, the amount of the cumulative translation adjustment is included in the determination of the gain or loss on sale.

   Shenhe has not incurred any impairment on its assets held for sale in its historical operation. The adoption of this accounting policy will have a prospective effect in its future financial reporting.

2. Impairment – Non-financial Assets

   Canadian GAAP – requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

   IFRS – requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows.

   Shenhe's accounting policy related to impairment of non-financial assets will be changed to reflect these differences. However, Shenhe does not expect that this change will have an immediate impact on the carrying value of its assets. Shenhe will perform impairment assessments in accordance with IFRS at the transition date.

3. Valuation of Financial Instruments Reflecting Credit Risk

   Canadian GAAP – Current Canadian GAAP has issued a new pronouncement related to the consideration of credit risk and Shenhe has adopted the applicable pronouncement.

   IFRS – IFRS contains specific guidance regarding the determination and measurement of credit risk and such guidance will be adopted by Shenhe effective on July 1, 2010, the transition date.

4. Cumulative Translation Adjustment ("**CTA**")

   Under both Canadian GAAP and IFRS, foreign currency gains or loss on translation of Shenhe's foreign currency financial statements are reflected within CTA in shareholders' equity. Upon disposal of the entity to which the foreign currency financial statements being translated, the related deferred foreign currency gain or loss is reclassified from CTA into earnings. However, these amounts will differ due to the IFRS 1 election to reset the CTA balance to zero at transition date.

5. Income Taxes

   In certain circumstances, IFRS contains different requirements related to recognition and measurement of future income taxes.

   Shenhe does not expect any change to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosure

- Shenhe completed its IFRS transition plan in early 2011 and will compose its IFRS opening balance sheet as at July 1, 2010, the transition date before its interim reporting for the quarter ended September 30, 2011.

- Shenhe's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three month period ending September 30, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending September 30, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and Shenhe's transition date IFRS statement of financial position at July 1, 2010.

New Accounting Pronouncements

Please refer to Shenhe's audited annual financial statements for the fiscal years ended June 30, 2010, 2009 and 2008 at Exhibit C of the Prospectus for a full disclosure of recent accounting pronouncements.

Trends

Recently, the U.S. and the European Union have implemented anti-dumping and other protective measures in various industries aimed to restrict foreign competition. If other nations or groups of nations into which Shenhe is targeting as international sales geographies adopt similar measures, Shenhe's international sales, and therefore its ability to execute its business plan, could be materially adversely affected.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF CHINA FREEZE-DRY INC.

The following management's discussion and analysis ("**Interim MD&A**") of the financial condition and results of the operations of China Freeze-Dry Inc. ("**BVICo**") constitutes management's review of the factors that affected BVICo's financial and operating performance for the three and nine months ended March 31, 2011. This Interim MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the audited annual financial statements of Shenhe for the years ended June 30, 2010, 2009 and 2008, together with the notes thereto, as well as the unaudited interim consolidated financial statements of BVICo for the three and nine months ended March 31, 2011, together with the notes thereto, included elsewhere in this Prospectus. Results are reported in Canadian dollars, unless otherwise noted. The unaudited interim consolidated financial statements of BVICo were prepared in accordance with Canadian GAAP for interim financial reporting and, accordingly, do not include all of the information and notes required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. With respect to certain forward-looking statements contained in the Interim MD&A, see the "*Forward Looking Statements*" section included elsewhere in this Prospectus. The results of operations, business prospects and financial condition of BVICo for the interim periods presented are not necessarily indicative of the results that may be expected for any future period and will be affected by certain risk factors described elsewhere in this Prospectus. See "*Information Concerning the Resulting Issuer - Resulting Issuer Risk Factors*". Information contained herein is presented as at May 13, 2011 unless otherwise indicated.

Overview

China Freeze-Dry Inc. ("**BVICo**") was incorporated on November 16, 2010 pursuant to the International Business Companies Act of the British Virgin Islands for the purposes of acquiring 100% ownership of Supertown Trading Company Limited ("**HKCo**") which itself is a company established in the Hong Kong Special Administrative Region of the People's Republic of China in February 2000. In January and March 2011, the shareholder of HKCo had transferred 90% and 10% of HKCo's outstanding shares to BVICo, respectively. As a result, HKCo became a wholly owned subsidiary of the BVICo.

HKCo's wholly-owned subsidiary Linyi Shenhe Foodstuff Co., Ltd., a corporation governed by the laws of PRC ("**Shenhe**"), is engaged in the freeze-dried food processing industry. Its business is focused on food dehydration and food color, freshness and quality protection by use of vacuum freeze-drying technology.

Factors Affecting Results of operations

Revenues

BVICo's principal sources of revenue are derived from the sales of freeze-dried ("**FD**") products including FD vegetables and fruits such as corns, sweet peas, garlic and strawberries. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, including factors such as when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, sales and value added tax laws have been complied with, and collectability is reasonably assured. Revenue is disclosed at the net amount after value added tax and sales discounts and return allowances with a separate deduction for other sundry sale surcharges in accordance with the PRC tax laws.

Costs of Goods Sold

Costs of sales consist of production costs including raw materials, labor and manufacturing costs. All raw materials are sourced from PRC suppliers.

General and administrative expenses

BVICo's general and administrative expenses mainly consist of salaries and benefits for the administrative staff, amortization of intangible assets, related depreciation from fixed assets, professional fees, low cost consumable and general office expenses.

Selling Expenses

Selling expenses mainly consist of transportation costs, advertising expenses and sundry fee for exporting.

Foreign Currency

All of BVICo's revenues and expenses are generated in the PRC in RMB, and its financial results are reported in Canadian dollars. Accordingly, the results of operations are impacted by the fluctuation of the RMB against the Canadian dollar. In the statement of operations and comprehensive income the weighted average exchange rates for one RMB, expressed in Canadian dollars, for the three months ended March 31, 2011 and 2010 was 0.15013 and 0.15268 respectively. The weighted average exchange rates for one RMB, expressed in Canadian dollars, for the nine months ended March 31, 2011 and 2010 was 0.15214 and 0.15626 respectively. In the balance sheets the period end exchange rate for one RMB, expressed in Canadian dollars, for the nine months ended March 31, 2011 and the year ended June 30, 2010 was 0.14847 and 0.15440 respectively.

Overall Performance

During the three month period ended March 31, 2011, BVICo focused on revenue growth and increasing profitability. Revenues during the three months ended March 31, 2011 were $22.1 million, which increased by $1.4 million or 6.8% from $20.7 million revenue generated from the three months ended March 31, 2010. Net income after taxes for the three month period ended March 31, 2011 was $6.0 million, which increased of $0.4 million or 7.1% from $5.6 million for the three month period ended March 31, 2010. Revenues during the nine months ended March 31, 2011 were $78.1 million, which increased by $18.1 million or 30.2% from $60.0 million during the nine months ended March 31, 2010. Net income after taxes during the nine months period ended March 31, 2011 were $22.1 million, which increased of $4.2 million or 23.5% from $17.9 million for the nine months period ended March 31, 2010.

Selected Quarterly Financial Information

The following selected financial information has been derived from the Company's unaudited interim consolidated financial statements during the three and nine months periods ended March 31, 2011 and 2010:

Operating results (in $)	Unaudited three months ended March 31		Unaudited nine months ended March 31	
	2011	2010	2011	2010
Sales revenue	22,111,183	20,693,561	78,052,567	59,947,569
Net income	6,049,433	5,645,914	22,101,527	17,888,751

Financial position (in $)	Unaudited March 31, 2011	Audited June 30, 2010
Total assets	141,041,497	124,841,959
Total liabilities	4,161,847	4,981,330
Dividends declared	Nil	Nil

The three month period ended March 31, 2011 compared with the three month period ended March 31, 2010

Results of Operations

Revenue

(Presented in $'000)	Three months ended March 31, 2011	Three months ended March 31, 2010	Variance Amt.	Variance %
FD products	22,111	20,694	1,417	6.8%

Revenues during the three month period ended March 31, 2011 increased of $1.4 million or 6.8% to $22.1 million from $20.7 million for the three month period ended March 31, 2010. Revenues stated in RMB increased 8.7% from the RMB135.5 million during the three month period ended March 31, 2010 to RMB147.3 million. The foreign currency fluctuation impact of the RMB caused a 1.9% loss of increase on sales results after translation into C$. The net increase of revenues during the three months period ended March 31, 2011 as compared with the same period ended March 31, 2010 was mainly caused by the overall increase of sales volume of FD products as compared with the sales volume achieved in the three month period ended March 31, 2010. Apart from the increase of sales volume, the selling prices of major FD products also increased compared to the selling prices of the same FD products for the same period ended March 31, 2010 due to an increase in the market demand.

Cost of Goods Sold

	Three months ended March 31,		**Variance**	
(Presented in $'000)	**2011**	**2010**	**Amt.**	**%**
FD products	11,940	11,948	(8)	- 0.1%

During the three months ended March 31, 2011, cost of goods sold decreased of 0.1% compared the same period ended March 31, 2010. Stated in RMB, cost of goods sold increased 1.6% to RMB79.5 million during the three months ended March 31, 2011 compared with RMB78.3 million during the same period ended March 31, 2010. The slight increase was mainly caused by the increase of raw material purchased as a result of the increase of sales volume during this period. Management purchased and stored certain raw materials before the raw material market price increased, hence the general increase of cost of goods sold was slightly lower than the increase in revenue.

General and administrative expenses

	Three months ended March 31		**Variance**	
(Presented in $'000)	**2011**	**2010**	**Amt.**	**%**
General administrative expenses	1,009	586	423	72.2%

General and administrative expenses increased 72.2%, from $586,000 during the three months ended March 31, 2010 to $1.01 million during the same period ended March 31, 2011. The increase of general and administrative expenses mainly consists of: 1) $ 182,000 increase of amortization of the land rental fee for a additional land leasing contract effected since March 2010; and 2) $ 188,000 recognized quarterly research and development expenses for a one year research and development contract that was effected since May 2010. General and administrative expenses represented 4.6% and 2.8% of total revenue for the three months March 31, 2011 and 2010 respectively.

Selling Expenses

	Three months ended March 31		**Variance**	
(Presented in $'000)	**2011**	**2010**	**Amt.**	**%**
Selling expenses	821	550	271	49.3%

Selling expenses increased 49.3% to $821,000 during the three months ended March 31, 2011, compared with the same period ended March 31, 2010. The increase of selling expenses was connected to the increase of revenue and mainly consists of a $241,000 increase in commission fee to the sales team and $31,000 increase in shipping and inspection expenses connected to export sales.

Selling expenses represented 3.7% and 2.7% of total revenue for the three months March 31, 2011 and 2010 respectively.

Income Tax Expense

(Presented in $'000)	Three months ended March 31 2011	2010	Variance Amt.	%
Income tax expense	1,993	1,902	91	4.8%

Income tax expense represented the current portion of income tax expenses recorded in accordance with the statutory income tax rate in PRC of 25%. As no adjustable difference occurred the effective tax rate is 25% for each of the three months ended March 31, 2011 and 2010. Compared with the same period ended March 31, 2010, the income tax expense for the three months ended March 31, 2011 increased $91,000 or 4.8%, which was mainly caused by the increase in revenue for the quarter as analyzed above.

Net income

(Presented in $'000)	Three months ended March 31 2011	2010	Variance Amt.	%
Net income	6,049	5,646	403	7.1%

Net income increased 7.1% to $6.0 million for the three months ended March 31, 2011 compared with$5.7 million for the same period last year. Stated in RMB, net income increased 8.9% to RMB40.3 million for the three months ended March 31, 2011 compared with RMB37.0 million for the same period last year. Net income increased mainly as a result of the increase in revenue.

Net income as a proportion of revenue for the three months ended March 31, 2011 and the same period ended March 31, 2010 were constant at approximately 27%.

The nine month period ended March 31, 2011 compared with the nine month period ended March 31, 2010

Revenue

(Presented in $'000)	Nine months ended March 31, 2011	2010	Variance Amt.	%
FD products	78,053	59,948	18,105	30.2%

Revenues during the nine months ended March 31, 2011 increased $18.1 million or 30.2% to $78.1 million compared with $60 million during the nine months ended March 31, 2010. Revenues stated in RMB increased 33.7% from RMB383.6 million during the nine months ended March 31, 2010 to RMB513.1 million. The relative strength of the RMB against the $ during the nine months caused approximately 3.5% loss of increase in sales. The net increase of revenues was mainly caused by the overall increase in sales volume. Additionally, the average selling price of major FD products also increased when compared to the average selling price for the same period ended March 31, 2010 due to an increase in market demand.

Cost of Goods Sold

(Presented in $'000)	Nine months ended March 31, 2011	2010	Variance Amt.	%
FD products	41,645	32,352	9,293	28.7%

During the nine months ended March 31, 2011, cost of goods sold increased 28.7% to $41.6 million compared with $32.4 million during the same period last year. Stated in RMB, cost of goods sold increased 32.2% to RMB273.7 million during the nine months ended March 31, 2011, compared with RMB207.0 million during the same period last year. The increase was mainly caused by the increase of raw material purchased as a result of the increase of sales volume during this period. Management purchased and stored certain raw materials before the raw material market price increased, hence the general increase of cost of goods sold was slightly lower than the increase of revenue.

General and administrative expenses

	Nine months ended March 31		Variance	
(Presented in $'000)	**2011**	**2010**	**Amt.**	**%**
General administrative expenses	3,526	1,775	1,751	98.6%

General and administrative expenses increased $1.7 million or 98.6%, from $1.8 million during the nine months ended March 31, 2010 to $3.5 million during the same period ended March 31, 2011, primarily due to the following reasons: 1) increase of $131,000 in auditing and consulting fees as the result of the Company's seeking an overseas listing; 2) a $784,000 increase in amortization of the land rental fee for a additional land leasing contract effected since March 2010; 3) recognized three quarter's research and development expenses of $571,000 for a one year research and development contract that was effected since May 2010; and 4) $87,000 increase of amortization of property, plant and equipment due to the increase of fixed assets.

General and administrative expenses represented 4.5% and 3% of revenue during the nine months ended March 31, 2011 and 2010 respectively.

Selling Expenses

	Nine months ended March 31		Variance	
(Presented in $'000)	**2011**	**2010**	**Amt.**	**%**
Selling expenses	2,561	1,881	680	36.2%

Selling expenses increased $680,000 or 36.2% to $2.56 million for the nine months ended March 31, 2011, from $1.88 million for the same period last year. The increase in selling expenses for the year ended March 31, 2011 as compared with the nine months ended March 31, 2010 was mainly due to a combination of a $407,000 increase in commission fee to the sales team and $170,000 of increased shipping and inspection expenses connected to the export sales.

Selling expenses represented 3.3% and 3.1% of revenue for the nine months ended March 31, 2011 and 2010, respectively.

Income Tax Expense

	Nine months ended March 31		Variance	
(Presented in $'000)	**2011**	**2010**	**Amt.**	**%**
Income tax expense	7,298	6,001	1,297	21.6%

Income tax expenses represented the current portion of income tax expenses recorded in accordance with the statutory income tax rate in PRC of 25%. As no adjustable difference occurred the effective tax rate is 25% for each of the nine months ended March 31, 2011 and 2010. Compared with the same period ended March 31, 2010, the income tax expense for the nine months ended March 31, 2011 increased $1.3 million or 21.6%, mainly due to the increase in revenue for the nine months as analyzed above.

Net income

(Presented in $'000)	Nine months ended March 31 2011	2010	Variance Amt.	%
Total net income	22,102	17,889	4,213	23.6%

Net income increased $4.2 million or 23.6% to $22.1 million for the nine months ended March 31, 2011 compared with $17.9 million for the same period last year. Net income stated in RMB increased 26.9% to RMB145.3 million for the nine months ended March 31, 2011 from RMB114.5 million for the nine months ended March 31, 2010. The increase in net income was a direct result of the increased sales during the nine months ended March 31, 2011 compared with the same period last year.

Net income as a percentage of revenue decreased 1.5% from 29.8% for the nine months ended March 31, 2010 to 28.3% for the nine months ended March 31, 2011. The decrease in net margin was mainly caused by the increase in general and administrative expenses of $1.75 million as the result of the Company's enlarged business and ongoing process of going public.

Liquidity and Capital Resources

The purpose of liquidity management is to ensure there is sufficient cash to meet all BVICo's financial commitments and obligations as they fall due. BVICo believes that it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year. BVICo‘s main source of funding has been cash provided by operating activities. BVICo's main uses of funding have been meeting operating expenditure requirements, investment in construction of its property, plant and equipment, and to payments made on acquiring land use rights.

Cash flows

The following table sets forth, for the various periods indicated, a condensed summary of BVICo's statement of cash flows for the three and nine months ended March 31, 2011:

(Presented in $'000)	Three months ended March 31 2011	2010	Nine months ended March 31 2011	2010
Cash flows from operating activities				
Net cash provided by operations (1)	6,893.0	6,399.1	24,637.9	20,194.1
Net change in working capital(2)	2,433.5	(12,012.7)	7,851.9	(15,990.5)
	9,326.5	(5,613.6)	32,489.8	4,203.6
Cash flows (used in) provided by investment activities	(2,513.2)	-	(3,424.8)	(12,888.2)
Effect of exchange rate difference	(858.9)	(612.5)	(1,274.6)	(3,313.3)
Net increase / (decrease) in cash	5,954.4	(6,226.1)	27,790.4	(11,997.9)

(1) Represents net income adjusted for amortization of intangible assets and depreciation of property, plants and equipment

(2) Represents decreases / (increases) in accounts receivable, advances to suppliers, inventory and other receivable and the increase / (decrease) in accounts payable and accrued liabilities and taxes payables.

Cash balance as at June 30, 2010 was $15 million, which increased by $27.7 million to $42.7 million as at March 31, 2011.

Cash flows provided by operating activities (after adjustments for fluctuations in working capital accounts) increased from $ - 5.6 million for the three months ended March 31, 2010, to $9.3 million for the three months ended March 31, 2011 representing an increase of $14.9 million. The increase in cash flow from the operating activities is due to: 1) increased net income of $0.4 million for the three months ended March 31, 2011 compared with the same period last year as a result of a 6.8% increase in revenue for the periods compared and 2) an net increase of cash position caused by fluctuation of working capital adjustments of $14.4 million.

Net cash provided from operating activities for the nine months ended March 31, 2011 and 2010 was $32.5 million and $4.2 million, respectively. Net cash used in investing activities for the nine months ended March 31, 2011 and 2010 was $3.4 million and $12.9 million for the nine months ended March 31, 2011 and 2010 respectively. Cash flows used in investing activities were primarily used in construction of property, plant and equipment and acquisition of land use right.

Working capital increased $19 million from $41 million as at June 30, 2010 to $60 million as at March 31, 2011 as a result of the growth in revenue and profitability. Working capital ratio improved from 9.26 as at June 30, 2010 to 15.50 as of March 31, 2011 mainly due to the increase in cash and cash equivalents balances.

At present, there are no known demands, commitments events or uncertainties that would adversely affect the normal trend and expected fluctuations in BVICo's liquidity. BVICo believes it has the funds required to meet its business objectives and working capital and other cash requirements for at least twelve months following the completion of the Proposed Qualifying Transaction. However, there can be no assurance that these funds will be sufficient and BVICo may have to evaluate additional means of financing, including additional debt or equity financing. See *"Information Concerning the Resulting Issuer - Resulting Issuer Risk Factors"*.

Capital Expenditures

BVICo's capital expenditures primarily relate to its investment in construction and building of its phase 4 and phase 5 production facilities including factories buildings, research and development facilities and production equipment. Based on its current production and expected sales, direct costs and other expenses, BVICo believes that it has sufficient financial resources to finish the construction of its phase 4 and phase 5 production facilities as well as to facilitate a healthy growth in accordance with its strategic plan.

Off-Balance Sheet Arrangements

As at March 31, 2011, BVICo has no off-balance sheet arrangements.

Contractual obligations and commitments

As at March 31, 2011, the Company had the following commitments relating to the infrastructure construction and renovation, land leasing and equipment purchasing:

	Office building renovation	**Factory construction**	**Land leasing**	**Equipment purchase**	**Land use right purchase**	**Total**
2012	463,000	-	726,000	-	827,000	2,016,000
2013	463,000	5,587,000	714,000	6,092,000	-	12,856,000
2014	-	213,000	714,000	422,000	-	1,349,000
2015	-	-	714,000	-	-	714,000

	Office building renovation	Factory construction	Land leasing	Equipment purchase	Land use right purchase	Total
2016	-	-	714,000	-	-	714,000
Thereafter	-	-	5,710,000	-	-	5,710,000
TOTAL:	**926,000**	**5,800,000**	**9,292,000**	**6,514,000**	**827,000**	**23,359,000**

Related Party Transactions

BVICo incurred no significant related party transactions during the three and nine months ended March 31, 2011.

Critical Accounting Estimates

The preparation of unaudited Interim Consolidated Financial Statements of BVICo requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant are the determination of the amortization period for long lived assets, and the valuation of agricultural produce at the point of harvest. Other items requiring estimates are accounts receivable, other receivables, accounts payable and accrued liabilities and other payables. Changes in the accounting estimates in these items may have a material impact on the financial position of BVICo.

Allowance for doubtful receivables

BVICo adopted a policy of providing for an allowance for doubtful accounts when collection of an account is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, its customers' access to capital, its customers' willingness or ability to pay, general economic conditions and the ongoing relationship with the customer. During the three and nine months ended March 31, 2011, no significant bad debts expenses incurred. All accounts receivable balances were or expected to be collected within the credit period that mutually agreed between BVICo and its customers.

Useful lives of property and equipment

Management makes assumptions of the estimated useful lives of property and equipment which it believes are reasonable. The recoverability of tangible assets is significantly impacted by the estimated useful lives of assets. If a significant change in the estimated useful lives of the property and equipment is identified, the effect of such changes on amortization expense would be accounted for on a prospective basis. Reductions in the estimated useful lives of the property and equipment would result in additional amortization expense in future periods and may necessitate acceleration of planned capital expenditures.

Dividends

BVICo currently intends to reinvest future earnings to finance its future growth. Therefore, it does not intend to pay dividends in the foreseeable future. Any subsequent decision to pay dividends is left to the discretion of the board of directors and will depend on the financial position, operating results, capital requirements and other factors deemed relevant by the board of directors.

Financial Instruments and Other Instruments

BVICo held cash of $42,739,337 on its consolidated balance sheet as at March 31, 2011. BVICo does not have any cash equivalents or invested assets. BVICo does not currently utilize any other instruments such as derivative financial instruments to reduce its expose to interest rate risk. All of BVICo's financial assets and financial liabilities are short term in nature and are measured on an ongoing basis at fair value or amortized cost.

Changes in Accounting Policies

IFRS

CASB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, BVICo will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the three month period ended September 30, 2011. BVICo's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

For a detailed explanation of IFRS implications to BVICo please refer to the Company's IFRS transition plan and analysis in previous Annual MD&A section.

New Accounting Pronouncements

Please refer to the interim unaudited financial statements of BVICo for the three and nine months ended March 31, 2011 for a full disclosure of recent accounting pronouncements at Exhibit C - "*Unaudited Interim Consolidated Financial Statements of China Freeze-Dry Inc.* "

Subsequent Events

On May 13, 2011, CPCC, Shenhe, BVICo and Current BVI Shareholders entered into the Acquisition Agreement providing for the Proposed Qualifying Transaction. Pursuant to the Acquisition Agreement, CPCC will acquire a 100% equity interest in BVICo.

Pursuant to the terms of Acquisition Agreement, CPCC intends to acquire all of the 50,000 issued and outstanding common shares of BVICo in consideration for a total of 90,251,562 Post-Consolidation Shares of CPCC at a deemed price of $1.50 per share for a total purchase price of $135,377,343 representing five times the average operating cash flow of Shenhe as indicated in the June 30, 2010, 2009 and 2008 financial statements. See "*Information Concerning Proposed Qualifying Transaction – Acquisition Agreement*".

In addition, BVICo will use best efforts to complete the BVICo Financing immediately prior to the completion of the Acquisition. See "*Information Concerning Proposed Qualifying Transaction – BVICo Financing*".

DESCRIPTION OF THE SECURITIES

Shenhe

Shenhe is a PRC limited company with registered capital of US$10.6 million. Shenhe's registered capital has been fully paid up and cannot be reduced during the term of operation of Shenhe without approval from the PRC government authorities. Since the registered capital of Shenhe is not divided into shares, Shenhe does not issue shares. The liability of each equity holder is limited to the capital contribution made by such equity holder. Each equity holder of Shenhe enjoys rights to dividends, voting, profit participation and assets and assumes risks and losses in proportion to the registered capital contributed by such equity holder. The registered capital of Shenhe cannot be increased, transferred or pledged without the consent of the equity holders and the approval of the competent PRC government authorities.

BVICo

The capital stock of BVICo is comprised of 50,000 authorized ordinary shares with par value of US$1.00 per share, of which 50,000 ordinary shares are issued and outstanding. The Shareholders of BVICo are entitled to dividends, if, as and when declared by the directors, to one vote per share at meetings of shareholders and, upon liquidation, to share equally in such assets of BVICo as are distributable to the shareholders, after payment to all creditors, in proportion to their shareholdings in BVICo.

HKCO

The capital stock of HKCo is comprised of 10,000 authorized ordinary shares with par value of HK$1.00 per share (approximately $1,870, exchange rate HK$1.00=C$0.1870), of which 10,000 ordinary shares are issued and outstanding. The shareholders of HKCo are entitled to dividends, if, as and when declared by the directors, to one vote per share at meetings of shareholders and, upon liquidation, to share equally in such assets of HKCo as are distributable to the shareholders, after payment to all creditors, in proportion to their shareholdings in HKCo.

CAPITALIZATION

Shenhe

The following table sets out the capitalization of Shenhe:

Designation of Security	Amount Authorized or to be Authorized	Amount Contributed as of March 31, 2011
Shenhe Registered and Paid Up Capital	US$10.6 Million	US$10.6 Million

As of March 31, 2011, Shenhe had no long term loans with maturity dates greater than one year.

BVICo

The following table sets out the capitalization of BVICo:

Designation of Security	Amount Authorized	Amount Outstanding as of March 31, 2011
Ordinary Shares	50,000 ($1.0099 par value)(1)	50,000 ($50,495)(1)(2)

Notes:

(1) Based on Bank of Canada noon spot rate of US$1.00:1=$1.0099 on November 16, 2010, the date of BVICo's incorporation.

(2) Book value only. See "*Prior Sales of Securities*" below.

BVICo intends to increase its authorized capital before completion of the BVICo Offering to permit the issuance of BVICo Shares and BVICo Broker Warrants in the BVICo Financing.

HKCo

The following table sets out the capitalization of HKCo:

Designation of Security	Amount Authorized	Amount Outstanding as of March 31, 2011
Ordinary Shares	10,000 (C$0.1870 par value)(1)	10,000 (C$1,870)(1)

Notes:

(1) Based on Bank of Canada noon spot rate of HK$1.00:1=$0.1870 on February 16, 2000, the date of HKCo's incorporation.

PRIOR SALES OF SECURITIES

Shenhe

Shenhe does not issue shares. The current capital contributions in Shenhe are as follows:

Shareholder	Date of Contribution	Amount Contributed US$
Supertown Trading Company Limited	March 22, 2001	US$100,000
Supertown Trading Company limited	June 1, 2007	US$10.50 Million

BVICo

Since the date of incorporation of BVICo, 50,000 BVICo Shares have been issued as follows:

Shareholder	Date	Number of Shares	Price per Share (US$)	Total Issue Price (US$)
Shen Demin	November 16, 2010	27,250	1.00	27,250
Chen Xiangfang	November 16, 2010	10,000	1.00	10,000
Li Shuman	November 16, 2010	2,500	1.00	2,500
Li Xiaochen	November 16, 2010	2,500	1.00	2,500
Li Jun	November 16, 2010	305	1.00	305
Li Shufen	November 16, 2010	150	1.00	150
Liu Xiaodong	November 16, 2010	100	1.00	100
Geng Shangzhen	November 16, 2010	1,097	1.00	1,097
Wentao Yang	November 16, 2010	1,098	1.00	1,098
Central Capital Advisory Limited	March 30, 2011	2,855	2,120(1)	6,052,600(1)
Atlantis China Fortune Fund	March 30, 2011	2,145	2,120(2)	4,547,400(2)
	Total:	**50,000**		**10,650,000**

Notes:

(1) Central Capital Advisory Limited bought US$6,052,600 principal amount zero coupon guaranteed convertible bonds in May 2007, and exchanged these bonds into 2,855 BVICo Shares at US$2,120 per BVICo Share on March 30, 2011.

(2) Atlantis China Fortune Fund bought US$4,547,400 principal amount zero coupon guaranteed convertible bonds in May 2007, and exchanged these bonds into 2,145 BVICo Shares at US$2,120 per BVICo Share on March 30, 2011.

HKCo

Since the date of incorporation of HKCo, 10,000 HKCo Shares have been issued as follows:

Date	Number of Shares	Price per Share	Total Issue Price
February 16, 2000	10,000	HK$1.00	HK$10,000
Total:	**10,000**		HK$10,000

None of the capital of Shenhe, BVICo and HKCo is, nor has been, posted for trading on any stock exchange.

PRINCIPAL SECURITYHOLDERS

BVICo

To the knowledge of the directors and officers of Shenhe, as of the Prospectus date, no shareholders beneficially own, directly or indirectly, or exercise control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of BVICo, except as follows:

Name and Municipality of Residence	Type of Ownership	Number of Shares	% of Shares
Shen Demin Cangshan County, Shandong, PRC	Direct	27,250	54.50%
Chen Xiangfang Jinan, Shandong, PRC	Direct	10,000	20.00%

For information on principal securityholders of the Resulting Issuer, see "*Information Concerning Resulting Issuer – Resulting Issuer Principal Securityholders*".

HKCo

To the knowledge of the directors and officers of Shenhe, as of the Prospectus date, no shareholders beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the registered capital of HKCo , except as follows:

Name and Municipality of Residence	Type of Ownership	Number of Shares	% of Shares
BVICo Road Town, Tortola, BVI	Direct	10,000	100%

Shenhe

To the knowledge of the directors and officers of Shenhe, as of the Prospectus date, no shareholders beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the registered capital of Shenhe, except as follows:

Name and Municipality of Residence	Type of Ownership	Amount of capital contribution (US$	Proportion of shares
HKCo Hong Kong	Direct	$10,600,000	100%

DIRECTORS AND OFFICERS

Shenhe

The names and municipalities of residence of, and the amount and percentage of registered capital beneficially owned, directly or indirectly, or over which control or direction is exercised by the current executive officers and directors of Shenhe are as follows:

Name, Municipality of Residence and Position with Shenhe	Director or Officer Since	Amount of Registered Capital owned	% of Registered Capital
Shen Demin Cangshan County, Shandong, PRC Director, Chairman	March 2001	Nil(1)	Nil(1)
Lu Youshan Linyi, Shandong, PRC Director	March 2001	Nil	Nil

Name, Municipality of Residence and Position with Shenhe	Director or Officer Since	Amount of Registered Capital owned	% of Registered Capital
Zhao Na Linyi, Shandong, PRC Director	March 2001	Nil	Nil
Shen Dapeng Linyi, Shandong, PRC President	March 2001	Nil	Nil

Note:

(1) Mr. Shen Demin owns 27,250 (54.50%) ordinary shares of BVICo, the indirect parent of Shenhe.

See "*Information Concerning the Resulting Issuer - Directors and Officers*" for a description of the principal occupation of the Mr. Shen Demin and Mr. Shen Dapeng during the past five years.

BVICo

The names and municipalities of residence of, and the number and percentage of ordinary shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the current executive officers and directors of BVICo are as follows:

Name, Municipality of Residence and Position with the BVICo	Director or Officer Since	Number of BVICo Shares Held	Proportion of shares
Shen Dapeng(1) Linyi, Shandong, PRC Director, Chairman	November 16, 2010	Nil	Nil

HKCo

The names and municipalities of residence of, and the amount and percentage of registered capital beneficially owned, directly or indirectly, or over which control or direction is exercised by the current executive officer and director of HKCo are as follows:

Name, Municipality of Residence and Position with the HKCo	Director or Officer Since	Number of HKCo Shares Held	Proportion of shares
Shen Dapeng Linyi, Shandong, PRC Director, President	November 2010	Nil	Nil

EXECUTIVE COMPENSATION

Set out below are particulars of compensation paid to the following persons (the "**Named Executive Officers**"):

(a) Shenhe's CEO and CFO during any part of the financial years ended June 30, 2010, 2009 and 2008;

(b) Shenhe's four most highly compensated executive officers, other than the CEO, who were serving as executive officers at the end of June 30, 2010 being the most recently completed financial year of Shenhe whose total compensation was more than $150,000; and

(c) any additional individuals for whom disclosure would have been provided under (b) except that the individual was not serving as an officer of Shenhe at the end of the most recently completed financial year.

Summary of Compensation

Pursuant to Shenhe's charter documents, Mr. Shen Dapeng, Chief Executive Officer of Shenhe, is the only Named Executive officer of Shenhe as at June 30, 2010. The following table contains information about the compensation paid to, or earned by, the executive officers of Shenhe during the financial years ended June 30, 2010, 2009 and 2008:

Name and Principal Position	Financial Year Ended June 30	Salary ($)	Share-based Awards ($)	Option-based Awards ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
Shen Dapeng CEO	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Additionally, Mr. Zhao Yan was engaged by Shenhe on May 5, 2011 to act as Shenhe's CFO for an annual salary of C$80,000 per year and certain other compensation. See "*Termination and Change of Control Benefits*" below.

Management Contracts

There are no material agreements or arrangements under which management functions of Shenhe are performed by a person other than the directors or officers of Shenhe.

Termination and Change of Control Benefits

Shen Dapeng

Shenhe entered into an employment agreement with Mr. Shen Dapeng on January 1, 2010. Under the agreement, Mr. Shen would serve as the CEO of Shenhe. The agreement is for an indefinite period. Mr. Shen Dapeng would receive no salary. However, Shenhe may review and adjust the salary level based on responsibilities, performance and actual contribution. The agreement may be terminated by mutual agreement, or for cause.

Zhao Yan

On May 5, 2011, Shenhe engaged Mr. Zhao Yan as CFO and entered into an employment agreement with Mr. Zhao. Under the employment agreement, Mr. Zhao will receive an annual salary of $80,000, reviewable by the board of directors. Mr. Zhao will also receive an annual bonus of a minimum of C$20,000 and a maximum of 50% of the base salary per year, payable at Shenhe's option either in cash or, subject to regulatory approval, in shares of Shenhe or the Resulting Issuer. The annual bonus will be paid within 30 days after the year end, and if paid in shares, at the market price of the last trading day of the year, subject to approval of the Exchange and compliance with securities laws. In addition, Mr. Zhao will be entitled to receive 30,000 options per year under the Resulting Issuer's stock option plan, to be granted after the Completion of the Proposed Qualifying Transaction at the same time and on the same terms as the first option grant by the board of the Resulting Issuer.

If Mr. Zhao's employment is terminated by Shenhe or the Resulting Issuer without cause, Mr. Zhao is entitled to a payment in lieu of notice equal to twelve months' base salary, all of unvested options will vest immediately, and if the termination occurs within the first year of employment, the annual bonus for the first year (in cash or in shares), if not yet paid to Mr. Zhao, will be paid in shares prior to termination date. Notwithstanding the foregoing, if the in-the-money value of stock options granted to Mr. Zhao is greater than three times of Mr. Zhao's annual salary at the time of termination, Mr. Zhao shall not be entitled to any payment in lieu of notice. Notwithstanding the foregoing, if Mr. Zhao's option compensation is greater than three times of Mr. Zhao's annual base salary at the time of termination, Mr. Zhao will not be entitled to any notice of termination or any payment in lieu of notice. "Option compensation" means an amount equal to the sum of the following: (i) the aggregate difference between the market value of the underlying shares and exercise price of Mr. Zhao's vested but unexercised in-the-money stock options; (ii) the market value of any shares of the Resulting Issuer obtained by Mr. Zhao on exercise of stock options and still held by Mr. Zhao, less the aggregate exercise price paid by Mr. Zhao to obtain such shares; and (iii) the proceeds realized by Mr. Zhao on the sale of any shares obtained by Mr. Zhao on exercise of stock options, less the aggregate exercise price paid by Mr. Zhao to obtain such shares. If Mr. Zhao has purchased shares of the Resulting Issuer from treasury other than by exercise of options, "option compensation" shall also include: (i) an amount equal to the market value of any such shares still owned by Mr. Zhao, less the amount paid by Mr. Zhao for such shares; and (ii) the amount realized by Mr. Zhao on the sale of any such shares sold by Mr. Zhao, less the amount paid by Mr. Zhao for such shares. "Market value" will be determined, in each case, by reference to the last closing sale price of the Resulting Issuer's common shares on the day prior to the date of termination. Mr. Zhao's employment agreement imposes confidentiality, non-competition and non-solicitation covenants on Mr. Zhao.

LEGAL PROCEEDINGS

There are no legal proceedings or regulatory actions material to Shenhe to which it is a party or of which any of its respective property is the subject matter. In addition, Shenhe is not aware of such proceedings that are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No directors, officers or insiders of Shenhe, BVICo or HKCo has any material interest, direct or indirect, in any material transactions within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to material affect Shenhe, BVICo or HKCo, except in the Acquisition.

MATERIAL CONTRACTS

The following are the material contracts entered into, with, or involving Shenhe during the two years preceding the date of this Prospectus:

- the Acquisition Agreement; and
- employment Agreement, dated as of May 5, 2011, between Shenhe and Mr. Zhao Yan.

Copies of the agreements are available for inspection at the offices of CPCC, at any time during ordinary business hours until 30 days after the completion of the Acquisition.

AUDITORS, TRANSFER AGENT AND REGISTRAR

<u>Auditors</u>

The auditors of Shenhe are Schwartz, Levitsky, Feldman, LLP, Chartered Accountants, 1167 Caledonia Road, Toronto, ON M6A 2X1.

<u>Transfer Agent and Registrar</u>

Shenhe does not have a transfer agent and registrar.

RISK FACTORS

The business of Shenhe, which will be the business of the Resulting Issuer, is subject to a number of risk factors. See "*Information Concerning Resulting Issuer – Resulting Issuer Risk Factors*".

INFORMATION CONCERNING PROPOSED QUALIFYING TRANSACTION

THE PARTIES

CPCC is a CPC as defined in the CPC Policy. To date, the sole business of CPCC has been to seek a party with which to complete a Qualifying Transaction pursuant to the CPC Policy. For further information on CPCC, please see "*Information Concerning CPCC*".

Shenhe is a freeze-dried food processor. For further information concerning Shenhe, please see "*Information Concerning Shenhe, HKCo and BVICo*".

BVICo is a company governed under the laws of BVI. The BVICo Shareholders are comprised of: (i) Mr. Shen Demin, (ii) Ms. Chen Xiangfang; and (iii) nine other arm's length shareholders as set out in "*Information Concerning Proposed Qualifying Transaction - The Acquisition Agreement - Purchase of BVICo Shares*." In addition, BVICo plans to use its best efforts to complete the BVICo Financing and the purchasers of the BVICo Shares and the agent(s) in the BVICo Financing will become parties to the Acquisition Agreement upon the issuance of the BVICo Shares and the BVICo Broker Warrants, respectively, and will also become parties to the Proposed Qualifying Transaction.

QUALIFYING TRANSACTION

On May 13, 2011, CPCC, Shenhe, BVICo and Current BVI Shareholders entered into the Acquisition Agreement providing for the Proposed Qualifying Transaction. Pursuant to the Acquisition Agreement, CPCC will acquire a 100% equity interest in BVICo.

BVICo was incorporated under the laws of British Virgin Islands on November 16, 2010. BVICo holds 100% of all outstanding shares of HKCo, a corporation formed in Hong Kong. HKCo holds 100% of all contributed capital of Shenhe. Upon Completion of the Proposed Qualifying Transaction, BVICo, HKCO and Shenhe will be wholly owned subsidiaries of CPCC and the principal business of CPCC will be the business of Shenhe. The Resulting Issuer is expected to be named "China Freeze-Dry Products Corporation" or such other name as may be chosen by the directors of the Resulting Issuer and accepted by the Exchange upon Closing of the Acquisition. See "*Information Concerning the Qualifying Transaction - The Acquisition Agreement*."

Shenhe was established on March 22, 2001 under the laws of the PRC. Based in Shandong Province, Shenhe is engaged in the freeze-dried (FD) food processing industry. Shenhe's business is mainly focused on food dehydration and food color, freshness and quality preservation using vacuum freeze-drying technology. Such technology not only allows a high quality combination of food color, smell, taste and shape, but also preserves most of the nutritious elements such as vitamins and protein. Notably, with no preservatives used throughout the whole process, food processed with this technology has a consumable life of approximately 3 years when kept at room temperature. Shenhe's technology and production method allow Shenhe to meet the demand of people for green, healthy and convenient food, and give Shenhe a competitive advantage over many other FD food processors in China. See "*Information Concerning Shenhe, HKCo and BVICo – Narrative Description of the Business*".

As consideration for the Acquisition, CPCC has agreed to issue to the Current BVICo Shareholders an aggregate of 90,251,562 Post-Consolidation Shares at an ascribed weighted average price of $1.50 per Post-Consolidation Share, at a weighted average exchange ratio of 1,805.03124 Post-Consolidation Shares for each BVICo Share (the "**Weighted Exchange Ratio**"), for a total value of C$135,377,343, representing 5.0 times the three-year average annual operating cash flow of Shenhe as indicated in its audited June 30, 2010, 2009 and 2008 financial statements. Shenhe has granted the Anti-Dilution right to the AD BVICo Shareholders and the distribution of the Post-Consolidation Shares among the Current BVI Shareholders and the exchange ratio with respect to each Current BVICo Shareholder are determined based on the operation of the Anti-Dilution Right. See "*Information Concerning Proposed Qualifying Transaction - Acquisition Agreement*".

In connection with the Acquisition, BVICo will use best efforts to complete the BVICo Financing immediately prior to the Completion of the Proposed Qualifying Transaction of a minimum of 554 BVICo Shares and a maximum of

8,310 BVICo Shares at $3,610.06 per BVICo Share. The BVICo Financing will be a concurrent financing for the Proposed Qualifying Transaction and it will be a condition to the Completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering. See "*Information Concerning Qualifying Transaction-BVICo Financing*".

On a non-diluted basis, on Closing and (i) assuming the BVICo Minimum Offering is completed, the Resulting Issuer will have 92,411,562 Post-Consolidation Shares outstanding on a non-diluted basis, and current CPCC Shareholders will own 1.26%, Current BVICo Shareholders will own 97.66% and purchasers in the BVICo Financing will own 1.08%, of the Post-Consolidation Shares outstanding; (ii) assuming the BVICo Maximum Offering is completed, the Resulting Issuer will have 106,411,562 Post-Consolidation Shares outstanding on a non-diluted basis, and current CPCC Shareholders will own 1.09%, Current BVICo Shareholders will own 84.81% and purchasers in the BVICo Financing will own 14.10%, of the Post-Consolidation Shares outstanding.

On a fully diluted basis, on Closing and (i) assuming the BVICo Minimum Offering is completed and there is no President's List, the Resulting Issuer will have 92,677,562 Post-Consolidation Shares outstanding, and current securityholders of CPCC will own 1.46%, Current BVICo Shareholders will own 97.38% and purchasers and Agent in the BVICo Financing will own 1.15%, of the Post-Consolidation Shares outstanding; (ii) assuming the BVICo Maximum Offering is completed and there is no President's List, the Resulting Issuer will have 107,657,562 Post-Consolidation Shares outstanding, and current securityholders of CPCC will own 1.26%, BVICo Shareholders will own 83.83 % and purchasers and Agent in the BVICo Financing will own 14.91%, of the Post-Consolidation Shares outstanding.

The Acquisition Agreement is expected to constitute an arm's length Qualifying Transaction in accordance with the policies of the TSXV and is not subject to shareholder approval. However, CPCC plans to hold a shareholders meeting on June 20, 2011 and shareholders will be asked to approve at the meeting, among other things, the Consolidation and the proposed name change of CPCC.

Completion of the Proposed Qualifying Transaction is conditional on obtaining all necessary regulatory approvals, including but not limited to the acceptance by the TSXV, and other customary conditions for a transaction of this kind. In addition, the BVICo Minimum Offering will be a concurrent financing for the Proposed Qualifying Transaction and it will be a condition to the Completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering.

No tax advice or opinions whatsoever are being provided by either Fogler, Rubinoff LLP or McMillan LLP to CPCC, BVICo, HKCo, Shenhe or their respective shareholders in respect of the Proposed Qualifying Transaction or the tax position of CPCC. Shareholders are urged to obtain tax advice from their own advisors in respect of the Proposed Qualifying Transaction having regard to their own circumstances.

BVICO FINANCING

Prior to completion of the Acquisition, BVICo will use its best efforts to complete a private placement financing (the "**BVICo Financing**") of a minimum of 554 BVICo Shares for gross proceeds of $2,000,000 (the "**BVICo Minimum Offering**") and a maximum of 8,310 BVICo Shares for gross proceeds of $30,000,000 (the "**BVICo Maximum Offering**") at a price of $3,610.06 per BVICo Share. On Completion of the Proposed Qualifying Transaction, the BVICo Shares issued in the BVICo Financing will be exchanged into a minimum of 1,000,000 Post-Consolidation Shares in the case of a BVICo Minimum Offering, and a maximum of 15,000,000 Post-Consolidation Shares in the case of a BVICo Maximum Offering, at an effective price of $2.00 per Post-Consolidation Share.

BVICo has engaged PI Financial as lead agent for the BVICo Financing and BVICo has agreed to pay a cash commission equal to 7% (or 3.5% with respect to purchasers on the President's List) of the gross proceeds of the BVICo Financing and to issue broker warrants (the "**BVICo Broker Warrants**") to purchase that number of BVICo Shares equal to 7% (or 3.5% with respect to purchasers on the President's List) of the BVICo Shares sold in the BVICo Financing for a period of two years at a price of $3,610.06 per BVICo Share (38.78 BVICo Broker Warrants in the case of a BVICo Minimum Offering or 581.71 BVI Broker Warrants in the case of a BVICo Maximum Offering, assuming there is no President's List). On Completion of the Proposed Qualifying Transaction, the BVICo

Broker Warrants will be exchanged into broker warrants of the Resulting Issuer (a "**Replacement Broker Warrant**") (70,000 Replacement Broker Warrants in the case of BVICo Minimum Offering or 1,050,000 Replacement Broker Warrants in the case of BVICo Maximum Offering, assuming there is no President's List) with each Replacement Broker Warrant entitling the holder to purchase one Post-Consolidation Share at $2.00 per share for a period of two years following the Completion of the Proposed Qualifying Transaction.

Purchasers of the BVICo Shares and the holders of the BVICo Broker Warrants issued in the BVICo Financing will be signing an acknowledgement to become a party to the Acquisition Agreement.

The BVICo Minimum Financing will be a concurrent financing for the Proposed Qualifying Transaction and it will be a condition to the Completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering.

The issue price of the BVICo Shares in the BVICo Financing was determined by negotiation between BVICo and the lead agent.

BVICo will agree to cause the Resulting Issuer not to issue any additional equity or quasi-equity securities for a period of 120 days from Closing without the prior written consent of the lead gent (such consent not to be unreasonably withheld) except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements, (ii) outstanding warrants, and (iii) the issuance of securities in connection with property or share acquisitions in the normal course of business.

No Qualification of Securities for Distribution

Neither the BVICo Shares and BVICo Broker Warrants issuable in the BVICo Financing, nor the Post-Consolidation Shares and Replacement Broker Warrants issuable therefor upon Completion of the Proposed Qualifying Transaction, are qualified under this Prospectus. Such securities will be issued pursuant to certain exemptions from the prospectus requirements under applicable securities laws.

Neither the BVICo Shares and BVICo Broker Warrants issuable in the BVICo Financing, nor the Post-Consolidation Shares and Replacement Broker Warrants issuable therefor upon Completion of the Proposed Qualifying Transaction, nor any Post-Consolidation Shares underlying the Replacement Broker Warrants, have been and nor will they be registered under the U.S. Securities Act, or the securities laws of any state. Any offer or sale of these securities within the United States may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with an applicable exemption from registration under the U.S. Securities Act.

THE ACQUISITION AGREEMENT

Purchase of BVICo Shares

On May 13, 2011, CPCC entered into the Acquisition Agreement with BVICo, Shenhe, HKCo and the Current BVICo Shareholders for the acquisition of a 100% equity interest in BVICo.

As consideration for the Acquisition, CPCC has agreed to issue to the Current BVICo Shareholders an aggregate of 90,251,562 Post-Consolidation Shares at an ascribed weighted average price of $1.50 per Post-Consolidation Share, at an weighted average exchange ratio of 1,805.03124 Post-Consolidation Shares for each BVICo Share (the "**Weighted Exchange Ratio**"), for a total value of C$135,377,343, representing 5.0 times the three-year average annual operating cash flow of Shenhe as indicated in its audited June 30, 2010, 2009 and 2008 financial statements.

The NAD BVICo Shareholders have granted the Anti-Dilution right to the AD BVICo Shareholders whereby the AD BVICo Shareholders are entitled to receive that number of Post-Consolidation Shares upon Closing from the NAD BVICo Shareholders on a pro rata basis so that the AD Shareholders will have the same shareholding percentages in the Resulting Issuer on Closing on a fully-diluted basis as their current shareholding percentages in BVICo among the Current BVICo Shareholders as at the date hereof. Effectively, the exchange ratio for AD BVICo

Shareholders for their BVICo Shares will be 1,853.55124 at an effective price of $1.4607 per Post-Consolidation Share in the case of BVICo Minimum Offering or 2,153.15124 at an effective price of $1.2575 per Post-Consolidation Share in the case of BVICo Maximum Offering, and the exchange ratio for NAD BVICo Shareholders for their BVICo Shares will be 1,802.20732 at an effective price of $1.5024 per Post-Consolidation Share in the case of BVICo Minimum Offering or 1,7840.77029 at an effective price of $1.5170 per Post-Consolidation Share in the case of BVICo Maximum Offering. The actual exchange price and the effective price for Post-Consolidation Shares for the AD BVICo Shareholders and the NAD BVICo Shareholders will be determined on Closing based on the actual number of BVICo Shares sold in the BVICo Financing. Notwithstanding the operation of the Anti-Dilution Right, the total number of Post-Consolidation Shares issuable on Closing to all the Current BVICo Shareholders as a group remains at 90,251,562, and the weighted average price per Post-Consolidation Share issued to the Current BVICo Shareholders and the Weighted Exchange Ratio will not be affected by the Anti-Dilution Right.

The 90,251,562 Post Consolidation Shares will be issued to the BVICo Shareholders on the Weighted Exchange Ratio, with the application of the Anti-Dilution Right, with the following allocation among the BVICo Shareholders:

	BVICo Minimum Offering			BVICo Maximum Offering		
	Post-Consolidation Shares[1]	Percentage[2]		Post-Consolidation Shares[1]	Percentage[2]	
BVICo Shareholder		Non-Diluted	Fully Diluted		Non-Diluted	Fully Diluted
Shen Demin[3]	49,110,150	53.14%	52.99%	48,634,990	45.70%	45.18%
Chen Xiangfang[3]	18,022,073	19.50%	19.45%	17,847,703	16.77%	16.58%
Li Shuman[3]	278,033	0.30%	0.30%	322,973	0.30%	0.30%
Li Xiaochen[3]	185,355	0.20%	0.20%	215,315	0.20%	0.20%
Li Shufen[4]	4,505,518	4.88%	4.86%	4,461,926	4.19%	4.14%
Liu Xiaodong[4]	4,505,518	4.88%	4.86%	4,461,926	4.19%	4.14%
Wentao Yang[4]	2,035,199	2.20%	2.20%	2,364,160	2.22%	2.20%
Geng Shangzhen[4]	2,033,346	2.20%	2.19%	2,362,007	2.22%	2.19%
Li Jun[4]	565,333	0.61%	0.61%	656,711	0.62%	0.61%
Central Capital Advisory limited[3]	5,145,302	5.57%	5.55%	5,095,519	4.79%	4.73%
Atlantis China Fortune Fund[3]	3,865,735	4.18%	4.17%	3,828,332	3.60%	3.56%
Total	**90,251,562**	**90,251,562**	**90,251,562**	**90,251,562**	**90,251,562**	**90,251,562**

Notes:

(1) The actual exchange price and the effective price for Post-Consolidation Shares for the AD BVICo Shareholders and the NAD BVICo Shareholders will be determined on Closing based on the actual number of BVICo Shares sold in the BVICo Financing

(2) Assuming there is no President's List.

(3) NAD BVICo Shareholder.

(4) AD BVICo Shareholder.

BVICo Financing Purchasers Become Parties to Acquisition Agreement

Purchasers of the BVICo Shares in the BVICo Financing and each recipient of any BVICo Broker Warrants will be signing an acknowledgement to become a party to the Acquisition Agreement, and will be bound by all terms of the Acquisition Agreement.

Representations of the Vendors

The BVICo Shareholders have made the following representations and warranties and covenants to CPCC in the Acquisition Agreement:

(a) if a corporation, it is a valid and subsisting corporation duly incorporated under the laws of the jurisdiction in which it is incorporated or formed;

(b) it is the legal and beneficial owner of the BVICo Shares registered in its name as set out in Schedule "A" to the Acquisition Agreement free and clear of all encumbrances other than the Anti-Dilution Right in the case of the NAD BVICo Shareholders;

(c) the BVICo Shareholder has complete and unrestricted right, power and authority to transfer legal and beneficial title in and to its BVICo Shares to CPCC, free and clear of all liens, claims, charges and encumbrances whatsoever other than the Anti-Dilution Right in the case of the NAD BVICo Shareholders;

(d) the BVICo Shareholder has not granted to anyone any option or right to acquire any of its BVICo Shares other than to CPCC and other than the Anti-Dilution Right in the case of the NAD BVICo Shareholders;

(e) the entering into and performance of the Acquisition Agreement and the transactions contemplated therein by it will not violate:

(i) its constating documents or by laws;

(ii) will not result in the creation or imposition of any encumbrance or restriction of any nature whatsoever in favour of a third party upon or against the BVICo Shares owned by it; or

(iii) any statute, regulation, by law, order, judgment, or decree by which it is bound, except for such violations which would not have a material adverse change on BVICo;

(f) if a corporation, the BVICo Shareholder has taken all necessary corporate action to permit and authorize the sale of its BVICo Shares to CPCC;

(g) it acknowledges and agrees to be bound by any restrictions on the resale of the Post-Consolidation Shares issued to it on Closing that may be imposed by applicable law and the Exchange;

(h) the BVICo Shareholder is:

(iv) a purchaser that is recognized by the securities regulatory authority in the jurisdiction in which it is resident or otherwise subject to the securities laws of such jurisdiction, as an exempt purchaser and is acquiring the Post-Consolidation Shares as principal for its own account, and not for the benefit of any other person; or

(v) a purchaser which is acquiring the Post-Consolidation Shares pursuant to an exemption from any prospectus or securities registration requirements available to CPCC, BVICo and the BVICo Shareholder under applicable securities laws of their jurisdiction of residence or to which the BVICo Shareholder is otherwise subject to, and the BVICo Shareholder shall deliver to CPCC such further particulars of the exemption and its qualification thereunder as CPCC may reasonably request;

(i) the acquisition of the Post-Consolidation Shares by the BVICo Shareholder does not contravene any of the applicable securities laws in such jurisdiction and does not trigger: (i) any obligation to prepare and file a prospectus, an offering memorandum or similar document, or any other ongoing reporting requirements with respect to such purchase or otherwise; or (ii) any registration or other obligation on the part of CPCC or BVICo;

(j) the BVICo Shareholder will not sell or otherwise dispose of any the Post-Consolidation Shares, except in accordance with applicable securities laws in Canada and the jurisdiction in which it is resident or otherwise subject to the securities laws of such jurisdiction; and

(k) the BVICo Shareholder has been advised to obtain independent legal and tax advice prior to entering into the Acquisition Agreement.

Conditions Precedent to Completion of Transaction

The obligations of all parties under the Acquisition Agreement will be subject to the fulfillment of the following conditions prior to the Time of Closing or such other time as herein provided:

(a) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Acquisition Agreement, including, without limitation, the Proposed Qualifying Transaction;

(b) all consents, orders and approvals required for the completion of the Proposed Qualifying Transaction and transactions ancillary thereto shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to all of the parties hereto, acting reasonably, including without limitation the receipt of all necessary regulatory approvals including approval of the TSXV to the Proposed Qualifying Transaction and the issuance of the receipts by the securities commissions for the Prospectus;

(c) the BVICo Minimum Offering has been completed; and

(d) the Acquisition Agreement shall have not been terminated in accordance its terms.

CPCC's obligations under the Acquisition Agreement are subject to the fulfilment of the following conditions prior to Time of Closing or such other time as herein provided:

(a) Shenhe shall have provided a legal opinion from its Chinese counsel acceptable to CPCC confirming the corporate structure and that the representations and warranties made by Shenhe and its beneficial and legal shareholders are complete and true without omission or misleading statements;

(b) the BVICo Shareholders, BVICo and Shenhe shall have materially complied with all of their respective covenants and agreements contained in the Acquisition Agreement;

(c) the representations and warranties of the BVICo Shareholders, BVICo and Shenhe contained in the Acquisition Agreement shall be true in all material respects as if such representations and warranties had been made by each of the BVICo Shareholders, BVICo and Shenhe as of the Time of Closing;

(d) all documents necessary, in the view of counsel to CPCC (acting reasonably), to complete the transfer of legal and beneficial ownership of all the BVICo Shares shall have been delivered on Closing;

(e) CPCC shall have determined in its sole judgment, acting reasonably, that no material adverse change in the condition of BVICo and Shenhe during the time between the date of the Acquisition Agreement and the Time of Closing has occurred;

(f) if a shareholders' meeting of CPCC is convened to approve the Proposed Qualifying Transaction, the CPCC Shareholders shall have given all necessary approvals for the entering into of the Acquisition Agreement and all transactions to be completed by CPCC as contemplated hereby;

(g) CPCC, acting reasonably, being satisfied with the results of its due diligence investigations into the BVICo Shareholders, BVICo and Shenhe;

(h) the principals of Shenhe shall have been accepted by the Exchange;

(i) the Sponsor shall have conducted due diligence and filed with the Exchange a sponsorship report satisfactory to the Exchange, if required;

(j) the audited financial statements for Shenhe for the years ended June 30, 2010, 2009 and 2008 and other periods as required by the Commissions shall have been completed;

(k) all corporate and other proceedings in connection with the transactions contemplated on Closing and all documents incident thereto and other documents in connection with the purchase and sale, shall be completed and reasonably satisfactory in form and substance to CPCC's counsel, acting reasonably, and CPCC shall have received all executed counterpart original and certified or other copies of such documents as such counsel may reasonably request;

(l) Shenhe shall have obtained such additional government and other third party permits and authorizations as may be required in order to comply with PRC law;

(m) the BVICo Minimum Offering has been completed; and

(n) Shenhe shall have remained in compliance with the representation and warranties given to CPCC that the business and operation of Shenhe is in full compliance with the PRC laws and regulations.

The respective obligations of BVICo, Shenhe, HKCo and the BVICo Shareholders under the Acquisition Agreement are subject to the fulfilment of the following conditions:

(a) CPCC shall have materially complied with all of its covenants and agreements in the Acquisition Agreement to be performed and complied with on or before the Time of Closing;

(b) the representations and warranties of CPCC contained in the Acquisition Agreement shall be true in all material respects as if such representations and warranties have been made by CPCC as of the Time of Closing and BVICo;

(c) the board of directors of BVICo shall have given all necessary approvals for the entry into of the Acquisition Agreement and all transactions contemplated thereby to be completed by BVICo and the BVICo Shareholders;

(d) CPCC Shareholders have approved the Consolidation and the proposed name change of CPCC;

(e) BVICo and the BVICo Shareholders, acting reasonably, being satisfied with the results of their respective due diligence investigations into CPCC;

(f) BVICo shall have determined in its sole judgment, acting reasonably, that no material adverse change in the condition of CPCC during the time between the date of the Acquisition Agreement and the Time of Closing has occurred;

(g) compliance with all applicable PRC government laws, policies, rules and regulations, including but not limited to the filing of an acceptance of an offshore investment report; and

(h) all corporate and other proceedings in connection with the transactions contemplated on Closing and all documents incident thereto and other documents in connection with the purchase and sale, shall be completed and reasonably satisfactory in form and substance to BVICo's counsel acting reasonably, and they shall have received all executed counterpart original and certified or other copies of such documents as they may reasonably request.

Termination of the Acquisition Agreement

The Acquisition Agreement may be terminated prior to Closing as follows:

(a) Each of BVICo, Shenhe, HKCo, the BVICo Shareholders or CPCC may terminate the Acquisition Agreement, if it is not satisfied with the results of its due diligence in connection with the other party or parties, as the case may be, or as to the legal or tax consequences of concluding the transactions contemplated therein, provided notice of such termination is given to the other party on or before Closing.

(b) Each of BVICo, Shenhe, the BVICo Shareholders or CPCC may terminate the Acquisition Agreement if the conditions in its favour have not been satisfied or waived by July 31, 2011 (or such later date as may be agreed by the parties).

(c) In the event that the Acquisition Agreement is terminated by CPCC, except by mutual agreement or as contemplated by items (a) and (b) above, then CPCC shall pay to BVICo, within 30 days following the date of termination, the sum equal to the aggregate costs and expenses incurred by BVICo and Shenhe from January 20, 2011 to the effective date of termination. Similarly, in the event that the Acquisition Agreement is terminated by BVICo, Shenhe or the BVICo Shareholders, except by mutual agreement or as contemplated by items (a) and (b) above, then Shenhe shall pay to CPCC within 30 days following the date of termination, the sum equal to the aggregate costs and expenses incurred by CPCC from January 20, 2011 to the effective date of termination.

Standstill

From the date of the Acquisition Agreement until completion of the Acquisition or the earlier termination of the Acquisition Agreement, BVICo, Shenhe, HKCo, the BVICo Shareholders and CPCC will not, directly or indirectly, solicit, initiate, assist, facilitate, promote or encourage proposals or offers from, entertain or enter into discussions or negotiations with, or provide information relating to its securities or assets, business, operations, affairs or financial condition to any persons in connection with the acquisition or distribution of any securities of BVICo, Shenhe, HKCo or CPCC, or any amalgamation, merger, consolidation, arrangement, restructuring, refinancing, sale of any material assets of BVICo, Shenhe or CPCC, unless such action, matter or transaction is part of the transactions contemplated in the Acquisition Agreement or is satisfactory to, and is approved in writing in advance by the other party hereto or is necessary to carry on the normal course of business.

INFORMATION CONCERNING THE RESULTING ISSUER

CORPORATE STRUCTURE

Upon the Completion of the Proposed Qualifying Transaction, the Resulting Issuer proposes to change its name to "China Freeze-Dry Products Corporation", or such other name as may be chosen by the directors of the Resulting Issuer and accepted by the regulatory authorities upon Closing. The Registered Office of the Resulting Issuer will be located at 95 Wellington Street West, Suite 1200, Toronto, Ontario M5J 2Z9. The head office of the Resulting Issuer will be located at 8 Jinqueshan Wu Road, Shenda Industrial Park, Cangshan, Shandong Province, PRC.

The Resulting Issuer will duly exist under the *Business Corporations Act* (Ontario). The Articles and By-Laws of the Resulting Issuer will be those of CPCC, with necessary amendments to be made to reflect the Consolidation and the change of corporate name. The day-to-day business of the Resulting Issuer will be overseen by the Resulting Issuer Board.

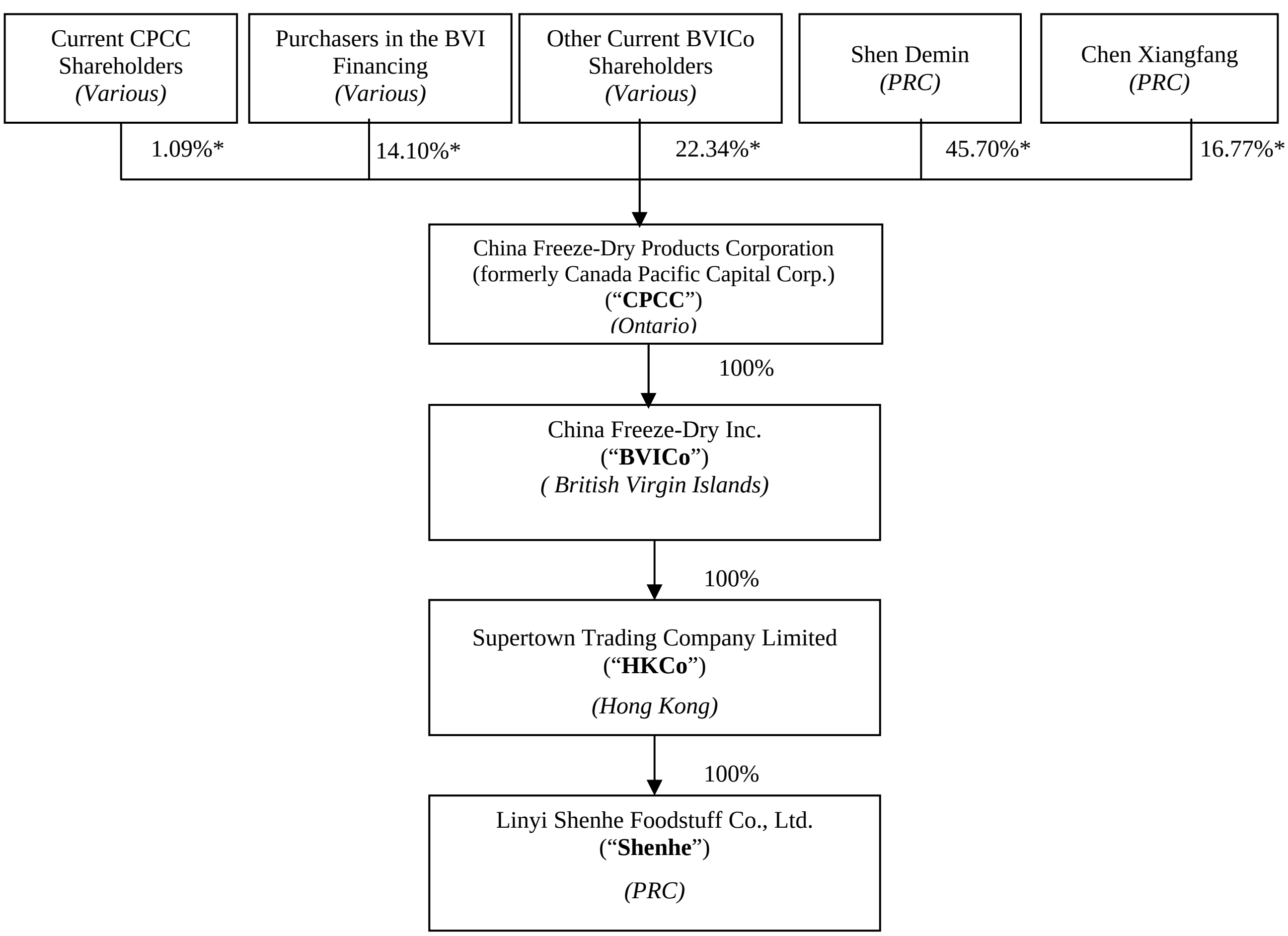
INTERCORPORATE RELATIONSHIPS

Upon the completion of the Acquisition, the Resulting Issuer will directly through BVICo and HKCo hold a 100% equity interest in Shenhe and will carry on the business of Shenhe.

The Resulting Issuer will be owned: (i) in the case of BVICo Minimum Offering, 53.14% by Mr. Shen Demin and 19.50% owned by Ms. Chen Xiangfang on a non-diluted basis, or 45.70% owned by Mr. Shen Demin and 16.77% owned by Ms. Chen Xiangfang on a fully diluted basis; and (ii) in the case of BVICo Maximum Offering, 52.99% by Mr. Shen Demin and 19.45% owned by Ms. Chen Xiangfang on a non-diluted basis, or 45.18% owned by Mr. Shen Demin and 16.58% owned by Ms. Chen Xiangfang on a fully diluted basis.

Corporate Chart

After giving effect to the Acquisition, the intercorporate relationships among the Resulting Issuer and its wholly owned subsidiaries will be as follows:



* Assuming BVICo Maximum Offering on a non-diluted basis.

NARRATIVE DESCRIPTION OF THE BUSINESS

Upon Completion of the Proposed Qualifying Transaction, the Resulting Issuer will carry on the business of Shenhe, as set forth in more detail in "*Information Concerning Shenhe, HKCo and BVICo - Narrative Description of the Business*".

DESCRIPTION OF THE SECURITIES

The securities of the Resulting Issuer will be the securities of CPCC. See "*Information Concerning CPCC - Description of the Securities*".

PRO-FORMA CONSOLIDATED CAPITALIZATION

Pro Forma Capitalization of Resulting Issuer After Completion of the Proposed Qualifying Transaction

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer, on a Post-Consolidation and non-diluted basis, before and after giving effect to the Acquisition and BVICo Financing:

Designation of Security	Amount Authorized	Amount Outstanding Before Giving Effect to the Acquisition	Amount Outstanding After Giving Effect to the Acquisition	
			BVICo Minimum Offering	BVICo Maximum Offering
Post-Consolidation Shares	Unlimited	1,160,000	92,411,562(1)	106,411,562(2)

Notes:

(1) Pro forma consolidated capitalization of the Resulting Issuer on a non-diluted basis assuming completion of the BVICo Minimum Offering, and will be held as follows: 1,160,000 Post-Consolidation Shares held by the existing CPCC Shareholders, 90,251,562 Post-Consolidation Shares held by BVICo Shareholders, and 1,000,000 Post-Consolidation Shares held by purchasers of the BVICo Shares in the BVICo Financing.

(2) Pro forma consolidated capitalization of the Resulting Issuer on a non-diluted basis assuming completion of the BVICo Maximum Offering, and will be held as follows: 1,160,000 Post-Consolidation Shares held by the existing CPCC Shareholders, 90,251,562 Post-Consolidation Shares held by BVICo Shareholders, and 15,000,000 Post-Consolidation Shares held by purchasers of the BVICo Shares in the BVICo Financing.

Fully diluted Pro Forma Consolidated Capitalization of the Resulting Issuer After Completion of the Proposed Qualifying Transaction

The following table sets forth the pro forma fully diluted capitalization of the Resulting Issuer, on a Post-Consolidation basis, after giving effect to the Acquisition and the BVICo Financing:

Designation of Security	Fully diluted Post-Consolidation Shares Outstanding Before Giving Effect to the Acquisition	Fully diluted Post-Consolidation Shares Outstanding After Giving Effect to the Acquisition	
		BVICo Minimum Offering	BVICo Maximum Offering
Post-Consolidation Shares	1,160,000	92,411,562	106,411,562
Replacement Broker Warrants(1)	-	70,000(2)	1,050,000(3)
Stock Options(4)	116,000	116,000	116,000

Designation of Security	Fully diluted Post-Consolidation Shares Outstanding Before Giving Effect to the Acquisition	Fully diluted Post-Consolidation Shares Outstanding After Giving Effect to the Acquisition	
		BVICo Minimum Offering	BVICo Maximum Offering
Agent's IPO Warrants(5)	80,000	80,000	80,000
Total:	**1,356,000**	**92,677,562**	**107,657,562**

Notes:

(1) Upon Closing, the Resulting Issuer will have Replacement Broker Warrants outstanding to purchase Post-Consolidation Shares with an exercise price of $2.00 per share, exercisable for a period of two years following the Completion of the Proposed Qualifying Transaction. The Replacement Broker Warrants will be issued to the Agent as part of the compensation for the BVICo Financing.

(2) Assuming there is no President's List. If all purchasers in the BVICo Financing are on the President's list, the Replacement Broker Warrants will be 35,000.

(3) Assuming there is no President's List. If all purchasers in the BVICo Financing are on the President's list, the Replacement Broker Warrants will be 525,000.

(4) Upon Closing, the Resulting Issuer will have stock options outstanding to purchase 116,000 Post-Consolidation Shares with an exercise price of $1.00 per share exercisable until December 31, 2015.

(5) Upon Closing, the Resulting Issuer will have Agent's IPO Warrants outstanding to purchase 80,000 Post-Consolidation Shares with an exercise price of $1.00 per share, exercisable until January 6, 2013; the Agent's IPO Warrants were issued in connection with CPCC's IPO.

See also *Exhibit D - Pro Forma Financial Statements of the Resulting Issuer*.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Estimated Funds Available

As of April 30, 2011, the estimated pro forma consolidated working capital of BVICo and the Corporation was as follows, after giving effect to the Acquisition and the BVICo Financing:

		BVICo		Consolidated	
	The Corporation	BVICo Minimum Offering	BVICo Maximum Offering	BVICo Minimum Offering	BVICo Maximum Offering
Pro forma working capital as at April 30, 2011	$293,560(1)	$61,789,898 (2)	$87,829,898 (3)	$62,083,458	$88,123,458

Notes:

(1) After deducting estimated costs incurred by Corporation for the Acquisition estimated at $470,000.

(2) Assuming completion of the BVICo Minimum Offering and there is no President's List, net of agents' commission of $140,000 at 7% and the BVICo's cost for the BVICo Financing and the Acquisition estimated at $415,000.

(3) Assuming completion of the BVICo Maximum Offering and there is no President's List, net of agents' commission of $2,100,000 at 7% and the BVICo's cost for the BVICo Financing and the Acquisition estimated at $415,000.

Principal Purposes

The Resulting Issuer expects to use the funds available to it upon the Completion of the Qualifying Transaction to further its business objectives set out in "*Information Concerning the Resulting Issuer - Narrative Description of the Business*". Specifically, management currently intends to use the estimated consolidated working capital as follows:

	BVICo Minimum Offering	BVICo Maximum Offering
Expand production capacity as per Phase 4 and 5 Projects	20,000,000	40,000,000
Expand international sales and marketing efforts	500,000	500,000
Expand domestic sales and marketing efforts	500,000	500,000
Add management team members	100,000	100,000
Fund other public company expenses	220,000	220,000
General working capital	40,763458	46,803,458
Total:	$62,083,458	$88,123,458

Based on its current working capital balance, and expected sales, costs and expenses, management of the Resulting Issuer believes that it has sufficient resources to continue to operate without additional outside financing for at least the next 18 months.

There may be circumstances, where for sound business reasons, the reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives.

DIVIDEND POLICY

There will be no restrictions in the Resulting Issuer's constating documents or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Acquisition. All of the Resulting Issuer's Shares are entitled to an equal share in any dividends declared and paid. However, it is not contemplated that any dividends will be paid on the Resulting Issuer Shares in the immediate or foreseeable future. It is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time.

However, the PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shenhe receives all of its revenues in RMB. Shortages in the availability of foreign currency may restrict the ability of Shenhe to remit sufficient foreign currency to pay dividends or other payments to the Resulting Issuer. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans or dividends denominated in foreign currencies.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the management of CPCC and Shenhe, the following persons or corporations will, as at the completion of the Acquisition, beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attaching to all the outstanding Shares of the Resulting Issuer, on a basic and fully diluted basis:

To the knowledge of the management of CPCC and Shenhe, the following persons or corporations will, as at the completion of the Acquisition, beneficially own, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attaching to all the outstanding Shares of the Resulting Issuer, on a basic and fully diluted basis:

Name, Municipality of Residence, Position with Resulting Issuer	BVICo Minimum Offering			BVICo Maximum Offering		
	Post-Consolidation Shares	Percentage(1)		Post-Consolidation Shares	Percentage(1)	
		Non-Diluted	Fully-Diluted		Non-Diluted	Fully-Diluted
Shen Demin Cangshan, Shandong, PRC	49,110,150(2)	53.14%	52.99%	48,634,990(2)	45.70%	45.18%
Chen Xiangfang Jinan, Shandong, PRC	18,022,073(3)	19.50%	19.45%	17,847,703(3)	16.77%	16.58%

Notes:

(1) Assuming no participation in the BVICo Financing. Assuming there is no President's List.

(2) The number of Post-Consolidation Shares issuable to Mr. Shen Demin is calculated based on the operation of the BVICo Anti-dilution Right. The exact number will be determined on Closing based on the number of BVICo Shares sold in the BVICo Financing.

(3) The number of Post-Consolidation Shares issuable to Ms. Chen Xiangfang is calculated based on the operation of the BVICo Anti-dilution Right. The exact number will be determined on Closing based on the number of BVICo Shares sold in the BVICo Financing.

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address, Position and Security Holding

The following table sets out the name, municipality of residence, position with the Resulting Issuer, and the number and percentage of Resulting Issuer Shares which will be beneficially owned or controlled by each of the Resulting Issuer's directors, officers and promoters following completion of the Acquisition, on a basic and fully diluted basis:

Insider, Promoter or Control Person of Resulting Issuer	BVICo Minimum Offering			BVICo Maximum Offering		
	Post-Consolidation Shares	Percentage(1)		Post-Consolidation Shares	Percentage(1)	
		Non-Diluted	Fully-Diluted		Non-Diluted	Fully-Diluted
Shen Dapeng President, CEO and Chairman	Nil	Nil	Nil	Nil	Nil	Nil
Shen Demin Director	49,110,150(2)	53.14%	52.99%	48,634,990(2)	45.70%	45.18%
Chen Xiangfang	18,022,073(3)	19.50%	19.45%	17,847,703(3)	16.77%	16.58%
Michael Pesner Director	Nil	Nil	Nil	Nil	Nil	Nil
Francesco (Frank) Galati Director	Nil	Nil	Nil	Nil	Nil	Nil
Adam Szweras Director	30,000(4)	0.03%	0.06%	30,000(4)	0.03%	0.05%
Francis N.S. Leong, Director	16,000	0.02%	0.02%	16,000	0.02%	0.01%
Zhao Yan CFO	Nil	Nil	Nil	Nil	Nil	Nil
Judith Hong Wilkin Secretary	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Assuming no participation in the BVICo Financing. Assume there is no President's List.

(2) The number of Post-Consolidation Shares issuable to Mr. Shen Demin is calculated based on the operation of the BVICo Anti-dilution Right. The exact number will be determined on Closing based on the number of BVICo Shares sold in the BVICo Financing.

(3) The number of Post-Consolidation Shares issuable to Ms. Chen Xiangfang is calculated based on the operation of the BVICo Anti-dilution Right. The exact number will be determined on Closing based on the number of BVICo Shares sold in the BVICo Financing.

(4) Does not include options to purchase 23,200 Resulting Issuer Shares at $1.00 per share. Held under the CPC Escrow Agreement.

Directors, officers and Insiders of the Resulting Issuer, as a group, on a non-diluted basis, will own a total of 67,178,223 (or 72.69%) of the Resulting Issuer Shares on Closing in the case of BVICo Minimum Offering, or 66,528,693 (or 62.52%) of the Resulting Issuer Shares on Closing in the case of BVICo Maximum Offering. Directors, officers and Insiders of the Resulting Issuer, as a group, on a fully diluted basis, will own a total of 67,178,223 (or 72.51%) of the Resulting Issuer Shares on Closing in the case of BVICo Minimum Offering assuming there is no President's List, or 66,528,693 (or 61.80%) of the Resulting Issuer Shares on Closing in the case of BVICo Maximum Offering assuming there is no President's List.

Other than the Post-Consolidation Shares held by Mr. Adam Szweras which were placed in escrow under the CPC Escrow Agreement, Resulting Issuer Shares held by Principals upon Completion of the Proposed Qualifying Transaction are not expected to be placed in escrow pursuant to National Policy 46-201 – "*Escrow for Initial Public Offerings*". The Exchange may use its discretion to impose escrow conditions.

See "*Information Concerning the Resulting Issuer - Principal Securityholders*", "*Information Concerning the Resulting Issuer - Options to Purchase Securities*", and "*Information Concerning the Resulting Issuer - Escrow Securities*".

For particulars of the occupations of the directors and officers see "*Information Concerning the Resulting Issuer - Directors, Officers and Promoters - Management and Board of Directors*".

Management and Board of Directors

At the annual and special meeting of CPCC Shareholders to be held on June 20, 2011, CPCC Shareholders will be asked to elect each of Messrs. Shen Demin, Shen Dapeng, Michael Pesner, Francesco (Frank) Galati, Adam Szweras and Francis N.S. Leong as directors of the Resulting Issuer effective upon the Completion of the Proposed Qualifying Transaction. It is expected that the Resulting Issuer Board will appoint the officers as set out below as soon as practicable following the Completion of the Proposed Qualifying Transaction.

The following is information with respect to each of the directors, officers and promoters of the Resulting Issuer:

Shen Dapeng, Chairman of the Board, President and CEO

Mr. Shen Dapeng has been the president of Shenhe since Shenhe started the processing and sale of FD food in March 2001. Shenhe has developed steadily to become a leading FD food processor in China under his leadership. Mr. Shen Dapeng holds a bachelor's degree from Qufu Normal University.

Shen Demin, Director

Mr. Shen Demin was the founder of Shenhe and has been its Chairman since March 2001. Mr. Shen Demin built Shenhe successfully into a profitable enterprise and one of China's leading FD food processors. Mr. Shen Demin holds a bachelor's degree in food science from Shandong Agricultural College.

Michael Pesner, Director

Mr. Pesner has been the President of Hermitage Canada Finance Inc., a financial advisory services company, since September 2004. From September 2002 to September 2004, Mr. Pesner acted as the President of Hermitage International Finance Inc., a financial advisory services company. From 1978 to August 2002, Mr. Pesner was a partner at KPMG at its Montreal office. Mr. Pesner is a chartered accountant and a licensed trustee. Mr. Pesner is currently a director of Richmond Mines Inc., a mining company listed on the Toronto Stock Exchange (the "**TSX**") and NYSE Amex, Quest Rare Minerals Ltd., a mining exploration company listed on the TSXV, Sand Technology Inc., a software technology quoted on OTCBB, Mint Technology Corp., a financial services technology company listed on the TSXV, Prestige Telecom Inc., a telecommunication services company listed on the TSXV, and Bitumen Capital Inc., a capital pool company listed on the NEX. Mr. Pesner holds a bachelor of commerce from McGill University and a bachelor of arts from Concordia University.

Francesco (Frank) Galati, Director

Mr. Galati has been the President of 2030755 Ontario Limited operating as Bedford Consulting, a management consulting company, since March 2007. From September 2006 to March 2007, Mr. Galati was the President of Wellnx Life Sciences Inc., a nutritional supplement company distributing to USA and Canada. From May 1999 to June 2006, Mr. Galati served as the President and CEO of Destination Products International Ltd., a frozen food company marketing to grocery and retail channels in USA and Canada. Mr. Galati is a certified management accountant. Mr. Galati holds a MBA and a batcher of commerce degree from Windsor University and a bachelor of arts degree from the University of Toronto.

Adam K Szweras, Director

From January 1996 to June 1997, Mr. Szweras acted as the media relations co-ordinator of the Consulate General of Israel in Toronto, attending to media monitoring and lobbying. In June 1997, Mr. Szweras practiced corporate and securities law with Burns Solicitors, as an associate lawyer. Mr. Szweras continued his securities law practice with Carbonaro Sugar Szweras LLP from March 1999 through August 2001. In December 2001 to August 2004, Mr. Szweras practiced securities law as an associate at Fasken Martineau DuMoulin LLP. Mr. Szweras went on to continue his securities law practice as a partner at Heenan Blaikie LLP from August 2004 to January 2006. In February 2006 Mr. Szweras moved his securities law practice to Fogler, Rubinoff LLP, where he continues to practice law. In November 2006, Mr. Szweras also became Chairman and a director of Foundation Markets Inc., an exempt market dealer, which position he also currently holds.

Francis N.S. Leong, Director

Mr. Leong has been the principal of Sungai River Inc., an international financial consulting company, since October 2003. Prior to Mr. Leong's retirement in August, 2003, he was City Treasurer of The City of Calgary from October 1999. Mr. Leong currently serves as a director of Boyuan Construction Group, Inc., a residential and commercial construction company listed on the TSX; Andatee China Marine Fuel Services Corporation, a marine fuel production and supplier to fishing boats company quoted on Nasdaq; China Industrial Waste Management Inc., an industrial waste treatment and landfill company quoted on the OTCBB; and China Infrastructure Construction Corporation, a ready mix cement company quoted on the OTCBB. Mr. Leong received a Bachelor of Commerce degree from the National Chengchi University in Taipei, Taiwan in 1968 and a Master of Public Administration from Brigham Young University in Provo, Utah, USA in 1975.

Zhao Yan, CFO

Mr. Zhao has been the CFO for Shenhe since May 2011. From February 2008 to April 2011, Mr. Zhao was a supervisor at Schwartz Levitsky Feldman LLP, an accounting firm, at its Toronto office. From September 2006 to January 2008, Mr. Zhao was an associate at PricewaterhouseCoopers LLP at its Toronto office. From July 2002 to August 2004, Mr. Zhao was an associate at PricewaterhouseCoopers LLP at its Beijing office. Mr. Zhao is a chartered accountant and a certified general accountant. Mr. Zhao holds an MBA from McMaster University and a Bachelor of Accounting degree from University of International Business and Economics (UIBE), Beijing, PRC. Mr. Zhao has entered into a non-completion or non-disclosure agreement with the Resulting Issuer. See “Information Concerning Shenhe, HKCo and BVICo-Directors and Officers - Termination and Change of Control Benefits”.

Judith Hong Wilkin, Secretary

Ms. Judith Hong Wilkin currently is a lawyer practicing securities law at Fogler, Rubinoff LLP, a firm she has been with since 2002, except during January to May 2006 when she was a lawyer at Freshfields Bruckhaus Deringer at its Hong Kong office. Ms. Wilkin holds a Master of Laws degree from York University, a Bachelor of Laws degree from the University of Ottawa, a Bachelor of Arts degree from Lakehead University and a Bachelor of Education (Honours) degree from Southwest China University.

Promoter Consideration

Mr. Shen Dapeng, who will be a director, President, CEO and Chairman of the Resulting Issuer, could be considered to be the promoter of Shenhe, BVICo and HKCo, as Mr. Shen Dapeng took the initiative in founding, organizing or substantially reorganizing Shenhe, BVICo and HKCo. On Closing, Mr. Shen Dapeng would control no Resulting Issuer Shares.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, no individual who will be a director, officer or promoter of CPCC or the Resulting Issuer is, or has been within the past ten years, a director, officer or promoter of any other issuer that, while such person was acting in that capacity, was:

(a) the subject of a cease trade or similar order or an order that denied CPCC access to any statutory exemptions for a period of more than 30 consecutive days, or

(b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Adam Szweras was a director and Secretary of Bassett Media Group Corp., a TSXV-listed company, until March 16, 2010. Bassett has been subject to a cease trade order since June 16, 2010.

Penalties or Sanctions

No individual who will be a director, officer or promoter of CPCC or Resulting Issuer has within the ten years prior to the date of this Prospectus, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, theft or fraud.

Individual Bankruptcies

No individual who will be a director, officer or promoter of CPCC or Resulting Issuer is, or, within the ten years prior to the date of this Prospectus, has been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Resulting Issuer also holding positions as directors or officers of other Companies. Some of the individuals who will be directors and officers of the Resulting Issuer have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other Companies, and situations may arise where the directors and officers of the Resulting Issuer will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies provided under *Business Corporations Act* (Ontario).

PROPOSED CORPORATE GOVERNANCE OF THE RESULTING ISSUER

Corporate governance will relate to the activities of the Resulting Issuer Board, the members of which will be elected by and accountable to the shareholders, and account for the role of management who are appointed by the Resulting Issuer Board and charged with the day to day management of the Resulting Issuer. The proposed

Resulting Issuer Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Resulting Issuer and the Resulting Issuer Board has formed a Corporate Governance and Nominating Committee (the "**CG&N Committee**") to oversee the Resulting Issuer's operations as they relate to corporate governance matters. The CG&N Committee will be composed of the following three members: Messrs. Francis N.S. Leong, Michael Pesner and Mr. Francesco (Frank) Galati, all of whom are independent directors. Mr. Leong will be the Chair of the CG&N Committee. The CG&N Committee will be responsible for: (i) developing the Resulting Issuer's approach to board governance issues and the Resulting Issuer's response to the corporate governance guidelines set forth in National Policy 58-201 as such policy may be amended, supplemented or replaced from time to time; (ii) reviewing the composition, compensation and contribution of the board and its members and recommending board nominees; (iii) producing a director's manual to use in the orientation program for new directors and ongoing education of directors; (iv) helping to maintain an effective working relationship between the board and management; and (v) exercising, within the limits imposed by the by-laws of the Resulting Issuer, by applicable laws, and by the Resulting Issuer Board, the powers of the Resulting Issuer Board for the management and direction of the affairs of the Resulting Issuer when (i) time or logistical constrains do not permit a meeting of the full board during intervals between scheduled meetings or (ii) specific transactions or actions have previously been approved in principle by the full board and subsequently require a specific resolution for formal approval.

National Policy 58-201 of the Canadian Securities Administrators has set out a series of guidelines for effective corporate governance (the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards and the effectiveness and education of board members. National Instrument 58-101 Disclosure of Corporate Governance Practices ("**NI 58-101**") requires the Resulting Issuer to disclose annually in its Management Information Circular certain information concerning its corporate governance practices.

Set out below is a description of the Resulting Issuer's proposed approach to corporate governance in relation to the Guidelines.

<u>Independence of Board of Directors</u>

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Resulting Issuer. A "material relationship" is in turn defined as a relationship which could, in the view of the Resulting Issuer Board, be reasonably expected to interfere with such member's independent judgement. The Board is currently comprised of six members; the majority of whom the Resulting Issuer Board has determined are "independent" directors w the meaning of NI 58-101.

Mr. Shen Dapeng is not considered "independent" as the result of Mr. Shen's position as Chief Executive Officer of the Resulting Issuer and Chairman. Mr. Adam Szweras is not considered "independent" as the result of him being a partner of Fogler, Rubinoff LLP, proposed corporate counsel for the Resulting Issuer. Mr. Shen Demin is the father of Mr. Shen Dapeng, and Mr. Shen Demin will also be a shareholder holding more than 10% of the Resulting Issuer Shares. Accordingly, the board has decided that Mr. Shen Demin is not considered "independent". The remaining three proposed directors will be considered to be independent directors since they are all independent of management and free from any material relationship with the Resulting Issuer. The basis for this determination is that, since the beginning of the fiscal year ended June 30, 2010, none of the independent directors have worked for Shenhe or its Affiliates, received remuneration from Shenhe or its Affiliates, or had material contracts with or material interests in the Resulting Issuer, Shenhe or its Affiliates which could interfere with their ability to act with a view to the best interests of the Resulting Issuer.

The Resulting Issuer Board believes that it functions independently of management. To enhance its ability to act independent of management, the members of the Resulting Issuer Board may meet in the absence of members of management and the non-independent directors or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

<u>Orientation and Continuing Education</u>

The CG&N Committee will be responsible for producing a director's manual to use in the orientation program for new board members. In addition information such as recent annual reports, prospectuses, proxy solicitation materials, various other operating and budget reports and board and committee mandates will be provided to new board members to ensure that they are familiar with the Resulting Issuer's business and the procedures of the board. In addition, directors will be encouraged to visit and meet with management on a regular basis. The Resulting Issuer will also encourage continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Resulting Issuer.

Ethical Business Conduct

Ethical business behaviour will be of great importance to the Resulting Issuer Board and the management of the Resulting Issuer. The Resulting Issuer intends to institute policies on Completion of the Proposed Qualifying Transaction on disclosure, insider trading as well as a whistleblower policy for all staff and personnel to report any fraudulent or illegal acts on an anonymous basis directly to the Audit Committee chair.

In addition, as some of the proposed directors of the Resulting Issuer will also serve as directors and officers of other companies engaged in similar activities, the Resulting Issuer Board must comply with the conflict of interest provisions of the OBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Each director will be required to declare the nature and extent of his interest and will not entitled to vote at meetings which involve such conflict.

Nomination of Directors

The CG&N Committee will be responsible for reviewing the composition, compensation and contribution of the Resulting Issuer Board and its members and recommending board nominees.

The CG&N Committee will attempt to attract and maintain directors with business knowledge, such as food industry, accounting and finance, which provide knowledge which will assist in guiding management of the Resulting Issuer. As such, nominations will tend to be the result of recruitment efforts by management of the Resulting Issuer and discussions among the members of the CG&N Committee prior to the consideration of the board as a whole.

Compensation

The Resulting Issuer will establish a Compensation Committee which will be composed of three directors, Messrs. Frank Galati, Michael Pesner and Francis N.S. Leong, all of whom are independent of management. Mr. Galati will be Chair of this committee. The Compensation Committee will meet no less than once each year and will be responsible for making recommendations to the Resulting Issuer Board regarding: (a) human resources policies and practices; (b) compensation policies and guidelines; (c) management incentive and perquisite plans; (d) senior management and officer appointments and compensation; (e) management succession and development plans and termination policies and arrangements; and (f) the human resources structure.

The Compensation Committee will make recommendations to the Resulting Issuer Board regarding director and CEO compensation, and various other matters, and the Resulting Issuer Board then will determine whether to adopt such recommendations as submitted or otherwise.

Please see "Proposed Executive Compensation – Compensation Discussion and Analysis" below for details of proposed compensation objective, compensation philosophy, application of the philosophy to the Resulting Issuer's executive compensation arrangements and an analysis of the Resulting Issuer's proposed compensation design.

Other Committee

In addition to the Audit Committee, CG&N Committee and Compensation Committee, the Resulting Issuer Board is not expected to have any other board committee on Completion of the Proposed Qualifying Transaction.

Audit Committee Information

The Resulting Issuer Audit Committee will be composed of three members: Michael Pesner, Francesco (Frank) Galati and Francis N.S. Leong, all of whom are independent directors and each of whom is financially literate. Mr. Pesner will be the chair of the Audit Committee. In addition to other duties, the Audit Committee will review all financial statements, annual and interim, intended for circulation among shareholders and reports upon these to the Resulting Issuer Board. In addition, the Resulting Issuer Board may refer to the Audit Committee other matters and questions relating to the financial position of the Resulting Issuer and its affiliates. The Resulting Issuer will adopt the audit committee charter of CPCC the full text of which is attached as Exhibit "E".

Audit Committee Member Information

Audit Committee Member	**Related Experience**
Michael Pesner	Partner of KPMG LLP for over 24 years. Chartered accountant and licensed trustee. Member of the audit committees on other public companies.
Frank Galati	Certified management accountant.
Francis Leong	Treasurer of The City of Calgary for four years. Member of the audit committees on other public companies.

Pre-Approval Policy for Services of Independent Auditors

As part of its duties, the Audit Committee of the Resulting Issuer Board will be required to pre-approve audit and non-audit services preformed by the independent auditors in order to assure that the provision of such services does not impair the auditors' independence. In considering the appointment of the auditor for non-audit services, the Audit Committee will consider the compatibility of the service with the auditor's independence. The Committee may delegate to the Chair of the Audit Committee the responsibility for pre-approval of non-audit services that do not exceed $10,000 in fees, provided that any such pre-approval is reported to the full Audit Committee at its next scheduled meeting. The Audit Committee does not delegate to management its responsibilities to pre-approve services performed by the independent auditors.

Assessment of Board Performance

As noted above the CG&N Committee will be responsible for reviewing the contribution and effectiveness of the Resulting Issuer Board, its committees and its members. The CG&N Committee will:

(a) review and report to the Resulting Issuer Board annually on the size, composition and profile of the Resulting Issuer Board (age, geographical representation, disciplines, related vs. unrelated, etc.). In its review of the size of the Resulting Issuer Board, the Committee will evaluate the impact of the number of board members upon its effectiveness and, if required, implement a program to modify the number of directors to facilitate more effective decision-making;

(b) reviews annually the continued compliance by nominees to the Resulting Issuer Board to be named in the management proxy circular for re-election with the criteria underlying the appointment of each director;

(c) reviews annually: (i) compliance by board members with the Resulting Issuer's policy on conflicts of interest; (ii) the status and contribution of members of the Resulting Issuer Board and committees of the Resulting Issuer Board; and (iii) the performance of the Resulting Issuer Board and its committees, and reports to the Resulting Issuer Board thereon. This report, where appropriate, will include an assessment of the areas in which the Committee believes a better contribution could be made and recommendations to improve the performance of the board, its members and its committees; and

(d) reviews annually the board/management relationship and recommends to the board structures and procedures to ensure that the Resulting Issuer Board can function independently of management.

Other Reporting Issuer Experience

The following table sets out the directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers in any Canadian or foreign jurisdiction:

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
Michael Pesner	Richmond Mines Inc.	TSX, NYSE Amex	Director	Nov. 2010	Present
	Quest Rare Minerals Ltd.	TSXV	Director	Sept. 2007	Present
	Sand Technologies Inc.	OTCBB	Director	Jan. 2010	Present
	Prestige Telecom Inc.	TSXV	Director	July 2007	Present
	Mint Technology Corp.	TSXV	Director	Mar. 2008	Present
	Bitumen Capital Inc.	NEX	Director	Mar. 2007	Present
	San Anton Capital Inc.	TSXV	Director	Nov. 2007	May 2010
Francis N.S. Leong	Boyuan Construction Group, Inc.	TSX	Director	Feb. 2009	Present
	Andatee China Marine Fuel Services Corporation	Nasdaq	Director	July 2009	Present
	Jinhua Capital Corp.	TSXV	Director, CEO	Oct. 2009	Present
	China Industrial Waste Management Inc.	OTCBB	Director	Apr. 2009	Present
	China Infrastructure Construction Corporation	OTCBB	Director	Feb. 2010	Present
	Enmax Corporation	Previously a reporting issuer but not trading	Director	Oct. 2003	May 2010
	Grand Power Logistics Group Inc.	TSXV	Director	Apr. 2004	Dec. 2009
	Silver Foxx Capital Corp. (now called Silvore Fox Minerals Corp.)	TSXV	President, CEO and Director	May 2005	June 2008
	Tiex Inc.	TSXV	Director	Mar. 2005	May 2008
	IVG Enterprises Ltd.	TSXV	Director	Feb. 2005	Sept. 2006
Adam Szweras	Petrolympic Ltd.	TSXV	Secretary	June 2008	Present
	Star Navigation Systems Group Ltd.	TSXV	Secretary	May 2008	Present
	Sagittarius Capital Corp.	NEX	Director	Aug. 2009	Aug. 2010
	InterAmerican Gaming, Inc.	TSXV	Director	May 2008	June 2009
	Silver Shield Resources Corp.	TSXV	Director	Dec. 2007	Jan. 2009
	Academy Capital Corp.	TSXV	Director	Aug. 2005	Nov. 2005

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
	Willowstar Capital Corp.	TSXV	Director	Aug. 2004	Nov. 2005
	Koda Resources Ltd.	TSXV	Director	Apr. 2000	May 2003
Judith Hong Wilkin	Arehada Mining Limited	TSX	Secretary	May 2007	Nov. 2010

PROPOSED EXECUTIVE COMPENSATION

The proposed salary and bonus for each of the Resulting Issuer's executive officers has been determined by the board of directors of CPCC and Shenhe without any formal discussions and is intended to be in accordance with industry standards. The Resulting Issuer Board will be responsible for determining executive compensation following Completion of the Proposed Qualifying Transaction. At this time, it is expected that such determinations will be made through board discussions and there is no current intention to establish formal objectives or required criteria or analysis for setting executive compensation.

Compensation Discussion and Analysis

The Compensation Committee of the Resulting Issuer will assist the Resulting Issuer board in carrying out its responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Resulting Issuer's base compensation structure and equity-based compensation programs, recommending compensation of the Resulting Issuer's officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives. The Resulting Issuer board will assume responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Resulting Issuer although the Compensation Committee guides it in this role.

The Compensation Committee will determine the compensation of the President and CEO. The President and CEO will make salary recommendations for all other executive officers and senior employees of the Resulting Issuer to the Compensation Committee.

Philosophy and Objectives

The compensation program for the senior management of the Resulting Issuer is designed to ensure that the level and form of compensation achieves certain objectives, including:

(i) to align executive compensation with shareholders' interests;

(ii) to attract and retain highly qualified management;

(iii) to focus performance by linking incentive compensation to the achievement of business objectives and financial results; and

(iv) to encourage retention of key executives for leadership succession.

The Resulting Issuer will review industry compensation information and compare the Resulting Issuer's level of overall compensation with those of comparable sized companies.

Base Salary

In the Resulting Issuer board's view, paying base salaries which are competitive in the markets in which the Resulting Issuer will operate is a first step to attracting and retaining talented, qualified and effective executives. Base salary will be compensation for discharging job responsibilities and reflect the level of skills and capabilities demonstrated by the executive. Annual salary adjustments will take into account the market value of the role and the executive's demonstration of capability during the year.

Bonus Incentive Compensation

In the future, the Resulting Issuer may award executive officers with bonus incentive compensation. The Resulting Issuer's objective would be to reward achievement of certain strategic objectives and milestones. The Resulting Issuer board will consider executive bonus compensation dependent upon the executive and the Resulting Issuer meeting those strategic objectives and milestones, the executive's individual performance and sufficient cash resources being available for the granting of bonuses.

Equity Participation

CPCC and Shenhe believe in aligning the interests of its executive officers with those of the shareholders of the Resulting Issuer by encouraging its executives and employees to become shareholders. Equity participation may be accomplished through the awarding of stock options under the Resulting Issuer's stock option plan. Stock options may be granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted, if any, will be determined by the Resulting Issuer board.

Summary of Proposed Compensation

The following states the anticipated compensation for Resulting Issuer's proposed executive officers for the 12-month period after giving effect to the Acquisition.

Name and Principal Position	Salary ($)	Share-based Awards ($)	Option-based Awards ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
				Annual Incentive Plans	Long-Term Incentive Plans			
Shen Dapeng CEO, President, and Chairman of the Board of Directors(1)	Nil	Nil	See note (1)	Nil	Nil	Nil	Nil	Nil
Zhao Yan CFO (2)	80,000(4)	Nil	36,875(3)	Nil	Nil	Nil	20,000(4)	136,875

Notes:

(1) Post-Acquisition compensation for Mr. Shen Dapeng has not been finalized as of the date of this Prospectus. Compensation is expected to be initially $nil. The number of stock options to be granted to Mr. Shen, if any, has not been determined as of the date of this Prospectus.

(2) Mr. Zhao Yan was engaged by Shenhe on May 5, 2011 to (i) act as Shenhe's CFO prior to the Completion of Proposed Qualifying Transaction, and (ii) act as the Resulting Issuer's CFO after the Completion of Proposed Qualifying Transaction. Mr. Zhao is to receive a cash compensation of C$80,000 per year, an annual bonus of a minimum of C$20,000 and a maximum of 50% of the base salary payable at Shenhe's option in cash or, subject to regulatory approval and compliance with securities laws, in shares, and 30,000 options per year, subject to Board approval. See "*Information Concerning Shenhe, HKCo and BVICo – Executive Compensation - Termination and Change of Control Benefits*" for more details.

(3) Value is determined based on 30,000 options at an estimated strike price of $2.00 expiring in 5 years.

(4) On an annualized basis.

PROPOSED DIRECTOR COMPENSATION

Compensation for directors of the Resulting Issuer has not been determined at the date of this Prospectus. The compensation committee of the Resulting Issuer will determine director compensation following the Completion of the Proposed Qualifying Transaction. Each non-executive director is expected to be paid a cash annual retainer fee not exceeding $20,000 per year. Committee members may receive an additional fee for serving on each committee. Directors may also be compensated for attending board meetings. Any director who is an executive officer of the Resulting Issuer, being Mr. Shen Dapeng, CEO and President, is not expected to receive any cash compensation for his role as a director.

All directors are expected to be reimbursed by the Resulting Issuer for their expenses incurred for serving as directors.

All directors will be entitled to participate in the Stock Option Plan, and may be granted stock options under the Stock Option Plan from time to time as the Resulting Issuer board considers appropriate.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below sets out the outstanding options under the Resulting Issuer's Stock Option Plan under which Post-Consolidation Shares were authorized for issuance on Closing Date.

	Number of Post-Consolidation Shares to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of Post-Consolidation Shares remaining available under equity compensation plans (excluding securities reflected in column (a)) (c)**	
Plan Category	**(a)**	**(b)**	**BVICo Minimum Offering**	**BVICo Maximum Offering**
Equity compensation plans approved by security holders	116,000	$1.00	9,275,156	10,525,156
Equity compensation plans not approved by security holders	Nil	Nil	Nil	Nil
TOTAL	116,000		9,275,156	10,525,156

INDEBTEDNESS OF DIRECTORS AND OFFICERS

Upon Completion of the Proposed Qualifying Transaction, no director, executive officer or senior officer, and no proposed management nominee for election as a director of the Resulting Issuer or any associate thereof, will be indebted to the Resulting Issuer or any of its subsidiaries, or has been at any time during the preceding financial year, other than certain routine indebtedness as described in "*Information Concerning Shenhe, HKCo and BVICo - Annual Management's Discussion and Analysis of Shenhe - Related Party Transactions*" and "*Information Concerning Shenhe, HKCo and BVICo - Interim Management's Discussion and Analysis of BVICo and Shenhe-Related Party Transactions*."

INVESTOR RELATIONS ARRANGEMENTS

There are no promotional or investor relation arrangements entered into by CPCC or Shenhe.

OPTIONS TO PURCHASE SECURITIES

The following options to purchase Resulting Issuer Shares will be outstanding at the Closing Date:

Optionee	Options Held	Exercise Price	Expiry Date
Rong Lu	23,200(1)	1.00	December 31, 2015
Lim Lam Moon Chiong	23,200(1)	1.00	December 31, 2015

Optionee	Options Held		Exercise Price	Expiry Date
Adam Szweras	23,200(1)		1.00	December 31, 2015
Yan Gang Li	23,200(1)		1.00	December 31, 2015
Daniel Noone	17,400(1)		1.00	December 31, 2015
Mendel Ekstein –Director	5,800(1)		1.00	December 31, 2015
PI Financial Corp.	80,000(2)		1.00	January 6, 2013
	BVICo Minimum Offering	BVICo Minimum Offering		
Replacement Broker Warrants(3)	70,000(4)	1,050,000(4)	2.00	Two Years from Closing Date

Notes:

(1) Options granted by the Resulting Issuer will continue to be governed by CPCC's Share Option Plan. See "*Information Concerning CPCC - Stock Option Plan*".

(2) Upon Closing, the Resulting Issuer will have 80,000 Agent's IPO Warrants outstanding with an exercise price of $1.00 per share, exercisable until January 6, 2013. The Agent's IPO Warrants were issued in connection with CPCC's IPO.

(3) To be issued to the Agent in the BVICo Financing.

(4) Assuming there is no President's List. If all purchasers in the BVICo Financing are on the President's List, there will be 35,000 Replacement Broker Warrants in the case of BVICo Minimum Offering or 525,000 Replacement Broker Warrants in the case of BVICo Maximum Offering.

RESULTING ISSUER MATERIAL CONTRACTS

The Resulting Issuer will not be subject to any material contracts other than those of Shenhe and CPCC as previously disclosed in this Prospectus since incorporation, other than the Replacement Broker Warrants to holders of the BVICo Broker Warrants issued to agent(s) in the BVICo Financing.

RESULTING ISSUER ESCROWED SECURITIES

CPC Escrowed Shares

An aggregate of 3,600,000 CPCC Shares are currently held in escrow with the Escrow Agent under the provisions of the CPC Escrow Agreement, which will become 360,000 Post-Consolidation Shares upon Completion of the Proposed Qualifying Transaction. The following table sets out, as of the date hereof and to the knowledge CPCC, the name and municipality of residence of the shareholders whose CPCC Shares are CPC Escrowed Shares:

			Number of Shares in Escrow (percentage of class) (2)		
				After giving effect of the Acquisition	
Name and Municipality of Residence	**Class of Shares**	**Numb of Post-Consolidation Shares(1)**	**Prior to giving effect of the Acquisition**	**BVICo Minimum Offering**	**BVICo Maximum Offering(3)**
Rong Lu *Markham, Ontario*	Common	60,000	5.17%	0.06%	0.06%
Michael Lam *Markham, Ontario*	Common	10,000	0.86%	0.01%	0.01%
Adam Szweras *Thornhill, Ontario*	Common	30,000	2.59%	0.03%	0.03%
Yan Gang Li	Common	60,000	5.17%	0.06%	0.06%

Name and Municipality of Residence	Class of Shares	Numb of Post-Consolidation Shares(1)	Number of Shares in Escrow (percentage of class) (2) Prior to giving effect of the Acquisition	After giving effect of the Acquisition BVICo Minimum Offering	BVICo Maximum Offering(3)
Vancouver, British Columbia					
Daniel Noone *Toronto, Ontario*	Common	40,000	3.45%	0.04%	0.04%
Mendel Ekstein *Monroe, New York*	Common	10,000	0.86%	0.01%	0.01%
Jason Donville *Oakville, Ontario*	Common	50,000	4.31%	0.05%	0.05%
Rare Opportunities Corporation *Toronto, Ontario*	Common	100,000	8.62%	0.11%	0.09%
	TOTAL	**360,000**	**31.03%**	**0.39%**	**0.34%**

Notes:

(1) After giving effect to the Consolidation.

(2) On a non-diluted basis.

CPC Escrow Securities Release Schedule

The CPC Escrow Securities will be released from escrow in accordance with the following schedule:

Release Dates	Percentage of Total Escrowed Securities to be Released
Date of Final Exchange Bulletin	25% of escrowed securities
6 months after date of Final Exchange Bulletin	25% of escrowed securities
12 months after date of Final Exchange Bulletin	25% of escrowed securities
18 months after date of Final Exchange Bulletin	25% of escrowed securities

Resulting Issuer Escrow Securities

The Resulting Issuer is expected to qualify as an “Exempt Issuer” under National Policy 46-201 – Escrow for Initial Public Offerings and will not be subject to escrow requirements under such policy. However, the Exchange may exercise its discretion to require escrow of Resulting Issuer Shares issued to Current BVICo Shareholders who will be “principals” of the Resulting Issuer.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Auditor

The Resulting Issuer's auditor will be Schwartz Levitsky Feldman LLP, 1167 Caledonia Road, Toronto, Ontario, Canada, M6A 2X1.

Transfer Agent and Registrar

The transfer agent and registrar for the Resulting Issuer will be Olympia Trust Company, Suite 920, 120 Adelaide Street West, Toronto, Ontario, Canada, M5H 1T1.

RESULTING ISSUER RISK FACTORS

AN INVESTMENT IN SECURITIES OF THE RESULTING ISSUER IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Resulting Issuer consider the risks set forth below to be the most significant to potential investors in the Resulting Issuer, but not all of the risks associated with an investment in securities of the Resulting Issuer. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware of or which they consider not to be material in connection with the Resulting Issuer's business, actually occur, the Resulting Issuer's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Resulting Issuer's securities could decline and investors may lose all or part of their investment. The risk factors, other than "The Proposed Qualifying Transaction May Not Be Completed", assume Completion of the Proposed Qualifying Transaction.

The business of Shenhe will be the Resulting Issuer's business upon completion of the Acquisition. Due to the nature of the Resulting Issuer's business, the political, legal and economic climate in which it operates and the present stage of development of its business, the Resulting Issuer may be subject to significant risks. The Resulting Issuer's actual operating results may be very different from those expected as at the date of this Prospectus. Readers should carefully consider all such risks including the following:

Business Risks

Operating Risks

There are also many risks associated with operating facilities, in addition to the ability to secure raw materials and components and utility prices including the failure or substandard performance of equipment, hiring and maintaining a productive and reliable workforce, labour disputes, natural disasters, suspension of operations and compliance with existing and new governmental statutes, regulations, and policies. The occurrence of material operational problems, including but not limited to the events described above, could have a material adverse effect on Shenhe's business, financial condition, and results of operations.

To the extent that customers delay, reduce, or cancel orders or are unable or refuse to pay for products purchased from Shenhe in a timely fashion or at all, Shenhe's business, financial condition, and results of operations could be adversely affected.

Quality Control Systems

The performance, quality and safety of Shenhe's products are critical to the success of the business. These factors depend significantly on the effectiveness of Shenhe's quality control systems, which in turn depend on a number of factors, including the design of the quality control systems, the quality-training program, and Shenhe's ability to ensure that its employees adhere to the quality control policies and guidelines. Any significant failure or deterioration of its quality control systems could have a material adverse effect on Shenhe's business reputation, results of operations and financial condition.

Production Technology

The advanced agricultural products processing industry is competitive and the production technology underlying the industry is evolving and is undergoing rapid development. The time for newly developed products to be introduced to the market and occupy market share has been remarkably shortened. As customers' needs, related technologies and market trends are subject to change, the ability of Shenhe to correctly predict the trends in a timely manner cannot be assured. If Shenhe fails to correctly predict changes in the production technology or develop or adopt competitive technology on a timely basis, whether developed in-house or acquired, Shenhe may not be able to respond effectively to competitive industry conditions and changing customer demands. Responding and adapting to technological developments and changes in the industry, and the integration of new technologies or industry standards, may require substantial investment of resources, time and capital.

Permits and Business Licenses

Shenhe holds various permits, business licenses, and approvals authorizing its operations and activities which are subject to periodic review and re-assessment by the PRC authorities. Standards of compliance necessary to pass such reviews change from time to time and differ from jurisdiction to jurisdiction, leading to a degree of uncertainty. If renewals, or new permits, business licenses, or approvals required in connection with existing or new facilities or activities are not granted or are delayed, or if existing permits, business licenses, or approvals are revoked or substantially modified, Shenhe would suffer a material adverse effect. If new standards are applied to renewals or new applications, it could prove costly to Shenhe to meet any new level of compliance. In addition, Shenhe currently does not hold a National Industrial Products Production License and business license scope for FD fruit products and FD health food products, which are required under applicable PRC law for FD fruit and FD ganoderma products. Shenhe plans to apply for an amended National Industrial Products Production License and business scope to cover FD fruit, health food and instant noodle and soup products. Shenhe believes the risk of the PRC governmental agency taking enforcement action for this breach is small. However, there is no assurance that such enforcement action will not occur.

Volatility of Raw Material and Utility Prices

The main raw materials for Shenhe’s product are fresh fruits and vegetables, and the raw material purchase cost account for approximately 65% of its total cost of production. Fruit and vegetable prices and availability are substantially influenced by the environment. Climate and soil change, natural disasters, diseases and insect pests may affect their output and quality which may impact the market price, and the cost of production and business performance of Shenhe. Any price increase in raw materials could reduce profit margins and adversely affect the results of operations if Shenhe is unable to pass such increased costs on to customers.

There is also a risk that market prices of other costs, such as electricity, water and coal, may fluctuate, exposing Shenhe to market risk. In addition, if temporary shortages due to disruptions in supply caused by weather, transportation, production delays, or other factors require Shenhe to secure its raw materials or power from sources other than its current suppliers, there is no assurance that Shenhe will be able to do so on favourable terms or at all.

Any price volatility for raw materials, utilities, or for Shenhe's products may have a material adverse effect on Shenhe's results of operations, cash flow, and its ability to satisfy its debt obligations and capital expenditure requirements.

Failure of the Business Plan

There is no assurance that Shenhe's business plan will succeed in whole or in part.

The success of Shenhe's development strategy will depend on a number of factors. There is no assurance that Shenhe will be able to achieve planned growth, that modifications to its strategy will not be required or that Shenhe will be able to effectively market or manage expanded operations and enhance profitability.

In addition, growth could place a significant strain on Shenhe's management, operational, financial and other resources. Shenhe's ability to manage growth effectively will require the development of management information systems capabilities and improvement of operational and financial systems. Moreover, Shenhe will need to train, motivate, and manage its employees and attract senior managers and technical professionals. Any failure to expand these areas and implement and improve such systems, procedures, and controls in an efficient manner at a pace consistent with Shenhe's business could have a material adverse effect on the Resulting Issuer's business, financial condition, and results of operations.

Competition

Shenhe faces competition in the domestic and International markets in which it operates. Domestically, Shenhe faces competition from a number of Chinese producers that produce food products that are similar to Shenhe's. Shenhe also faces competition from new competitors entering the industry as the barrier of entry are low. Internationally Shenhe faces other global competitors who produce similar products in markets outside China and may have substantially greater resources and brand recognition than Shenhe. Some of Shenhe's competitors may also be better positioned to develop superior product features and technological innovations and able to better adapt to market trends than Shenhe. Shenhe's ability to compete depends on, among other things, high product quality, short lead-time, timely delivery, competitive pricing, range of product offerings and superior customer service and support. Increased competition may require Shenhe to reduce prices or increase costs and may have a material adverse effect on its financial condition and results of operations. Any decrease in the quality of Shenhe's products or level of service to customers or any occurrence of a price war among Shenhe's competitors and Shenhe may adversely affect the business and results of operations.

Dependence on Management Team

Shenhe currently depends on certain key senior managers to oversee the core marketing, business development, operational and fund raising activities and who have developed key relationships in the industry. In particular, Shenhe depends significantly on Mr. Shen Dapeng, President of Shenhe and Chief Executive Officer, Chairman and director of the Resulting Issuer, who has extensive experience in the freeze-dried food industry. As the freeze-dried food industry in the PRC continues to become more competitive, Shenhe expects the competition for management and other skilled personnel to intensify. Failure to attract and retain qualified employees or the loss or departure in the short-term of any member of the senior management, particularly Mr. Shen, may result in a loss of organizational focus, poor operating execution or an inability to identify and execute potential strategic initiatives. This could, in turn, materially and adversely affect Shenhe's business, financial condition and results of operations.

Dependence on Key Customers and Suppliers

A few large distributor customers account for a significant percentage of Shenhe's total revenue. For the fiscal year ended June 30, 2010, the twelve largest distributor customers accounted for 84% of total revenue. There can be no assurance that the Resulting Issuer will be able to retain these distributor customers or other key customers. There can be no assurance that the Resulting Issuer’s continued growth and expansion into new geographic regions will reduce its reliance on a few key distributor customers. Dependence on a limited number of customers exposes the Resulting Issuer to the risk that a reduction of business volume from any one customer could have a material adverse effect on its business, financial condition and results of operations. In addition, Shenhe’s products are mainly exported to foreign markets, and as such, policy changes in the destination countries might affect Shenhe’s product sales.

In addition, Shenhe relies on a few major suppliers for its fruit and vegetable supply. For fiscal year ended June 30, 2010, 71% of Shenhe's raw materials (mostly garlic) were purchased from its top five third party suppliers. There can be no assurance that the Resulting Issuer will be able to retain these suppliers. There can be no assurance that the Resulting Issuer’s planned growth and expansion of its sources of raw material supply will reduce its reliance on a few key suppliers. Dependence on a limited number of suppliers exposes the Resulting Issuer to the risk that a reduction of raw material from any one supplier could have a material adverse effect on its business, financial condition and results of operations.

Dependence on Foreign Markets

Currently all of Shenhe’s products are exported to foreign markets. Any policy changes in the destination countries might affect Shenhe’s product sales. To reduce such risk, Shenhe plans to explore the PRC domestic market. Taking the opportunity of promoting FD instant noodles, Shenhe plans to gradually establish a domestic sales network and increase sales in China.

Future Financing Requirements

The Resulting Issuer's capital requirements will depend upon many factors, including industry and market conditions, its ability to successfully implement the Resulting Issuer's branding and marketing initiative, and expansion of its production capabilities. The Resulting Issuer anticipates that it may need to raise additional funds in order to grow its business and implement its business strategy. The Resulting Issuer anticipates that any such additional funds would be raised through equity or debt financings. In addition, the Resulting Issuer may enter into a revolving credit facility or a term loan facility with one or more syndicates of lenders. Any equity or debt financing, if available at all, may be on terms that are not favourable to the Resulting Issuer. Even if the Resulting Issuer is able to raise capital through equity or debt financings, as to which there can be no assurance, the interest of existing shareholders in the Resulting Issuer may be diluted, and the securities the Resulting Issuer may issue may have rights, preferences, and privileges that are senior to those of the Resulting Issuer's common shares or may otherwise materially and adversely affect the holdings or rights of the Resulting Issuer's existing shareholders. If the Resulting Issuer cannot obtain adequate capital, it may not be able to fully implement its business strategy, and its business, results of operations and financial condition would be adversely affected.

Financial Reporting and Internal Controls

Upon Completion of the Proposed Qualifying Transaction, the Resulting Issuer will become subject to reporting and other obligations under applicable Canadian securities laws and Exchange rules, including National Instrument 52-109-*Certification of Disclosure In Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the Resulting Issuer's management, administrative, operational and accounting resources. In order to meet such requirements, the Resulting Issuer's accounting and finance staff, working in conjunction with the audit committee, will need to implement financial and management controls, reporting systems and procedures. If the Resulting Issuer is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Resulting Issuer to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the Resulting Issuer cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the Resulting Issuer's reported financial information, which could result in a lower trading price for the Resulting Issuer Shares.

Management does not expect that the Resulting Issuer's internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Exchange Rate Fluctuations

The value of the RMB fluctuates and is subject to various factors such as changes in PRC political and economic conditions.

Exchange rate fluctuations may adversely affect Shenhe's financial position and results. There is no assurance that the value of the RMB will remain at the current level against the U.S. dollar, the Canadian dollar, or against any other foreign currency. Shenhe does not currently have a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

Interest Rate Fluctuations

Shenhe is exposed to interest risk arising from its bank loans and other loans. Unfavourable changes in the applicable interest rate may result in an increase in interest expense. The PRC government has recently adopted macroeconomic measures, such as raising interest rates, to tighten credit and cool overheated industries. These measures may affect the ability of Shenhe to obtain bank or other financing on favourable terms.

Bad Debt Risk

Accounts receivable are mainly accounts payable by customers. The customers usually have a long-term stable relationship with Shenhe and enjoy a good credit status. To reduce the bad debt risks, Shenhe will continue to monitor the credit worthiness of its significant customers, the amount of credit outstanding to each customer and changes to its aggregate advances to or receivables from its customers.

Insurance Risks

Shenhe expects to maintain property and casualty insurance on certain of its assets. However, not all risks are covered by insurance and there is no assurance that insurance will be consistently available on an economically feasible basis or at all. Shenhe may also elect not to insure against certain liabilities due to high premium costs or for other reasons. Furthermore, although Shenhe expects to maintain insurance against such claims and in such amounts it considers adequate, there is no assurance that such insurance policies will be sufficient to cover each and every claim or loss involving Shenhe. If Shenhe were to suffer an uninsured loss, its business, financial condition, and results of operations could be materially adversely affected.

Protection of Intellectual Property Rights

Intellectual property rights in the PRC are still developing and there are uncertainties involved in their protection and the enforcement of such protection. Shenhe will need to pay special attention to protecting any intellectual property and trade secrets that it develops. Failure to do so could lead to the loss of future competitive advantages that could not be compensated by a damages award.

Environmental Risks and Hazards

Shenhe's operations are subject to various environmental laws which regulate matters such as health, safety, treatment of waste and land use. Failure to comply with applicable laws, regulations, and licensing requirements may result in enforcement actions. Penalties could include suspension or revocation of necessary licenses or permits, civil liability, or the imposition of fines. For gas emissions, although Shenhe has obtained confirmation from Environment Protection Bureau of Cangshan County stating that Shenhe has met the relevant emission standards, Shenhe currently does not hold a license for discharging gas emissions, which is required under applicable PRC environmental law. Shenhe believes the risk of the PRC governmental agency taking enforcement action for this breach is small. However, there is no assurance that such enforcement action will not occur. Shenhe is in the process of filing with the applicable PRC environmental protection authorities including the Department for Environmental Impact Assessment and an environmental assessment by such environmental protection authorities is currently in progress. Shenhe will make an application for emission permits if required based on the results of the environmental assessment. There is no assurance that any emission permits applied for by Shenhe will be granted. The cost of compliance, remediation, or liability could materially adversely affect future operating results. Furthermore, the operational or financial impact of new or amended laws or regulations cannot be predicted and could have a material adverse impact on Shenhe's financial condition and operating results.

Seasonality

Although many of Shenhe's products have certain degrees of seasonality as agricultural produce is Shenhe's main raw material, Shenhe's overall production has not historically been significantly affected by seasonality since Shenhe has a large capacity of frozen storage facilities to store raw materials. Therefore Shenhe is able to purchase raw materials in bulk while in season and store them for production during off-season periods.

Risks Associated with Doing Business in China

Currently, Shenhe's operations are conducted in the PRC. As such, Shenhe's operations are exposed to various levels of political, economic and other risks and uncertainties associated with doing business in China. These risks and uncertainties include, but are not limited to, the following:

- currency exchange rates;
- renegotiation or nullification of existing concessions, licenses, permits and contracts;
- changes in taxation policies;
- restrictions on foreign exchange;
- government corruption;
- changing political conditions; and
- currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes in investment policies or shifts in political attitude in China may adversely affect Shenhe's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, state ownership, restrictions on investment and production, price controls, foreign investment, currency remittance, income taxes, environmental legislation, and land use. Any events resulting in an adverse impact on the PRC economy may have an adverse effect on Shenhe's profitability and prospects unless it is able to divert its sales to markets outside China.

The occurrence of these factors and uncertainties cannot be accurately predicted and could have an adverse effect on Shenhe's operations or profitability.

Government Intervention

The central and local governments exercise a substantial degree of influence over industries in China, by means such as setting standards that new entrants must meet, approving major capital expenditure projects, setting or approving the framework for the pricing of electricity and other utilities and railway transportation, setting tax levies and incentives, setting import quotas and tariffs, and setting safety, environmental and quality standards.

If the PRC government changes its current policies or the interpretation of those policies, Shenhe may face significant constraints on its flexibility and ability to expand its business operations or to maximize its profitability.

Foreign Investment

In China, companies with a foreign ownership component are often required to work within a framework which is different from that imposed on local companies. However, the PRC government is expanding opportunities for foreign investment and this process is expected to continue. If the PRC government reverses this trend and imposes greater restrictions on foreign companies, the Resulting Issuer's ability to conduct business in China could be negatively affected.

Developing Legal System

The PRC legal system is a system based on written statutes that are often incomplete or ambiguous. They are interpreted by the Supreme Peoples' Court and prior court decisions may be cited for reference but have limited precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation, and trade.

However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, many judges in the PRC take a pragmatic view of the law and seek to resolve problems without necessarily enforcing the legal rights of the aggrieved parties. As the PRC legal system develops, changes in such laws and regulations, their interpretation, or their enforcement, may have a material adverse effect on Shenhe.

Appropriation

Shenhe has obtained just over 541,000 m^2 of land use rights at a total cost of over $24,000,000. Under PRC law, land use rights can be revoked and the tenants forced to vacate at any time when re-development of the land is in the public interest. There is no assurance that the land use rights obtained by Shenhe will not be revoked.

Repatriation of Profit and Currency Conversion

The PRC government controls the convertibility of the RMB into foreign currencies. In effect from July 21, 2005, the PRC government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a portfolio of currencies, giving more flexibility as compared with the former system in which the RMB was pegged to the US dollar. Under such reformed system, the People's Bank of China announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by the People's Bank of China as a basis and determine their own rate for foreign exchange sale and purchase transactions with customers. Although such new regulations have provided for greater liquidity of the RMB, the RMB is still not a freely convertible currency.

Shenhe earns substantially all of its revenues in RMB. Under existing regulations, there is no direct restriction on foreign exchange conversion (including dividend payments to foreign investors). Shenhe is allowed to pay obligations in foreign exchange but must present the proper documentation to a designated foreign exchange bank in order to do so. Any foreign exchange transaction on the capital account is subject to significant foreign exchange controls and requires the prior approval from State Administration of Foreign Exchange ("**SAFE**"). While the PRC government is generally relaxing restrictions on foreign trade and investment, there is no certainty that all future local currency can be repatriated.

There is also no assurance that the availability of foreign currency will be sufficient for Shenhe to satisfy its other foreign currency obligations. This may, in turn, adversely affect Shenhe's ability to pay dividends. There is also no guarantee that foreign exchange control policies will not be changed to require government approval to convert RMB into foreign currency on the country's current account. In addition, failure to obtain approval from SAFE for currency conversion on the capital account may impact on Shenhe's capital expenditure plans and its ability to expand in accordance with its wishes and objectives.

Compliance with SAFE Regulations

SAFE has promulgated several regulations, including Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or "**Circular No. 75**," issued on October 21, 2005 and effective as of November 1, 2005 and certain implementation rules issued in recent years, requiring registrations with, and approvals from, PRC government authorities in connection with direct or indirect offshore investment activities by PRC residents and PRC corporate entities.

SAFE Circular No. 75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an "offshore special purpose company." In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update his registration with the relevant SAFE branches, with respect to that offshore company, in connection with any material change involving an increase or decrease of capital, transfer or swap of shares, merger, division, equity or debt investment or creation of any security interest. Moreover, the PRC subsidiaries of that offshore company are required to coordinate and supervise the filing of SAFE registrations by the offshore company's shareholders who are PRC residents in a timely manner. If a PRC shareholder with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of such offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above may result in liability for the PRC shareholders and the PRC subsidiaries under PRC law for foreign exchange registration evasion.

Although Shenhe believes SAFE Circular 75 may not be applicable, Shenhe cannot be certain that the relevant PRC government agencies, including SAFE, would reach the same conclusion. The failure or inability of the Resulting Issuer's PRC shareholders and beneficial owners to receive any required approvals or make any required registrations may subject the Resulting Issuer to fines and legal sanctions, restrict the Resulting Issuer's overseas or cross-border investment activities, prevent Resulting Issuer from transferring the net proceeds of any offering or making other capital injection into Shenhe, limit the Resulting Issuer's ability to make distributions or pay dividends or affect its ownership structure, as a result of which the Resulting Issuer's acquisition strategy and business operations and its ability to distribute profits to shareholders could be materially and adversely affected.

Taxation

Under current PRC laws, any dividends that the Resulting Issuer may receive from Shenhe will be subject to 10% withholding taxes paid to foreign investors. There is no assurance that tax rates on dividends will remain constant in the future or that dividend payments will otherwise be unrestricted.

Shareholders' Rights and Enforcement of Judgments

As a PRC legal entity, Shenhe is subject to PRC company law and regulations. Corporate law in general, and provisions for the protection of equity holders' rights and access to information in particular, are less developed in the PRC than those applicable to companies in many other countries. All of the assets of BVICo, HKCo and Shenhe are located in, and most of the Resulting Issuer's senior executive officers and some directors reside within, China. As a result, it may not be possible to effect service of process within Canada or elsewhere outside China upon these senior executive officers and directors not residing in Canada, including with respect to matters arising under Canadian securities laws. Moreover, China does not have treaties with Canada and many other countries providing for the reciprocal recognition and enforcement of civil judgment of courts. As a result, recognition and enforcement in the PRC of judgments of a Canadian court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible, and the Resulting Issuer's shareholders may have more difficulty in protecting their interests through actions against the Resulting Issuer or its management or directors than would shareholders of a corporation with assets and management members located in Canada.

The existence of tainted or contaminated food products produced in China could negatively affect the image of China's FD processing industry

The PRC food industry has been subject to product recalls and negative publicity in the past due to product contamination. For example, in 2008 and again in 2010, sales of milk formula, as well as other foods, contaminated with melamine or estrogen hormones found in particular PRC brands caused deaths and illnesses. The mere publication of information asserting that products similar to Shenhe's products, or even Shenhe's products, contain contaminated materials could have a material adverse effect on the FD industry in China and on Shenhe, regardless of whether these reports have any basis in fact. Such adverse publicity could negatively affect Shenhe by reducing customer demand and in turn, prices, or increasing government oversight of its industry, or adversely affecting Shenhe's growth prospects.

Publicity concerning accounting fraud involving numerous PRC-based companies could negatively affect investors' perceptions as to the risks associated with investment in the Resulting Issuer Shares

There has been negative publicity concerning on-going accounting fraud committed by numerous small companies that own businesses and assets in China and that have become reporting issuers in the United States. In 2010, the U.S. Securities and Exchange Commission's Corporate Finance and Enforcement divisions began a wide-spread investigation into smaller Chinese companies that became public in the United States through a process referred to as "reverse mergers". In some cases, the SEC has issued cease trade orders against such companies or has banned their auditors from performing public company audits for a period of time. The mere publication of information asserting accounting fraud on the part of Shenhe or the Resulting Issuer could negatively affect the trading value of the Resulting Issuer Shares regardless of whether the report had any basis in fact. The recent, or additional, negative publicity alleging accounting fraud on the part of some PRC-based companies generally, could also negatively impact the liquidity and trading value of the Resulting Issuer Shares if investors associated a higher likelihood of accounting fraud with PRC-based companies than they did with companies from other regions or countries.

Transaction Risks

The Proposed Qualifying Transaction May Not Be Completed

The Acquisition is subject to the final acceptance of the TSXV. There is no assurance that all of the necessary approvals will be obtained. If the transactions contemplated by the Acquisition Agreement are not completed for these reasons or for any other reasons, CPCC will continue to search for other opportunities.

Significant Share Ownership by Management

Mr. Shen Demin, a proposed director of the Board of Directors of the Resulting Issuer will have significant beneficial share ownership and effective control of the Resulting Issuer, by virtue of his ownership in 49,118,587 shares of the Resulting Issuer's capital stock, representing ownership of 53.14% in the case of the BVICo Minimum Offering, or 45.70% in the case of the BVICo Maximum Offering of the outstanding shares of the Resulting Issuer on a non-diluted basis. Accordingly, Mr. Shen will have significant influence over the outcome of corporate actions requiring shareholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of the Resulting Issuer's assets or any other significant corporate transaction. Mr. Shen could potentially delay or prevent a change of control of the Resulting Issuer, even if such a change of control would benefit other shareholders of the Reporting Issuer. The significant concentration of share ownership may adversely affect the trading price of the shares of the Resulting Issuer due to investors' perception that conflicts of interest may exist or arise.

Lack of Dividends

CPCC has not paid dividends in the past and the Resulting Issuer does not anticipate paying dividends in the near future. The Resulting Issuer expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Lack of Liquidity for CPCC Shares

Subject to TSXV's approval and the approval of any stock exchange to which CPCC makes an application to list the Resulting Issuer Shares, there will be a public market for the Resulting Issuer Shares. However, no assurance can be given regarding the liquidity of such public market for the Resulting Issuer Shares.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the Resulting Issuer Shares will be subject to market trends generally, notwithstanding any potential success of the Resulting Issuer in creating revenues, cash flows or earnings. The value of the Resulting Issuer Shares will be affected by such volatility.

Risk of Dilution

There are a number of outstanding options pursuant to which additional CPCC Shares may be issued in the future. Exercise of such options may result in dilution to the Resulting Issuer shareholders. In addition, if the Resulting Issuer raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

GENERAL MATTERS

SPONSORSHIP

Subject to completion of satisfactory due diligence, PI Financial Corp. has agreed to act as Sponsor in connection with the Acquisition pursuant to the Sponsorship Engagement Letter dated January 20, 2011. Under the Sponsorship Engagement Letter, the Sponsor will receive a sponsorship fee of $65,000, of which $20,000 plus tax were paid on signing of the Sponsorship Engagement Letter and the balance is payable on submission of the final sponsorship report, plus taxes and reasonable expenses. CPCC and the Sponsor intends to enter into the Sponsorship Agreement on or prior to the delivery by the Sponsor of the final Sponsor's report to the Exchange.

EXPERTS

As at the date of this Prospectus, the partners and associates of each of McMillan LLP (counsel to BVICo, HKCo and Shenhe), beneficially own or will own, directly or indirectly, less than 1% of the issued and outstanding securities of each of BVICo, Shenhe and CPCC.

As at the date of this Prospectus, the partners and associates of each of Fogler, Rubinoff LLP (counsel to CPCC), beneficially own or will own, directly or indirectly, less than 1% of the issued and outstanding securities of each of BVICo and Shenhe. Mr. Adam Szweras, a partner at Fogler, Rubinoff LLP, owns 300,000 Pre-Consolidation Shares of CPCC and options to purchase 232,000 Post Consolidation Shares at $0.10 per share until December 31, 2013, representing 2.59% of the CPCC's current outstanding shares on a non-diluted basis, or 3.92% on a fully-diluted basis.

Feldman and Associates, LLP is the auditor of CPCC and Schwartz Levitsky Feldman LLP is the auditor of BVICo and Shenhe and both are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

In addition, none of the aforementioned persons or companies, nor any partner, associate, director, officer or employee of any of the aforementioned persons or companies is, or is expected to be, elected, appointed or employed as a director, officer or employee of CPCC, BVICo, Shenhe or the Resulting Issuer or of any of its associates or affiliates, except that Mr. Adam Szweras, a partner of Fogler, Rubinoff LLP, counsel to CPCC, is a director of CPCC, and that Mr. Szweras and Ms. Judith Hong Wilkin, a partner of Fogler, Rubinoff LLP, counsel to CPCC, is expected to be appointed as director and corporate secretary, respectively, of the Resulting Issuer.

OTHER MATERIAL FACTS

There are no material facts about CPCC, Shenhe or the Acquisition which are not otherwise disclosed in this Prospectus.

EXHIBIT A

ANNUAL AND INTERIM FINANCIAL STATEMENTS OF CPCC

Year ended August 30, 2010 (Audited)

Six months ended February 28, 2011 (unaudited)

CANADA PACIFIC CAPITAL CORP.

Financial Statements

Period from May 28, 2010 (date of incorporation) to August 31, 2010

FELDMAN & ASSOCIATES, LLP
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

1131A Leslie Street | Suite 201
Toronto | Ontario | M3C 3L8
tel 416 924 4900
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AUDITORS' REPORT

To the Directors and Shareholders of Canada Pacific Capital Corp.

We have audited the balance sheet of Canada Pacific Capital Corp. (the "Company") as at August 31, 2010 and the statements of operations, comprehensive loss and deficit and cash flows for the period from May 28, 2010 (date of incorporation) to August 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and the result of its operations and cash flows for the period from May 28, 2010 (date of incorporation) to August 31, 2010 in accordance with Canadian generally accepted accounting principles.

Feldman & Associates, LLP

Toronto, Ontario
September 22, 2010,
except as to Note 13 which is as of December 22, 2010

Chartered Accountants
Licensed Public Accountants

Canada Pacific Capital Corp.
Balance Sheet
As at August 31, 2010

ASSETS

Current		
Cash (note 5)	$	174,335
GST recoverable		650
Deferred financing costs		11,000
	$	185,985

LIABILITIES

Current		
Accounts payable and accrued liabilities	$	8,713
		8,713
Going Concern (note 2)		

SHAREHOLDERS' EQUITY

Capital stock (note 6)		180,000
Deficit		(2,728)
		177,272
	$	185,985

APPROVED ON BEHALF OF THE BOARD

"Rong Lu"	"Michael Lam"
DIRECTOR	DIRECTOR

(The accompanying notes are an integral part of these financial statements.)

Canada Pacific Capital Corp.
Statements of Operations, Comprehensive Loss and Deficit
For the period from May 28, 2010 (date of incorporation) to August 31, 2010

Expenses		
Professional fees	$	2,713
Office and general		15
		2,728
Net loss, comprehensive loss and deficit – end of period	$	(2,728)

(The accompanying notes are an integral part of these financial statements.)

Canada Pacific Capital Corp.
Statements of Cash Flows
For the period from May 28, 2010 (date of incorporation) to August 31, 2010

Cash Flows from (used in) Operating Activities	
Net loss	$ (2,728)
Changes in non-cash working capital balances:	
GST recoverable	(650)
Accounts payables and accrued liabilities	2,713
	(665)
Cash Flows from Financing Activities:	
Deferred financing costs	(5,000)
Proceeds from issuance of share capital	180,000
	$ 175,000

Supplementary cash flow information	
Interest paid	$ -
Income taxes paid	$ -

(The accompanying notes are an integral part of these financial statements.)

1. Nature of Operations

Canada Pacific Capital Corp. (the "Company") was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on May 28, 2010. The Company intends to carry on business as a "Capital Pool Corporation ("CPC"), as defined in policy 2.4 of the TSX Venture Exchange (the "Exchange") with a view to completing an initial public offering. As at August 31, 2010, the Company has not commenced commercial operations and has no assets other than a minimum amount of cash. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined under the policies of the TSX Venture Exchange.

2. Going Concern

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is recently incorporated, has no source of operating revenues and its ability to operate as a going concern in the near-term will depend on its capacity to raise financing and to commence profitable operations in the future. These financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business.

3. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars. The significant accounting policies are summarized follows:

a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

b) Deferred financing costs

Costs directly attributable with the raising of capital will be charges against the related share capital. Costs related to shares not yet issued are recorded as deferred financial costs. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital or charged to operations if the shares are not issued.

3. Significant Accounting Policies (cont'd)

c) Income Taxes

The Company accounts for and measures future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as for the benefit of losses available to be carried forward for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

d) Financial Instruments

Upon incorporation the Company adopted the recommendations of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, Section 3862, Financial Instruments – Disclosure, Section 3863, Financial Instruments – Presentation, Section 1530, Comprehensive Income and Section 3521, Equity.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Upon adoption, all existing and new financial assets and financial liabilities of an enterprise must be classified as either held for trading, held to maturity, or available for sale with each classification having a different accounting treatment after the initial recognition of the asset or liability.

All financial assets and financial liabilities must be measured at fair value upon initial recognition.

After initial recognition, the financial assets are measured according to the following guidelines.

Financial assets that are classified as available for sale or held for trading must be measured at fair value. Any gain or loss on a financial asset held for trading is recorded in the statements of operating and comprehensive income (loss) in the period in which it occurs. Any gain or loss on a financial asset that is available for sale is recorded in other comprehensive income (loss) until the financial asset is derecognized, at which point the cumulative gain or loss is recognized in net income (loss). Financial assets that are classified as held to maturity should be measured at amortized cost using the effective interest method.

After initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Instrument	Classification
Cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

3. Significant Accounting Policies (cont'd)

d) Financial Instruments (cont'd)

The Company's financial instruments measured at fair value on the balance sheet consist of cash and accounts payable and accrued liabilities. Cash and accounts payable and accrued liabilities are both measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

e) Stock-based Compensation

The Company accounts for stock-based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

f) Loss per Share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

4. Recent Accounting Pronouncements Issued and Not Yet Applied

a) International Financial Reporting Standards

On February 13, 2008, the AcSB confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using IFRS in place of GAAP as the basis for preparation of financial statements.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the required information.

Canada Pacific Capital Corp.
Notes to the Financial Statements
For the period from incorporation on May 28, 2010 to August 31, 2010

4. Recent Accounting Pronouncements Issued and Not Yet Applied (cont'd)

b) Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the company beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with International Financial Reporting Standards (IFRS). The Company does not anticipate that the adoption of this standard will impact its Financial Statements.

c) Consolidated Financial Statements and Non-Controlling Interests

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

5. Cash

As at August 31, 2010, all the cash was held in trust by the solicitors of the Company.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds from the sale of all securities issued by the Company or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

6. Capital Stock

Authorized: Unlimited number of common shares

Issued and outstanding:

	No. of Shares	Amount
Issued for cash	3,600,000	$ 180,000
As at August 31, 2010 (i) (ii)	3,600,000	180,000

6. Capital Stock (con't)

(i) The Company issued 3,600,000 common shares at a price of $0.05 per common share.

Upon closing of the prospectus disclosed in Note 13, the 3,600,000 issued Common shares will be subject to a CPC Escrow Agreement pursuant to policies of the Exchange. Under the terms of the CPC Escrow Agreement, 10% of the escrowed Common shares will be released from escrow upon the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on each of the dates 6 months, 12 months, 18 months, 24 months, 30 months, and 36 months following the Initial Release. Shares held in escrow will be cancelled should the Company fail to complete its Qualifying Transaction or become de-listed.

(ii) The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and they are not considered to be outstanding shares for purposes of loss per share calculation.

7. Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There were no significant related party transactions during the period.

8. Capital Risk Management

The Company is pursuing a TSX Venture Exchange listing with the objective of reviewing investment opportunities and considers the items included in Shareholders' Equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue potential investments and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital, except as described in Note 5.

9. Financial Instruments and Financial Risk Management

The Company is exposed to different types of risks in the normal course of operations, including credit risk, market risk, currency risk, interest rate risk and liquidity risk as follows:

a) Fair Value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value

The carrying values of cash, GST recoverable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

b) Credit Risk

The Company's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. The Company continually evaluates the collectability of its GST recoverable and any deposits on qualifying transaction and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected.

9. Financial Instruments and Financial Risk Management (con't)

b) Credit Risk (con't)

Cash are held in trust by the Company's lawyer. The Company manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with major financial institutions in Canada.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at August 31, 2010, the Company had a cash balance of $174,335 to settle liabilities of $8,713.

d) Market Risk

i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rate. The Company has no interest bearing debts and therefore it is not currently subject to any significant interest rate risk.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. All of the Company's cash is in Canadian dollars, and all its activities are in Canadian dollars. Therefore, the Company is not exposed for foreign currency risk.

10. Income Tax

(i) Income Tax Expense

There is no current income tax expense. The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate of approximately 33.0% to the amount recognized in the statement of operations:

Net loss for the period	**$**	**(2,728)**
Expected income tax recovery at Canadian statutory income tax rates	**$**	**(900)**
Tax benefit of non-capital losses not currently recognized		**900**
Income tax expense	**$**	**-**

10. Income Tax (con't)

(ii) Future Income Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities at the substantively enacted tax rate are as follows:

Amounts related to tax loss carry-forwards	$	**900**
Less: Valuation allowance		**(900)**
Net future income tax asset	$	**-**

(iii) Tax Losses

As at August 31, 2010, the Company had non-capital losses of approximately $2,728 which are available to reduce future taxable income. These losses expire in 2030 to the extent unutilized. The future benefit of these losses has not been recognized in these financial statements.

11. Contingency

There is no assurance that the Company will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, and even if so identified and warranted, it may not be able to finance such acquisition or investment, at which time the Exchange may suspend or delist the Company's shares from trading.

12. Segmented Information

The Company operates in only one business segment, namely the pursuit of a public listing and the eventual pursuit of a Qualifying Transaction. All of the Company's assets are located in Canada.

13. Subsequent events

(i) Agency Agreement

Pursuant to an agency agreement dated December 22, 2010 between the Corporation and PI Financial Corp. (the "Agent"), the Corporation will offer a minimum of 4,000,000 common shares and a maximum of 8,000,000 common shares in the capital of the Corporation at $0.10 per share by way of initial public offering pursuant to a prospectus dated December 22, 2010 to be filed with the Exchange and the securities commissions in British Columbia, Alberta, Ontario and Nova Scotia (the "Offering"). In consideration of services to be performed by the Agent, the Corporation has agreed to pay to the Agent a cash commission of 10% of the offering price per share sold and a corporate finance fee of $15,000. The Agent will also be reimbursed by the Corporation for its legal fees estimated at $15,000 plus applicable taxes and expenses. In addition, the Agent will be granted a non transferable option entitling the Agent to purchase the equivalent of 10% of the aggregate number of common shares sold pursuant to the Offering, at price of $0.10 per common share, exercisable for a period of 24 months from the date of completion of the Offering.

13. Subsequent events (con't)

(ii) Stock Options

The Corporation intends to grant incentive stock options to directors and officers of the Corporation to purchase up to 760,000 common shares in case of the minimum 4,000,000 common shares are sold in the Offering, or up to 1,092,500 common shares in the event the maximum 8,00,000 common shares are sold in the Offering. The options will be granted at an exercise price of $0.10 per common share, exercisable for five years from the date of grant, subject to regulatory approval, upon closing of the Offering.

CANADA PACIFIC CAPITAL CORP.

Interim Financial Statements

Three and six months period ended February 28, 2011

(Unaudited)

NOTICE TO READER

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

CONTENTS

Canada Pacific Capital Corp.
Balance Sheets
As at

	February 28, 2011 (Unaudited)	August 31, 2010 (Audited)
ASSETS		
Current		
Cash (note 5)	$ 763,564	$ 174,335
GST and HST recoverable	15,416	650
Deposit on qualifying transaction	25,000	-
Prepaid expenses	20,000	
Deferred financing costs	-	11,000
	$ 823,980	$ 185,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 60,420	$ 8,713
	60,420	8,713
Going Concern (note 2)		
SHAREHOLDERS' EQUITY		
Capital stock (note 6)	745,427	180,000
Contributed surplus (note 6)	105,092	-
Deficit	(86,959)	(2,728)
	763,560	177,272
	$ 823,980	$ 185,985

Canada Pacific Capital Corp.
Interim Statements of Operations, Comprehensive Loss and Deficit
For the periods

	Three months ended February 28, 2011	Six months ended February 28, 2011	May 28, 2010 (date of incorporation) to August 31, 2010
	(Unaudited)	(Unaudited)	(Audited)
Expenses			
Filing fees	$ 697	$ 4,268	$ -
Professional fees	5,045	5,045	2,713
Office and general	2,965	2,965	15
Stock-based compensation	71,953	71,953	-
	80,660	84,231	2,728
Net loss and comprehensive loss	(80,660)	(84,231)	(2,728)
Deficit – beginning of period	(6,299)	(2,728)	-
Deficit – end of period	$ (86,959)	$ (86,959)	$ (2,728)
Loss Per Weighted Average Number of Shares Outstanding – Basic and diluted			
Loss per share	$ (0.02)	$ (0.03)	$ -
Weighted Average Number of Shares			
Outstanding – Basic and diluted	5,244,444	2,607,735	-

(The accompanying notes are an integral part of these financial statements.)

Canada Pacific Capital Corp.
Interim Statements of Cash Flows
For the periods

	Three months ended February 28, 2011 (Unaudited)	Six months ended February 28, 2011 (Unaudited)	May 28, 2010 (date of incorporation) to August 31, 2010 (Audited)
Cash Flows from (used in) Operating Activities			
Net loss	$ (80,660)	$ (84,231)	$ (2,728)
Adjustments for non-cash items:			
Stock-based compensation	71,953	71,953	-
Changes in non-cash working capital balances:			
GST and HST recoverable	(11,572)	(14,766)	(650)
Prepaid expenses	(20,000)	(20,000)	-
Accounts payables and accrued liabilities	33,913	51,707	2,713
	(6,366)	4,663	(665)
Cash Flows from Investing Activities:			
Deposit on qualifying transaction	(25,000)	(25,000)	-
	(25,000)	(25,000)	-
Cash Flows from Financing Activities:			
Deferred financing costs	-	-	(5,000)
Proceeds from issuance of share capital (net)	659,566	609,566	180,000
	659,566	609,566	175,000
Net (decrease) increase in cash	628,200	589,229	174,335
Cash – beginning of period	135,364	174,335	-
Cash – end of period	763,564	763,564	$ 174,335

Supplementary cash flow information			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -

(The accompanying notes are an integral part of these financial statements.)

1. Nature of Operations

Canada Pacific Capital Corp. (“Canada Pacific” or the “Company”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on May 28, 2010. The Company is classified as a “Capital Pool Corporation (“CPC”), as defined in policy 2.4 of the TSX Venture Exchange (the “Exchange”) with a view to completing an initial public offering. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined under the policies of the TSX Venture Exchange.

2. Going Concern

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is recently incorporated, has no source of operating revenues and its ability to operate as a going concern in the near-term will depend on its capacity to raise financing and to commence profitable operations in the future. These financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business.

3. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and are expressed in Canadian dollars. The significant accounting policies are summarized follows:

a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

b) Deferred financing costs

Costs directly attributable with the raising of capital will be charges against the related share capital. Costs related to shares not yet issued are recorded as deferred financial costs. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital or charged to operations if the shares are not issued.

3. Significant Accounting Policies (cont'd)

c) Income Taxes

The Company accounts for and measures future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as for the benefit of losses available to be carried forward for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

d) Financial Instruments

Upon incorporation the Company adopted the recommendations of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, Section 3862, Financial Instruments – Disclosure, Section 3863, Financial Instruments – Presentation, Section 1530, Comprehensive Income and Section 3521, Equity.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Upon adoption, all existing and new financial assets and financial liabilities of an enterprise must be classified as either held for trading, held to maturity, or available for sale with each classification having a different accounting treatment after the initial recognition of the asset or liability.

All financial assets and financial liabilities must be measured at fair value upon initial recognition.

After initial recognition, the financial assets are measured according to the following guidelines.

Financial assets that are classified as available for sale or held for trading must be measured at fair value. Any gain or loss on a financial asset held for trading is recorded in the statements of operating and comprehensive income (loss) in the period in which it occurs. Any gain or loss on a financial asset that is available for sale is recorded in other comprehensive income (loss) until the financial asset is derecognized, at which point the cumulative gain or loss is recognized in net income (loss). Financial assets that are classified as held to maturity should be measured at amortized cost using the effective interest method.

After initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method.

3. Significant Accounting Policies (cont'd)

d) Financial Instruments (cont'd)

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Instrument	Classification
Cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

The Company's financial instruments measured at fair value on the balance sheet consist of cash and accounts payable and accrued liabilities. Cash and accounts payable and accrued liabilities are both measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

e) Stock-based Compensation

The Company accounts for stock-based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

f) Loss per Share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

4. Recent Accounting Pronouncements Issued and Not Yet Applied

a) International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using International Financial Reporting Standards ("IFRS") in place of GAAP as the basis for preparation of financial statements.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the required information.

b) Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the company beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with International Financial Reporting Standards (IFRS). The Company does not anticipate that the adoption of this standard will impact its Financial Statements.

c) Consolidated Financial Statements and Non-Controlling Interests

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

5. Cash

As at February 28, 2011, all the cash was held in trust by the solicitors of the Company.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds from the sale of all securities issued by the Company or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

6. Capital Stock

Authorized: Unlimited number of common shares

Issued and outstanding:

	No. of Shares		Amount
Issued for cash	3,600,000	$	180,000
As at August 31, 2010 (i) (ii)	3,600,000		180,000
Issued in connection with initial public offering (iii)	8,000,000		800,000
Share issuance costs	-		(234,573)
As at February 28, 2011	11,600,000		745,427

(i) The Company issued 3,600,000 common shares at a price of $0.05 per common share.

Upon closing of the initial public offering, the 3,600,000 issued Common shares were placed in an escrow under a CPC Escrow Agreement pursuant to policies of the Exchange. Under the terms of the CPC Escrow Agreement, 10% of the escrowed Common shares will be released from escrow upon the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on each of the dates 6 months, 12 months, 18 months, 24 months, 30 months, and 36 months following the Initial Release. Shares held in escrow will be cancelled should the Company fail to complete its Qualifying Transaction or become de-listed.

(ii) The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and they are not considered to be outstanding shares for purposes of loss per share calculation.

(iii) The Company completed its Initial Public Offering on December 31, 2010 by issuing 8,000,000 common shares at a price of $0.10 per share for gross proceeds of $800,000.

6. Capital Stock (cont'd)

a) Stock Options

The Company awards stock options to officers and directors under an incentive stock plan (the "Plan"). Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Compensation expense is recognized when options are issued. The board of directors of the Company may from time to time, in its discretion, grant to directors, officers, and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five years from the date of grant. The following is a continuity schedule of outstanding options for the reporting period, where "WAEP" refers to weighted average exercise price.

	No. of Options	WAEP
Outstanding at September 1, 2010	-	$ -
Granted	1,160,000	0.10
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding at February 28, 2011	1,160,000	$ 0.10
Exercisable at February 28, 2011	1,160,000	$ 0.10

The following table summarizes stock options outstanding at February 28, 2011.

No. Outstanding	Expiry Date	Exercisable Date	WAEP
1,160,000	December 31, 2015	December 31, 2010	$0.10

The Company granted 1,160,000 stock options exercisable at $0.10 per share to directors and officers of the Company. The fair value of the options granted to directors and officers was estimated at $71,953, using the Black-Scholes pricing model, with the following weighted average assumptions: dividend yields of 0%, volatility factors of the expected market price of the Company's common stock of 75%, risk-free interest rate of 2.23%, and a weighted average expected life of 5 years.

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

The weighted average fair value of stock options issued during the period ended February 28, 2011 was $0.06.

6. Capital Stock (cont'd)

b) Agent's Options

Upon completion of the Initial Public Offering, the Company granted 800,000 agent's options exercisable at $0.10 per share to the agent. The fair value of the options granted to the agent was estimated at $33,139, using the Black-Scholes pricing model, with the following weighted average assumptions: dividend yields of 0%, volatility factors of the expected market price of the Company's common stock of 75%, risk-free interest rate of 1.68%, and a weighted average expected life of 2 years.

The following table summarizes agent's options outstanding at February 28, 2011.

No. Outstanding	Expiry Date	Exercisable Date	WAEP
800,000	January 6, 2013	December 31, 2010	0.10

The above agent's options were not included in the computation of diluted net loss per share as they are anti-dilutive.

The weighted average fair value of agent's options issued during the period ended February 28, 2011 was $0.04.

7. Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company incurred legal fees and disbursements of $62,694 during the period to a law firm in which a director of the Company is a partner.

8. Capital Risk Management

The Company is reviewing investment opportunities and considers the items included in Shareholders' Equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue potential investments and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital, except as described in Note 5.

9. Financial Instruments and Financial Risk Management

The Company is exposed to different types of risks in the normal course of operations, including credit risk, market risk, currency risk, interest rate risk and liquidity risk as follows:

9. Financial Instruments and Financial Risk Management (cont'd)

a) Fair Value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value

The carrying values of cash and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

b) Credit Risk

The Company's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. The Company continually evaluates the collectability of its GST and HST recoverable and any deposits on qualifying transaction and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected.

Cash are held in trust by the Company's lawyer. The Company manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with major financial institutions in Canada.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at February 28, 2011, the Company had a cash balance of $763,564 to settle liabilities of $60,420.

d) Market Risk

i) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rate. The Company has no interest bearing debts and therefore it is not currently subject to any significant interest rate risk.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar. All of the Company's cash is in Canadian dollars, and all its activities are in Canadian dollars. Therefore, the Company is not exposed for foreign currency risk.

10. Contingency

There is no assurance that the Company will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, and even if so identified and warranted, it may not be able to finance such acquisition or investment, at which time the Exchange may suspend or delist the Company's shares from trading.

11. Proposed qualifying transaction

The Company has entered into a letter of intent (the "**Letter of Intent**") dated January 20, 2011, and revised on April 28, 2011, pursuant to which it proposes to acquire all of the issued and outstanding securities of China Freeze-Dry Inc., a corporation governed under the laws of the British Virgin Islands (the "**Target**"), which indirectly owns Linyi Shenhe Foodstuff Co., Ltd., a corporation governed under the laws of the People's Republic of China ("Shenhe").

Pursuant to the terms of the Letter of Intent, the Company agrees to consolidate, prior to completion of its proposed Qualifying Transaction, its shares, agent's options, and options on a 10:1 basis.

Subject to certain terms and conditions, the Company intends to acquire all of the 50,000 issued and outstanding common shares of the Target in consideration for a total of 90,251,562 post-consolidation common shares of the Company at a deemed price of $1.50 per share for a total purchase price of $135,377,343 representing five (5) times the average operating cash flow of Shenhe as indicated in its audited June 30, 2010, 2009 and 2008 financial statements.

The Company will proceed with a public financing (the "**Offering**") to offer a minimum of 2,500,000 Post-Consolidation Shares (as defined below) for gross proceeds of $5,000,000 (the "**Minimum Offering**") and a maximum of 15,000,000 Post-Consolidation Shares for gross proceeds of $30,000,000 (the "**Maximum Offering**") to the public on a commercially reasonable effort basis at a price of $2.00 per Post-Consolidation Share, subject to the terms and conditions of an agency agreement to be entered into between the Company and the agent to be engaged by the Company.

Completion of the Qualifying Transaction will be subject to satisfaction of waiver of terms and conditions, customary or otherwise, including but not limited to completion of the consolidation of Canada Pacific securities, satisfactory completion of due diligence, execution of a definitive agreement on or before May 31, 2011, completion of the Minimum Offering and all required approvals and consents, including the approval of the Exchange.

If completed, the proposed transaction is expected to constitute the Company's Qualifying Transaction under Policy 2.4 of the Exchange.

EXHIBIT B

ANNUAL AND INTERIM MD&A OF CPCC

Management's Discussion and Analysis for the Year Ended August 31, 2010

Management's Discussion and Analysis for the Six-Months Ended February 28, 2011

CANADA PACIFIC CAPITAL CORP.
(A Capital Pool Corporation)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD FROM MAY 28, 2010 (DATE OF INCORPORATION) TO AUGUST 31, 2010

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with, the audited financial statements for the period from May 28, 2010 (date of incorporation) to August 31, 2010 of Canada Pacific Capital Corp. ("**CCPC**"). The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. All monetary amounts are expressed in Canadian dollars.

Further information about CCPC and its operations can be obtained from the offices of CCPC or from www.sedar.com.

FORWARD-LOOKING INFORMATION

With respect to certain forward-looking statements contained herein, see the "*Forward Looking Information*" section included elsewhere in this Prospectus. The results of operations, business prospectus and financial condition of CCPC will be affected by certain risk factors described elsewhere in this Prospectus, See "*Information Concerning CCPC - Risk Factors*" and "*Information Concerning the Resulting Issuer - Resulting Issuer Risk Factors*".

COMPANY PROFILE

Canada Pacific Capital Corp.

Canada Pacific Capital Corp. was incorporated by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Ontario) on May 28, 2010. CCPC is classified as a "Capital Pool Corporation ("**CPC**"), as defined in policy 2.4 of the TSX Venture Exchange (the "**TSXV**") with a view to completing an initial public offering. CCPC will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined under the policies of the TSXV.

CCPC currently has two officers, Catherine Rong Lu, Chief Executive Officer and Michael Lam, Chief Financial Officer. Neither officer is compensated by CCPC.

SELECTED ANNUAL INFORMATION

Summarized selected financial information with respect to CCPC for the period from May 28, 2010 (date of incorporation) to August 31, 2010 is as follows:

	Period from May 28, 2010 (date of incorporation) to August 31, 2010
Total expenses	$ 2,728
Net loss	2,728
Loss per share	-
Total assets	185,985
Total liabilities	8,713
Shareholders' equity	177,272
Dividend per share	-

RESULTS OF OPERATIONS

Period from May 28, 2010 (date of incorporation) to August 31, 2010

CCPC recorded net loss of $2,728 during the period from May 28, 2010 (date of incorporation) to August 31, 2010. The net loss for the period is due mainly to professional fees of $2,713.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial data of CCPC for its last completed quarters as reported in the particular period:

	Q4 2010 (June 1, 2010-August 31, 2010)	Q3 2010 (May 28, 2010-May 31, 2010)
Net loss	$(2,713)	$(15)
Loss per share	-	-

LIQUIDITY AND CAPITAL RESOURCES

As of August 31, 2010, CCPC had cash of $174,335, current assets of $185,985, total current liabilities of $8,713 and a working capital of $177,272.

Negative cash flows of $665 were recorded from operating activities for the period from May 28, 2010 (date of incorporation) to August 31, 2010 and were due to net loss during the period offset by changes in working capital balances.

Net cash generated from financing activities for the period from May 28, 2010 (date of incorporation) to August 31, 2010 was $175,000 and arose from net proceeds from issuance of share capital in the Initial Public Offering.

There were no investing activities during the period from May 28, 2010 (date of incorporation) to August 31, 2010.

Cash from the Initial Public Offering will be primarily used to pursue a proposed qualifying transaction.

OFF-BALANCE-SHEET ARRANGEMENTS

CCPC had no off-balance-sheet arrangements as at August 31, 2010.

TRANSACTIONS WITH RELATED PARTIES

There were no significant related party transactions during the period.

PROPOSED TRANSACTIONS

Please review the discussion under the heading “Subsequent Event”.

CRITICAL ACCOUNTING ESTIMATES

CCPC’s financial statements have been prepared in accordance with Canadian GAAP. The critical accounting policies followed by CCPC are as follows:

Stock-based Compensation

CCPC accounts for stock-based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Deferred Financing Costs

Costs directly attributable with the raising of capital will be charges against the related share capital. Costs related to shares not yet issued are recorded as deferred financial costs. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital or charged to operations if the shares are not issued.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("**AcSB**") confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using International Financial Reporting Standards ("**IFRS**") in place of GAAP as the basis for preparation of financial statements.

CCPC is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. CCPC does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the required information.

Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the company beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with International Financial Reporting Standards (IFRS). CCPC does not anticipate that the adoption of this standard will impact its Financial Statements.

Consolidated Financial Statements and Non-Controlling Interests

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for CCPC for interim and annual financial statements beginning on or after January 1, 2011. CCPC has not yet determined the impact of the adoption of these changes on its financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

CCPC has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Instrument	Classification
Cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Fair Value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The carrying values of cash and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

Credit Risk

CCPC's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. CCPC continually evaluates the collectability of its GST and HST recoverable and any deposits on qualifying transaction and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected.

Cash are held in trust by CCPC's lawyer. CCPC manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with major financial institutions in Canada.

Liquidity Risk

Liquidity risk is the risk that CCPC will not be able to meet its financial obligations as they are due. CCPC controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at August 31, 2010, CCPC had a cash balance of $174,335 to settle liabilities of $8,713.

OTHER MD&A REQUIREMENTS

Disclosure of Outstanding Share Data

As at August 31, 2010, CCPC had authorized unlimited common shares without par value and had issued 3,600,000 common shares.

There were no options outstanding at August 31, 2010.

SUBSEQUENT EVENT

On May 13, 2011, CPCC, Shenhe and BVICo entered into the Acquisition Agreement providing for the acquisition by CCPC of all issued and outstanding securities of BVICo (the "**Acquisition**" or "**Proposed Qualifying Transaction**"). As a condition for the Acquisition, CPCC will complete a consolidation of common shares of CPCC on a 10:1 basis with each 10 pre-Consolidation common shares being consolidated into one post-Consolidation common share (the "**Consolidation**"). As consideration for the Acquisition, CPCC has agreed to issue to the Current BVICo Shareholders an aggregate of 90,251,562 Post-Consolidation Shares at an ascribed price of Cdn$1.50 per Post-Consolidation Share, at an exchange ratio of 1,805.03124 Post-Consolidation Shares for each BVICo Share (the "**Weighted Exchange Ratio**"), for a total value of C$135,377,343, representing five (5) times the average operating cash flow of Shenhe as indicated in its audited June 30, 2010, 2009 and 2008 financial statements.

Pursuant to the Acquisition Agreement, prior to completion of the Acquisition, BVICo will use best efforts to complete a private placement financing (the "**BVICo Financing**") of a minimum of 554 BVICo Shares for gross proceeds of $2,000,000 (the "**BVICo Minimum Offering**") and a maximum of 8,310 BVICo Shares for gross proceeds of $30,000,000 (the "**BVICo Maximum Offering**") at a price of $3,610.06 per BVICo Share. On closing the Proposed Qualifying Transaction, the BVICo Shares issued in the BVICo Financing will be replaced and exchanged for 1,000,000 Post-Consolidation Shares in the case of BVICo Minimum Offering, or 15,000,000

Post-Consolidation Shares in the case of BVICo Minimum Offering, at an effective price of $2.00 per Post-Consolidation Share.

BVICo has agreed to pay a cash commission equal to 7% (or 3.5% with respect to purchasers on the President's List) of the gross proceeds of the BVICo Financing and to issue broker warrants (the "**BVICo Broker Warrants**") to purchase that number of BVICo Shares equal to 7% (or 3.5% with respect to purchasers on the President's List) of the BVICo Shares sold in the BVICo Financing for a period of two years at a price of $3,610.06 per BVICo Share (38.78 BVICo Broker Warrants in the case of the BVICo Minimum Offering or 581.71 BVI Broker Warrants in the case of the BVICo Maximum Offering, assuming there is no President's List). On completion of the Proposed Qualifying Transaction, the BVICo Broker Warrants will be exchanged into broker warrants of the Resulting Issuer (a "**Replacement Broker Warrant**") (70,000 Replacement Broker Warrants in the case of BVICo Minimum Offering or 1,050,000 Replacement Broker Warrants in the case of BVICo Maximum Offering, assuming there is no President's List) with each Replacement Broker Warrant entitling the holder to purchase one Post-Consolidation Share at $2.00 per share for a period of two years following the completion of the Proposed Qualifying Transaction.

Purchasers of the BVICo Shares and the holders of the BVICo Broker Warrants issued in the BVICo Financing will sign an acknowledgement to become a party to the Acquisition Agreement. The BVICo Financing will be a concurrent financing for the Proposed Qualifying Transaction and it will be a condition to the completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering.

Upon completion of the Acquisition, BVICo, HKCo and Shenhe will be wholly owned subsidiaries of CPCC and the principal business of CPCC will be the business of Shenhe. The Resulting Issuer is expected to be named "China Freeze-Dry Products Corporation" or such other name as may be chosen by the directors of the Resulting Issuer and accepted by the TSX upon Closing of the Acquisition.

The Acquisition is expected to constitute a reverse take-over of CPCC by BVICo and a qualifying transaction pursuant to the rules of the TSX and TSXV. completion of the Acquisition is conditional on obtaining all necessary regulatory approvals, including but not limited to, acceptance of the TSX and TSXV, and other customary conditions for a transaction of this kind.

OUTLOOK

Management believes CCPC is well positioned to seek and complete a qualifying transaction. CCPC believes that it has sufficient cash and capital resources to be successful.

CANADA PACIFIC CAPITAL CORP.
(A Capital Pool Corporation)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTH PERIODS ENDED FEBRUARY 28, 2011
April 28, 2011

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with, the interim unaudited financial statements for the three and six month periods ended February 28, 2011 of Canada Pacific Capital Corp. ("Canada Pacific" or the "Company"). The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. All monetary amounts are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION

The discussion and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared, but cautions the reader that they could cause actual results to differ materially from those anticipated.

COMPANY PROFILE

Canada Pacific Capital Corp.

Canada Pacific Capital Corp. was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on May 28, 2010. The Company is classified as a "Capital Pool Corporation ("CPC"), as defined in policy 2.4 of the TSX Venture Exchange (the "Exchange") with a view to completing an initial public offering. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined under the policies of the TSX Venture Exchange.

The Company currently has two officer, Catherine Rong Lu, Chief Executive Officer and Michael Lam, Chief Financial Officer. Neither officer is compensated by the Company.

SELECTED INTERIM INFORMATION

Summarized selected financial information with respect to the Company for the three and six month periods ended February 28, 2010 is as follows:

	Three months ended February 28, 2011	Six months ended February 28, 2011
Total expenses	$ 80,660	$ 84,231
Net loss	(80,660)	84,231
Loss per share	(0.02)	(0.03)
Total assets	823,980	823,980
Total liabilities	60,420	60,420
Shareholders' equity	763,560	763,560
Dividend per share	-	-

RESULTS OF OPERATIONS

Three month ended February 28, 2011

The Company recorded net loss of $80,660 during the three month period ended February 28, 2011. There was no comparative period since the Company was incorporated on May 28, 2010. Net loss for the period from May 28, 2010 to August 31, 2010 was $2,728. The net loss for the three month period ended February 28, 2011 is due mainly to non-cash stock based compensation of $71,953 for stock options granted to officers and directors under an incentive stock plan.

During the three month period ended February 28, 2011, the Company also incurred professional fees of $5,045, office and general expenses of $2,965 and filing fees of $697.

During the period from May 28, 2010 to August 31, 2010, the Company incurred professional fees of $2,713 and office and general expenses of $15.

Loss per share for the three month period ended February 28, 2011 were $0.02.

Six month ended February 28, 2011

The Company recorded net loss of $84,231 during the six month period ended February 28, 2011. There was no comparative period since the Company was incorporated on May 28, 2010. Net loss for the period from May 28, 2010 to August 31, 2010 was $2,728. The net loss for the six month period ended February 28, 2011 is due mainly to non-cash stock based compensation of $71,953 for stock options granted to officers and directors under an incentive stock plan.

During the six month period ended February 28, 2011, the Company also incurred professional fees of $5,045, office and general expenses of $2,965 and filing fees of $4,268.

During the period from May 28, 2010 to August 31, 2010, the Company incurred professional fees of $2,713 and office and general expenses of $15.

Loss per share for the six month period ended February 28, 2011 was $0.03.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial data of the Company for its last eight quarters as reported in the particular period:

	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Net loss	$(80,660)	$(3,571)	$(2,713)	$(15)	-	-	-	-
Loss per share	$(0.02)	$(0.01)	-	-	-	-	-	-

LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2011, the Company had cash of $763,564, current assets of $823,980, total current liabilities of $60,420 and a working capital of $763,560.

Positive cash flows of $24,663 were recorded from operating activities for the six month period ended February 28, 2011. The increase was due to net loss during the period offset by changes in working capital balances.

Net cash generated from financing activities for the six month period ended February 28, 2011 was $609,566 and arose from net proceeds from issuance of share capital in the Initial Public Offering.

Net cash used in investing activities for the six month period ended February 28, 2011 of $25,000 represented a deposit made on a proposed qualifying transaction.

Cash from the Initial Public Offering will be primarily used to pursue a proposed qualifying transaction.

OFF-BALANCE-SHEET ARRANGEMENTS

Canada Pacific had no off-balance-sheet arrangements as at February 28, 2011.

TRANSACTIONS WITH RELATED PARTIES

The Company incurred legal fees and disbursements of $62,694 during the period to a law firm in which a director of the Company is a partner.

PROPOSED TRANSACTIONS

The Company has entered into a letter of intent (the "**Letter of Intent**") dated January 20, 2011, and revised on April 28, 2011, pursuant to which it proposes to acquire all of the issued and outstanding securities of China Freeze-Dry Inc., a corporation governed under the laws of the British Virgin Islands (the "**Target**"), which indirectly owns Linyi Shenhe Foodstuff Co., Ltd., a corporation governed under the laws of the People's Republic of China ("**Shenhe**").

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The critical accounting policies followed by the Company are as follows:

Stock-based Compensation

The Company accounts for stock-based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Deferred Financing Costs

Costs directly attributable with the raising of capital will be charges against the related share capital. Costs related to shares not yet issued are recorded as deferred financial costs. These fees are deferred until the issuance of the shares to which the fees related to, at which time the fees will be charged against the related share capital or charged to operations if the shares are not issued.

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using International Financial Reporting Standards ("IFRS") in place of GAAP as the basis for preparation of financial statements.

The Company is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the required information.

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Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the company beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with International Financial Reporting Standards (IFRS). The Company does not anticipate that the adoption of this standard will impact its Financial Statements.

Consolidated Financial Statements and Non-Controlling Interests

CICA HB Section 1601, Consolidated Financial Statements and HB Section 1602, Non-controlling Interests replace CICA HB Section 1600, Consolidated Financial Statements. HB Section 1601 establishes standards for the preparation of consolidated financial statements. HB Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. HB Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on or after January 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Financial Instrument	Classification
Cash	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Fair Value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value

The carrying values of cash and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

Credit Risk

The Company's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. The Company continually evaluates the collectability of its GST and HST recoverable and any deposits on qualifying transaction and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected.

Cash are held in trust by the Company's lawyer. The Company manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with major financial institutions in Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at February 28, 2011, the Company had a cash balance of $763,564 to settle liabilities of $60,420.

OTHER MD&A REQUIREMENTS

Disclosure of Outstanding Share Data

As at the date of this MD&A, the Company had authorized unlimited common shares without par value and had issued 11,600,000 common shares.

The following table summarizes options outstanding at February 28, 2011.

No. Outstanding	Expiry Date	Exercisable Date	Exercise Price
1,160,000	December 31, 2015	December 31, 2010	$0.10
800,000	January 6, 2013	December 31, 2010	0.10
1,960,000			$0.10

OUTLOOK

Management believes the Company is well positioned to seek and complete a qualifying transaction. The Company believes that it has sufficient cash and capital resources to be successful.

EXHIBIT C

FINANCIAL STATEMENTS OF BVICO AND SHENHE

Linyi Shenhe Foodstuff Co., Ltd.

Financial Statements for the Fiscal Years ended June 30, 2010, 2009 and 2008 (Audited)

China Freeze-Dry Inc.
Linyi Shenhe Foodstuff Co., Ltd.

Interim Consolidated Financial Statements for the Three and Nine Months ended March 31, 2011 and 2010 (unaudited)

LINYI SHENHE FOODSTUFF CO., LTD

FINANCIAL STATEMENTS

JUNE 30, 2010, 2009 and 2008

(Expressed in Canadian Dollars)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010, 2009, 2008

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Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

SLF

AUDITORS' REPORT

To the Shareholder of
Linyi Shenhe Foodstuff Co., Ltd.

We have audited the balance sheets of Linyi Shenhe Foodstuff Co., Ltd. (the "Company") as at June 30, 2010, 2009 and 2008 and the statements of income and comprehensive income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Schwartz Levitsky Feldman llp

Toronto, Ontario, Canada
October 29, 2010

Chartered Accountants
Licensed Public Accountants

1167 Caledonia Road
Toronto, Ontario M6A 2X1
Tel: 416 785 5353
Fax: 416 785 5663

BALANCE SHEETS
AS OF JUNE 30, 2010, 2009 AND 2008

(Expressed in Canadian Dollars)	June 30, 2010	June 30, 2009	June 30, 2008
ASSETS			
CURRENT ASSETS			
Cash	$ 14,948,893	$ 31,442,355	$ 20,348,132
Accounts receivable	19,014,801	14,712,809	5,618,960
Other receivable	204,077	7,451	87,863
Advances to suppliers (note 3)	5,999,299	16,940	239,481
Inventory (note 5)	5,984,546	621,256	1,220,765
TOTAL CURRENT ASSETS	46,151,616	46,800,811	27,515,201
OTHER ASSETS (note 3)	9,129,446	-	-
PREPAYMENTS FOR LAND USE RIGHTS (note 4)	5,649,722	2,202,200	2,509,200
PROPERTY, PLANT AND EQUIPMENT, NET (note 6)	38,162,798	37,940,756	25,291,950
CONSTRUCTION IN PROGRESS (note 7)	5,038,504	2,029,141	11,533,228
INTANGIBLE ASSETS (note 8)	20,709,873	23,260,456	20,033,547
	$ 124,841,959	$ 112,233,364	$ 86,883,126
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (note 9)	2,536,430	3,207,947	2,266,387
Dividend payable	-	-	13,431,600
Due to the shareholder (note 10)	-	-	896,433
Taxes payable (note 11)	2,444,900	3,143,404	2,184,030
	$ 4,981,330	$ 6,351,351	$ 18,778,450
COMMITMENTS AND CONTINGENCIES (note15)			
SHAREHOLDERS' EQUITY			
Paid-in capital (note 12)	11,296,592	11,296,592	11,296,592
Reserves (note 13)	13,972,188	10,313,225	6,347,585
Accumulated comprehensive income	4,240,607	13,711,518	3,862,141
Retained earnings	90,351,242	70,560,678	46,598,358
	119,860,629	105,882,013	68,104,676
	$ 124,841,959	$ 112,233,364	$ 86,883,126

On behalf of the Board:

"Shen, Demin", Director

"Lu, Youshan", Director

LINYI SHENHE FOODSTUFF CO., LTD.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

(Expressed in Canadian Dollars)	June 30 2010	2009	2008
SALES REVENUE	$ 83,846,323	$ 79,573,197	$ 56,411,568
COST OF GOODS SOLD	(47,433,445)	(36,185,012)	(24,607,982)
GROSS PROFIT	$ 36,412,878	$ 43,388,185	$ 31,803,586
GENERAL AND ADMINISTRATIVE EXPENSES	(2,443,352)	(2,789,433)	(2,168,219)
EXCHANGE GAIN AND LOSS	(113,635)	(889,912)	(703,034)
SELLING EXPENSES	(2,560,677)	(2,551,981)	(1,999,028)
INCOME FROM OPERATIONS	$ 31,295,214	$ 37,156,859	$ 26,933,305
OTHER INCOME	10,952	24,358	8,926
INCOME BEFORE INCOME TAXES	$ 31,306,166	$ 37,181,217	$ 26,942,231
INCOME TAXES			
Current (note 11)	(7,856,639)	(9,253,257)	(5,509,961)
Future (note 11)	-	-	-
NET INCOME	$ 23,449,527	$ 27,927,960	$ 21,432,270
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign Currency Translation	$ (9,470,911)	$ 9,849,377	$ 3,855,920
COMPREHENSIVE INCOME	$ 13,978,616	$ 37,777,337	$ 25,288,190

See accompanying notes to the financial statements

LINYI SHENHE FOODSTUFF CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008

(Expressed in Canadian Dollars)	Paid-in Capital	Reserves	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at June 30, 2007	**$ 11,296,494**	**$ 3,291,247**	**$ 28,222,426**	**$ 6,221**	**$ 42,816,388**
Paid in capital	98				98
Net income for the year			21,432,270		21,432,270
Transfer to reserves		3,056,338	(3,056,338)		-
Other comprehensive income - foreign currency translation				3,855,920	3,855,920
Balance as at June 30, 2008	**$ 11,296,592**	**$ 6,347,585**	**$ 46,598,358**	**$ 3,862,141**	**$ 68,104,676**
Net income for the year			27,927,960		27,927,960
Transfer to reserves		3,965,640	(3,965,640)		-
Other comprehensive income - foreign currency translation				9,849,377	9,849,377
Balance as at June 30, 2009	**$ 11,296,592**	**$ 10,313,225**	**$ 70,560,678**	**$ 13,711,518**	**$ 105,882,013**
Net income for the year			23,449,527		23,449,527
Transfer to reserves		3,658,963	(3,658,963)		-
Other comprehensive loss - foreign currency translation				(9,470,911)	(9,470,911)
Balance as at June 30, 2010	**$ 11,296,592**	**$ 13,972,188**	**$ 90,351,242**	**$ 4,240,607**	**$ 119,860,629**

See accompanying notes to the financial statements

LINYI SHENHE FOODSTUFF CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 20010, 2009 AND 2008

(Expressed in Canadian Dollars)	June 30 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year	$ 23,449,527	$ 27,927,960	$ 21,432,270
Item not affecting cash			
Amortization	3,051,947	3,179,951	2,184,751
Changes in non-cash working capital			
Accounts receivable	(5,627,649)	(8,326,390)	(977,822)
Prepaid expenses and deposit	(5,584,526)	(17,068)	-
Other receivable	(198,091)	94,095	27,343
Inventory	(5,440,409)	785,702	211,496
Accounts payable and accrued liabilities	(389,040)	611,408	(17,650,382)
Taxes payable	(421,877)	641,614	1,019,889
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 8,839,882	$ 24,897,272	$ 6,247,545
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(13,888,684)	(54,191)	(5,919,305)
Investment in construction in progress	(5,059,063)	-	(3,107,942)
Acquisition of intangible assets	(3,657,384)	(124,596)	(8,964,512)
NET CASH USED IN INVESTING ACTIVITIES	$ (22,605,131)	$ (178,787)	$ (17,991,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances (to) from shareholders	-	(1,036,607)	844,992
Dividend paid	-	(15,531,880)	12,660,830
NET CASH USED IN FINANCING ACTIVITIES	$ -	$ (16,568,487)	$ 13,505,822
NET CHANGE IN CASH	$ (13,765,249)	$ 8,149,998	$ 1,761,608
EFFECT OF EXCHANGE RATE CHANGES ON CASH	$ (2,728,213)	$ 2,944,225	$ 1,146,485
Cash, beginning of period	31,442,355	20,348,132	17,440,039
Cash, end of period	$ 14,948,893	$ 31,442,355	$ 20,348,132
Supplemental cash flow information			
Interest paid	-	-	-
Income taxes paid	$ 8,278,516	$ 9,046,791	$ 5,470,350

See accompanying notes to the financial statements

1. Description of business and continuing operations

Linyi Shehe Foodstuffs Co. Ltd (the “Corporation”) was incorporated in Shandong Province, Peoples Republic of China (PRC) under the related business regulations and laws of the PRC on March 22,2001, The Corporation is a foreign owned enterprise which is wholly-owned by Supertown Trading Company Limited (“HKCo”), a company established in the Hong Kong Special Administrative Region of the People’s Republic of China in February 2000. The Corporation is engaged in the freeze-dried food processing industry. Its business is focused on food dehydration and food color, freshness and quality protection by use of vacuum frozen-drying technology. Currently, the Corporation produces over 100 types of freeze-dried food products which are sold outside of China.

2. Summary of significant accounting policies and basis of presentation

(a) Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Corporation’s books and records are maintained in RMB, which is the functional currency. The financial statements are prepared in Canadian dollars, the reporting currency.

(b) Cash

Cash and cash equivalents consists of cash and highly liquid money market funds and term deposits with maturities of less than three months.

(c) Inventory

Inventories are generally measured at the lower of cost and net realizable value, with cost being determined using a weighted average formula. Net realizable value for finished goods and raw materials is generally considered to be the selling price in the ordinary course of business less the estimated costs to complete and the estimated costs to make the sale.

The Corporation did not recognize any write-downs on inventories or reversals of any previous write-downs during the periods presented.

(d) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates used in the preparation of the financial statements include those used in the determination of amortization period for long-lived assets.

(e) Revenue recognition

The Corporation's principal sources of revenue are from the sales of freeze-dried food products. Revenues are recognized when the products are shipped and the title passes to the customer, there is evidence that a sales arrangement exists, the sales price is fixed and determinable, and collectability is reasonably assured.

2. Summary of significant accounting policies and basis of presentation (continued)

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized on the balance sheet when the Corporation becomes a party to contractual provisions of the instrument. On initial recognition, all financial instruments must be measured at fair value which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Subsequent to initial recognition, the fair value of financial instruments is dependent on the purpose for which the financial assets were acquired or issued, their characteristics and the Corporation's designation of such instruments.

At each reporting date the carrying amounts of financial assets, other than those to be measured at fair value through income, are assessed to determine whether there is objective, significant evidence of impairment (e.g. a debtor is facing serious financial difficulties, or there is a substantial change in the technological, economic, legal or market environment of the debtor). For equity instruments, a significant or prolonged decline in fair value is objective evidence for a possible impairment. The Corporation has defined criteria for the significance and duration of a decline in fair value as discussed in the categories below.

The standards require that all financial assets be classified as held-for-trading ("HFT"); held-to-maturity ("HTM"); available-for-sale ("AFS") or loans and receivables ("L&R"). Financial liabilities should be classified as HFT or other than HFT liabilities.

Financial assets:

- ***Held-for-trading*** - Financial assets required to be classified as HFT are measured at fair value, with gains, losses and transaction costs recorded in net income for the period in which they arise. A financial instrument is designated as HFT on initial recognition if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of HFT ("fair value option"). Held-for-trading securities are usually held for a short term and are actively traded. The Corporation has determined that its cash as classified for HFT. The fair value equals the carrying value.

  Available-for-sale - Financial assets classified as AFS are measured at fair value, except for investments in equity instruments that do not have a quoted market price in an active market, which are measured at cost. Unrealized gains and losses, including the effect of changes in foreign exchange rates, are recognized directly in Other Comprehensive Income, except for impairment losses, which are recognized in net income. Upon de-recognition of the financial asset, the cumulative gains or losses, previously recognized in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income.

  If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is reclassified from direct recognition in equity to the income statement.

  Reversals with respect to equity instruments classified as available-for-sale are not recognized in the income statement. A reversal of an impairment loss on a debt instrument is reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss is recognized in income. The Corporation does not hold any available for sale financial instruments.

2. Summary of significant accounting policies and basis of presentation (continued)

- ***Held-to-maturity*** - Financial assets that are purchased and have a fixed maturity date and which management has the intention and the ability to hold to maturity are classified as held-to-maturity. These instruments are accounted for at amortized cost using the effective interest rate method and charged to income in the period of amortization. The Corporation currently does not hold any of these assets.

- ***Loans and receivables*** – Loans and receivables are measured at amortized cost using the effective interest rate method. Interest income calculated using the effective interest rate method is recorded in financing income in the period in which it arises.

Financial liabilities:

- ***HFT liabilities*** – Financial liabilities are measured at fair value. Gains and losses on liabilities held-for-trading are recognized in earnings. The Corporation currently does not hold any of these liabilities.
- ***Other than HFT liabilities*** - Financial liabilities classified as other than HFT are measured at amortized cost using the effective interest method. Interest expense is recorded in financing expense in the period. The Corporation has determined that its accounts payables are classified as other than HFT. The fair value equals the carrying value.

Adoption of new financial instruments standards

Effective December 31, 2009, the Corporation adopted The Canadian Institute of Chartered Accountants' ("CICA") amended Section 3862, Financial Instruments – Disclosures, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and financial liabilities in Level two include valuations using inputs based on observable market data, either directly or indirectly other than the quoted prices. Level three valuations are based on inputs that are not based on observable market data. The adoption of these standards did not have any impact on the classification and measurement of the Company's financial instruments or the liquidity risk disclosures. The new disclosures pursuant to this amended Handbook Section are included in note 14.

On January 1, 2008, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures ("CICA 3862"), and CICA Handbook Section 3863, Financial Instruments – Presentation ("CICA 3863").

CICA 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the balance sheet date, and how the entity manages those risks.

CICA 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, gains and losses, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classification and measurement of the Corporation's financial instruments. The disclosures pursuant to these Handbook Sections are included in note 14.

2. Summary of significant accounting policies and basis of presentation (continued)

(g) Property, plant and equipment

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are depreciated to their estimated residual values on the straight-line basis over the estimated useful lives. Residual values are estimated at 5% of the original cost. The estimated useful lives are as follows:

Buildings	30 years
Machinery	15 years
Electric Equipment	6 years
Office equipment	5 years
Vehicle	10 years

(h) Construction in progress

Construction in progress represents direct costs of construction or acquisition and design fees incurred. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until it is completed and ready for intended use.

(i) Impairment of long-lived assets

The Corporation recognizes an impairment loss for a long-lived asset to be held and used when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. No impairment loss was recognized in these financial statements.

(j) Intangible assets

Intangible assets are initially recorded at cost. Indefinite life assets are not amortized while assets with finite lives are amortized on a straight line basis to nil over their contract terms.

Land use rights	50 years
Electric power use rights	10 years

All lands in the PRC are owned by the PRC government. The government in the PRC, according to the relevant PRC law, may sell the right to use the land for a specified period of time. Thus, all of the Company's land purchases in the PRC are considered to be leasehold land and are stated at cost less accumulated amortization and any recognized impairment loss.

(k) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

2. Summary of significant accounting policies and basis of presentation (continued)

(l) Accumulated other comprehensive income (loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss).

Certain gains and losses arising from changes in fair value are temporarily recorded outside the consolidated statement of operations in accumulated comprehensive income as a separate component of shareholders' equity.

Comprehensive income (loss) is comprised of the Corporation's net income and other comprehensive income (loss). Other comprehensive income (loss) may include any unrealized gains and losses on foreign currency translation gains and losses on the currency used for presentation and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of taxes.

(m) Foreign currency translation

The Corporation follows the current rate method of accounting for the translation of the financial statements. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenue and expenses (including depreciation and amortization) are translated at the average rates of exchange during the period. Adjustments to the Canadian dollar equivalent of foreign denominated monetary assets and liabilities due to the impact of exchange rate changes are recognized in foreign exchange gain (loss) under the other comprehensive income in the equity section.

(n) Recent accounting pronouncements

Business Combinations

Since the company will adopt IFRS on January 1, 2011, new Canadian GAAP Standard that will be effective on or after that date are not disclosed as future accounting changes because they will never be applied by the company.

Goodwill and Intangible Assets

In 2008, the Canadian Institute of Chartered Accounts ("CICA") issued Handbook Section 3064, " Goodwill and Intangible Assets " ("CICA 3064"). CICA 3064, which replaces Section 3062, " Goodwill and Other Intangible Assets", and Section 3450, " Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Corporation adopted this standard on a retrospective basis on January 1, 2009. The adoption of the new standard did not have a material impact on the Corporation's financial statements

Convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for all Canadian publicly accountable profit-oriented enterprises including the Corporation. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Corporation is currently reviewing the standards and evaluating the impact of adopting IFRS.

2. Summary of significant accounting policies and basis of presentation (continued)

The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential exemptions to the initial adoption of IFRS as permitted by IFRS Statement 1.

3. Advances to suppliers and other assets

The Company's advances as at June 30, 2010, 2009 and 2008 are summarized as follows:

	2010	2009	2008
Current Advances to suppliers	5,577,272	16,940	-
Advance for R&D	422,027	-	239,481
	$ 5,999,299	$ 16,940	$ 239,481

Subsequent to the year end the Company purchased and received the products for which was made advances to suppliers.

Other assets

	2010	2009	2008
Advance for equipment purchase (i)	5,621,478	-	-
Advance for construction of new facilities (ii)	3,507,968	-	-
	$9,129,446	-	-

(i) The Company entered into various agreements during 2010 to purchase equipment from various suppliers. Subsequent to 2010, the equipment had not yet been delivered.
(ii) Construction of the new facilities commenced subsequent to the year 2010.

4. Prepayment for land use rights

The Company has prepayment for land use rights as at June 30, 2010, 2009 and 2008 are summarized as follows:

Prepayment for land use rights	$ 5,649,722	$ 2,202,200	$ 2,509,200

The Company entered into a number of agreements to purchase land use rights from third parties. Subsequent to June 30, 2010, some of the certificates of the land use rights had not been transferred to the Company. The Company expects that the outstanding certificates will be transferred in 2011 and the balance of the agreed amount will be paid accordingly (see note 15).

5. Inventory

Inventory is comprised of:

	2010	2009	2008
Raw Materials	3,567,237	235,008	598,204
Finished Goods	2,374,313	314,624	544,057
Others (WIP, packaging and Low Value Materials)	42,996	71,624	78,504
	$ 5,984,546	$ 621,256	$ 1,220,765

6. Property, plant and equipment

	2010	2009	2008
Cost			
Building	$ 27,823,139	$ 23,800,984	$ 10,686,487
Machinery	21,204,932	23,264,996	20,271,036
Electric Equipment	136,729	149,403	130,176
Vehicle	540,791	593,329	516,974
Office equipment	1,253,558	1,375,342	1,198,350
	$ 50,959,149	$ 49,184,054	$ 32,803,023
Less: Accumulated depreciation	(12,796,351)	(11,243,298)	(7,511,073)
Net book value	$ 38,162,798	$ 37,940,756	$ 25,291,950

The depreciation expense is $ 2,536,267, $ 2,581,082 and $1,777,269 for the years ended June 30, 2010, 2009 and 2008 respectively.

7. Construction in Progress

The construction project is for the new factories and betterment of the plant. The balance is to be transferred to property, plant and equipment account upon the completion of the project which is expected in the following year.

8. Intangible asset

The intangible assets include the land use right and electric power use right

	2010	2009	2008
Land use rights – costs	$ 22,707,427	$ 24,913,460	$ 21,009,211
Less: Accumulated amortization	(1,998,944)	(1,655,545)	(978,764)
Land use rights, net	$ 20,708,483	$ 23,257,915	$ 20,030,447
Electric power use rights – costs	$ 9,264	$ 10,164	$ 8,856
Less: Accumulated depreciation	(7,874)	(7,623)	(5,756)
Electric power use rights, net	$ 1,390	$ 2,541	$ 3,100
Net book value	$ 20,709,873	$ 23,260,456	$ 20,033,547

The amortization expenses on the land use right are $491,994, $536,242 and $382,938 for the years ended June 30, 2010, 2009 and 2008 respectively. The amortization expenses on the electric power use rights are $6,046, $6,657 and $5,426 for the years ended June 30, 2010, 2009 and 2008, respectively.

9. Accounts payable and accrued liabilities

The balances are breakdown as follows:

	2010	2009	2008
Accounts payable	$ 920,950	$ 957,098	$ 592,853
Value added tax payable (receivable)	109,521	(4,521)	(73,019)
Construction tax payable	20,334	229,042	199,567
Accrued payroll	530,728	547,615	472,461
Accrued expenses	375,346	705,528	317,862
Accrued fees and surtaxes	579,551	773,185	756,663
Total accounts payable and accrued liabilities	$ 2,536,430	$ 3,207,947	$ 2,266,387

10. Due to shareholder

The amount is interest free and has no repayment terms. Subsequent to the year end, the amount was repaid.

11. Income taxes

Pursuant to the PRC Income Tax Laws, the Enterprise Income Tax (“EIT”) is at a statutory rate of 25%.

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before income taxes for the following reasons:

i) Current income taxes

	2010	2009	2008
Income before income taxes	$ 31,306,166	$ 37,181,217	$ 26,942,231
Statutory income tax rate	25%	25%	25%
Computed income tax expense	7,826,542	9,295,304	6,735,558
Increase (decrease) in income taxes resulting from			
Other items	30,097	(42,047)	(1,225,597)
Income tax expense	7,856,639	9,253,257	5,509,961

ii) Future income taxes

No future taxes have been recorded as there are no significant timing differences between the accounting and tax bases of the assets and liabilities

12. Paid in capital

The Corporation’s capital stock in the amount of $11,296,592 is in the form of registered capital, and is not issued in the form of number of shares, as is common in the PRC. There has been no change in the paid in capital for fiscal year 2008, 2009 and 2010.

13. Reserves

According to PRC corporate law, the Corporation is required each year to appropriate 10% of its after tax income as reported in its financial statements, prepared in accordance with Chinese generally accepted accounting principles, to the statutory common reserve fund until the fund reaches 50% of the Corporation’s registered capital. The Corporation has the option to continue appropriating additional reserves. This fund can be used to make up for any losses incurred in the future or be converted into paid-in capital. Transfers to the Corporation’s reserve were as follows:

	2010	2009	2008
Balance, beginning of the year	$ 10,313,225	$ 6,347,585	$ 3,291,247
Appropriation of statutory reserve	3,658,963	3,965,640	3,056,338
Balance, end of the year	$ 13,972,188	$ 10,313,225	$ 6,347,585

14. Financial risk management

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities it holds. The following discussion reviews material financial risks, quantifies the associated exposures, and explains how these risks, and the Corporation's capital, are managed.

a) Fair Value of Financial instruments

The Corporation has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying values. These financial instruments include cash, accounts receivable, other receivable, advances to suppliers, accounts payable and accrued liabilities.

The following methods and assumptions are used by the Corporation in determining the recognition, measurement and disclosures of financial statements.

i) Cash: Cash is classified as held-for-trading financial assets and are initially recognized at the fair value. It is carried in the balance sheet at fair value with gains or losses included in the income.

ii) Loans and receivable: The Corporation's loans and receivable include accounts receivable, advances to suppliers and other receivable. These are measured initially at fair value and then amortized with gains or losses included in income.

iii) Other financial liabilities: The Corporation's other financial liabilities include accounts payable and accrued liabilities. They are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method with gains or losses included in the income.

The fair value hierarchy establishes level to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market price (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity), such as non-corroborative indicative prices for a particular instrument provided by a third party. The fair values of accounts receivable, accounts payable and accrued liabilities approximate carrying values because of the short term nature of these instruments.

The corporation categorized the fair value measurement of cash in Level 1.

b) Market risk

Cash flow and fair value interest rate risk

As the Corporation has no interest-bearing assets, its earnings and operating cash flows are substantially independent of change in market interest rates. The Corporation's interest rate risk arises from borrowings, which are issued at variable rates and expose the Corporation to cash flow interest rate risk. Borrowings issued at a fixed rate expose the Corporation to fair value interest rate risk. Since the company has not incurred significant borrowing, such risks are not significant to the company currently.

14. Financial risk management (continued)

c) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with creditworthy financial institutions.

Credit risk also results from the possibility that a loss may occur from the failure of another party to adhere to payment terms. To lower this risk, the Corporation's extension of credit is based on an evaluation of each customer's financial condition. Management reviews the ageing of trade accounts receivable and other factors relating to the risk that customer accounts may not be paid in full and, when appropriate, reduces the carrying value to provide for possible loss. No loss has been charged to earnings in the current year.

The carrying amount of cash and cash equivalents and accounts receivable represents the Corporation's maximum credit exposure.

d) Liquidity risk

The Corporation manages its risk of not meeting its financial obligations through management of its capital structure, and annual budgeting of its revenues, expenditures and cash flows.

Accounts payable arise in the normal course of business, and most amounts are due within three months or less of the balance sheet date Income taxes payable are due within twelve months of the balance sheet date. The Corporation believes it has adequate working capital and cash flows to discharge its financial obligations.

e) Capital management

Capital is comprised of paid in capital, reserves, accumulated other comprehensive income and retained earnings on the balance sheet. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders.

The Corporation manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses. The Corporation is not subject to either internally or externally imposed capital requirements, other than amounts appropriated to reserves (see note 13).

f) Current vulnerability due to certain other concentrations

The Company's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

14. Financial risk management (continued)

g) Significant concentration of credit risk

Major customers

Four customers buy more than 10% of output of the Corporation for sale in 2009, 2008 respectively. There is no single customer buying more than 10% of output of the Corporation for sale in 2010.

	2009		2008	
Customer A	$9,781,268	12%		
Customer B			$7,085,536	13%
Customer C			5,862,211	10%
Customer D			5,822,256	10%

Major suppliers

Seven suppliers supplied more than 10% of total purchase in 2010, 2009 and 2008 respectively.

	2010		2009		2008	
Supplier A	$8,309,630	22%	$3,765,312	17%	$3,993,720	27%
Supplier B	5,776,560	15%				
Supplier C	5,214,854	14%	4,866,477	22%	1,892,936	13%
Supplier D	4,664,813	12%				
Supplier E	3,917,643	10%				
Supplier F			4,648,654	21%	2,144,091	15%
Supplier G			3,212,481	14%		

15. Contingencies and commitments

The Corporation has future commitments in 2010, 2009 and 2008 respectively as followed:

	2010	**2009**	**2008**
Construction Commitment	$ 9,831,760	$ 6,152,879	$ 1,042,292
Equipment Purchase Commitment	$ 6,125,264	-	-
Land Use Right Purchase Commitment	$ 860,008	$ 943,558	$ 822,132
R & D Commitment	$ 671,640	$ 736,890	$ 642,060
Warehouse Leasing Commitment	$ 356,921	-	-

16. Segment information

The Corporation operates in one business segment – freeze-dried food processing; accordingly the Company has one reporting segment. All purchases, and property, plant and equipment are located in China. All sales products are sold outside of China.

China Freeze-Dry Inc.

Unaudited Interim Consolidated Financial Statements

Three and Nine Months Ended March 31, 2011 and 2010

(Expressed in Canadian Dollars)

China Freeze-Dry Inc.
Three and Nine Months Ended March 31, 2011 and 2010
(Unaudited, Expressed in Canadian Dollars)

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China Freeze-Dry Inc.

Interim Consolidated Balance sheets

(Expressed in Canadian dollars)

	March 31, 2011	June 30, 2010
	(Unaudited)	(Audited)
Assets		
Cash	42,739,337	14,948,893
Accounts receivable	13,999,635	19,014,801
Other receivable	121,364	204,077
Advances to suppliers (Note 4)	1,980,083	5,999,299
Due from shareholders	54,080	-
Inventory (Note 5)	5,612,246	5,984,546
Current assets	64,506,745	46,151,616
Property, plant and equipment, net (Note 6)	40,008,634	38,162,798
Construction in progress (Note 7)	8,539,181	5,038,504
Intangible assets (Note 8)	21,881,049	20,709,873
Other assets (Note 9)	6,105,888	14,779,168
Total assets	141,041,497	124,841,959
Liabilities		
Accounts payable and accrued liabilities (Note 10)	1,532,305	2,536,430
Taxes payable	2,629,542	2,444,900
Total liabilities	4,161,847	4,981,330
Shareholders' equity		
Paid-in capital (Note 12)	11,350,189	11,296,592
Statutory surplus reserve (Note 13)	13,972,188	13,972,188
Retained earnings	112,452,769	90,351,242
Accumulated other comprehensive income (loss)	(895,496)	4,240,607
Total shareholders' equity	136,879,650	119,860,629
Total liabilities and shareholders' equity	141,041,497	124,841,959

Commitments and contingencies (Note 14)
Credit risk and economic dependence (Note 16 (c))

Subsequent Events (Note 18)

The accompanying notes are an integral part of these interim consolidated financial statements

China Freeze-Dry Inc.

Interim Consolidated Statements of operations and comprehensive income

(Expressed in Canadian dollars)

	Three months ended March 31,		Nine months ended March 31,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Sales revenue	22,111,183	20,693,561	78,052,567	59,947,569
Cost of goods sold	(11,939,609)	(11,948,485)	(41,645,298)	(32,351,532)
Gross profit	10,171,574	8,745,076	36,407,269	27,596,037
General and administrative expenses	(1,008,944)	(585,778)	(3,525,549)	(1,774,655)
Selling expenses	(821,327)	(549,889)	(2,561,094)	(1,880,677)
Foreign exchange loss	(298,504)	(60,996)	(921,215)	(61,234)
Income from operations	8,042,799	7,548,413	29,399,411	23,879,471
Other income	-	-	-	9,860
Income before income taxes	8,042,799	7,548,413	29,399,411	23,889,331
Income taxes (Note 11)	(1,993,366)	(1,902,499)	(7,297,884)	(6,000,580)
Net income	6,049,433	5,645,914	22,101,527	17,888,751
Other comprehensive loss				
Unrealized foreign exchange loss	(2,889,969)	(3,165,220)	(5,136,103)	(16,845,575)
Total comprehensive income	3,159,464	2,480,694	16,965,424	1,043,176

The accompanying notes are an integral part of these interim consolidated financial statements

China Freeze-Dry Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	For the nine months ended March 31,	
	2011 (Unaudited)	2010 (Unaudited)
Paid-in-capital		
Balance as at July 1	11,296,592	11,296,592
Paid-in-capital of China Freeze-Dry Inc.	53,597	-
Balance as at March 31	11,350,189	11,296,592
Statutory surplus reserves		
Balance as at July 1	13,972,188	10,313,225
Additions	-	3,658,963
Balance as at **March 31**	13,972,188	13,972,188
Accumulated other comprehensive income (loss)		
Balance as at July 1	4,240,607	13,711,518
Other comprehensive loss - foreign currency translation	(5,136,103)	(16,845,575)
Balance as at March 31	(895,496)	(3,134,057)
Retained earnings		
Balance as at July 1	90,351,242	70,560,678
Net income	22,101,527	17,888,751
Balance as at March 31	112,452,769	88,449,429

The accompanying notes are an integral part of these interim consolidated financial statements

China Freeze-Dry Inc.
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the three months ended March 31		For the nine months ended March 31	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Cash flows from operating activities				
Net income	6,049,433	5,645,914	22,101,527	17,888,751
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	843,592	753,139	2,536,404	2,305,389
Changes in non-cash working capital				
(Increase) decrease in accounts receivable	6,184,790	(4,527,279)	4,390,579	(973,138)
(Increase) decrease in advance to suppliers	(69,718)	(4,410,804)	3,882,326	(10,029,193)
(Increase) decrease in other receivable	(121,492)	(17,873)	76,723	(98,930)
(Increase) decrease in inventory	(1,366,031)	(4,625,817)	145,942	(5,904,362)
Increase (decrease) in accounts payable and accrued expenses	(1,341,951)	1,456,265	(929,086)	1,604,161
Increase (decrease) in taxes payable	(852,154)	112,848	285,432	(589,086)
Net cash provided by operating activities	9,326,469	(5,613,607)	32,489,847	4,203,592
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	-	(5,539,021)	(2,672,646)
Investment in construction in progress	(2,423,433)	-	(3,785,428)	(6,665,271)
Acquisition of intangible assets	-	-	(2,406,110)	-
Advances for land use rights	180,429	-	3,040,584	-
Advances for PPE and CIP	(270,238)	-	5,265,147	(3,550,309)
Net cash (used in) provided by investment activities	(2,513,242)	-	(3,424,828)	(12,888,226)
Effect of exchange rate changes on cash	(858,863)	(612,502)	(1,274,575)	(3,313,272)
Net (decrease) increase in cash	5,954,364	(6,226,109)	27,790,444	(11,997,906)
Cash at beginning of period	36,784,973	25,670,558	14,948,893	31,442,355
Cash at end of period	42,739,337	19,444,449	42,739,337	19,444,449
Income taxes paid	$2,791,473	$1,707,071	$7,012,452	$6,505,149
Interest paid	Nil	Nil	Nil	Nil

The accompanying notes are an integral part of these interim consolidated financial statements

Notes to the Unaudited Interim Consolidated Financial Statements

1. Corporate reorganization and nature of operations

China Freeze-Dry Inc. (the "Company") was incorporated on November 16, 2010 pursuant to the International Business Companies Act of the British Virgin Islands for the purposes of acquiring 100% ownership of Supertown Trading Company Limited ("HKCo"), a company established in the Hong Kong Special Administrative Region of the People's Republic of China in February 2000. HKCo has a wholly owned subsidiary, Linyi Shenhe Foodstuffs Co. Ltd ("Shenhe"). Shenhe was incorporated in Shandong Province, the People's Republic of China ("PRC") under the related corporation laws and regulations of PRC on March 22, 2001. Shenhe is engaged in the freeze-dried food processing industry. Its business is focused on food dehydration and food color, freshness and quality protection by use of vacuum frozen-drying technology. Currently, the Company produces over 100 types of freeze-dried food products which are sold outside of China.

On January 24, 2011 and March 31, 2011, the shareholder of HKCo transferred 100% of HKCo's outstanding shares to the Company in exchange for the shares of the Company. As a result, HKCo became a wholly-owned subsidiary of the Company. Pursuant to the share exchange arrangement, the assets and liabilities of HKCo, as they existed immediately prior to the share exchange arrangement were transferred to the the Company. The board of directors and management of the Company became the board of directors and management of HKCo. As the transfer of the business assets, liabilities and operations to the Company pursuant to the terms of the share exchange arrangement represented a transaction with no substantive change in shareholder ownership or management, the transaction was accounted for using the continuity of interest method. Accordingly, these consolidated financial statements include the financial statements of the Company as if it had always carried on the business formerly carried on by HKCo. Pursuant to continuity of interest accounting, the assets transferred and liabilities assumed have been recorded at their carrying values as reported by HKCo immediately prior to the arrangement.

Accordingly, for the period ended March 31, 2011, the Company's financial statements combine the financial results for the business carried on by HKCo from July 1, 2010 to January 24, 2011 with those of the Company from January 25, 2011 to March 31, 2011. The comparative figures represent the financial statements of Shenhe for the full year from July 1, 2009 to June 30, 2010.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, HKCo and Shenhe. All intercompany transactions and balances are eliminated on consolidation. These unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods of application as disclosed in the audited financial statement of Shenhe for the years ended June 30, 2010, 2009 and 2008. Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements of Shenhe for the years ended June 30, 2010, 2009 and 2008. The results of these unaudited interim consolidated financial statements are not necessarily indicative of the results that are expected for the year ending June 30, 2011.

(b) Measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The accounts subject to significant uncertainty include management's estimates of amortization of property, plant and equipment, amortization of intangible assets, evaluation of the commercial feasibility of intangible assets, evaluation of impairment of long-lived assets, obsolescence of and write-downs of inventory. Actual results could differ from these estimates, and the differences could be material.

(c) Risk of doing business in China

The Company is subject to the consideration and risks of operating in the PRC. These include risks associated with the political and economic environment fluctuating, foreign currency exchange rates and the legal system in China.

The economy of China differs significantly from the economies of the "western" industrialized nations in such respects as structure, level of development, gross national product, growth rate, capital reinvestment, resource allocation, self-sufficiency, rate of inflation and balance of payments position, among others. Only recently has the China government encouraged substantial private economic activities. The Chinese economy has experienced significant growth in the past several years, but such growth has been uneven among various sectors of the economy and geographic regions. Actions by the PRC government to control inflation have significantly restrained economic expansion in the recent past. Similar actions by the PRC government in the future could have a significant adverse effect on economic conditions in China.

Many laws and regulations dealing with economic matters in general and foreign investment in particular have been enacted in China. However, China still does not have a comprehensive system of laws, and enforcement of the existing laws may be uncertain and sporadic.

The Company's operating assets and primary sources of income and cash flows originate in China. The China economy has, for many years, been a centrally planned economy, operating on the basis of annual, five-year and ten-year state plans adopted by central China governmental authorities, which set out national production and development targets. The China government has been pursuing economic reforms since it first adopted its "open-door" policy in 1978. There is no assurance that the China government will continue to pursue economic reforms or that there will not be any significant change in its economic or other policies, particularly in the event of any change in the political leadership of, or the political, economic or social conditions in China. There is also no assurance that the Company will not be adversely affected by any such change in governmental policies or any unfavourable change in the political, economic or social conditions, the laws or regulations, or the rate or method of taxation in China.

As many of the economic reforms, which have been or are being implemented by China government are unprecedented or experimental, they may be subject to adjustment or refinement, which may have adverse effects on the Company. Further, through state plans and other economic and fiscal measures, it remains possible for the China government to exert significant influence on the China economy.

(d) Cash

Cash consists of cash and cash held in bank accounts.

(e) Inventories

Inventories comprise raw materials, finished goods and low-value consumables and are stated at the lower of cost and net realizable value. Raw material costs are determined using the weighted average cost method. Costs of finished goods include direct labour, direct materials and production overheads incurred to complete the manufacturing process and before the goods are ready for sale. Fixed overheads are included in finished goods based on normal production capacity. Low-value consumables represent mainly packaging material costs and are determined using the weighted average cost method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment is amortized using the straight-line method over the following estimated useful lives to their residual lives that are estimated as 5% of the original purchase costs:

Buildings	30 years
Machinery	15 years
Electronic Equipment	6 years
Office Equipment	5 years

Vehicles	10 years

Expenditures for maintenance and repairs, which do not improve or extend the expected useful life of the assets, are expensed to operations in accordance with the Company's capitalization policy.

Any gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the statements of operations.

(g) Construction in progress

Construction in progress represents direct costs of construction or acquisition and design fees incurred before the completion of the construction and installation of property, plant and equipment. Capitalization of construction costs ceases and transfers to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until it is completed and ready for intended use.

(h) Intangible assets

The state government owns the land in China and grants a land use right for a specified period of time to entities that have paid the land use right fee. The land use right is normally granted based on a 50-year term and extendable upon payment of a further land use right fee to be paid before the ending of the first granted land use right. Likewise, to be entitled to continuous and secured electricity, an entity must purchase an electricity use right from the local government. Electricity use right is normally granted with a ten year term and extendable after further payment made before the end of the first granted electricity use right period.

The Company's Intangible assets comprise of land use rights and electricity use rights granted by the state and local governments and are stated at cost less accumulated amortization and any recognized impairment loss. Amortization is carried out on a straight line method across the years covered by purchased land use right and electricity use right as follows:

Land use right	50 years
Electricity use right	10 years

(i) Impairment of long-lived assets

Long-lived assets comprise property, plant, equipment and intangible assets and are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(j) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, including factors such as when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, sales and value added tax laws have been complied with, and collectability is reasonably assured. Revenue is disclosed at the net amount after value added tax and sales discounts and return allowances with a separate deduction for other sundry sale surcharges in accordance with the PRC tax laws.

(k) Income taxes

Income taxes are accounted for under the asset and liability method. Future income taxes are recognized for future income tax consequences attributable to differences between the financial statements carrying amounts and their respective tax base in accordance with China tax laws and operating loss and tax credit carry forwards.

Future tax assets and liabilities are measured using enacted, or where applicable, substantially enacted tax rates for the years in which these temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income generally in a period that includes the enactment or substantive enactment date. Future income tax assets are reduced by a valuation allowance to the extent that their realization is not considered to be more likely than not.

(l) Disclosure and presentation

In June 2009, the CICA amended Handbook Section 3862 – Financial Instruments – Disclosures, which adopted the amendments issued by the International Accounting Standards Board (IASB) to IFRS 7 – Financial Instruments: Disclosures, issued in March 2009. These amendments are applicable to publicly accountable enterprises and those private enterprises that choose to apply Section 3862.

The amendments enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. Section 3862 requires that all financial instruments measured at fair value be categorized into one of three levels of hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2 - inputs do not have quoted prices but are observable for the asset or liability, either directly or indirectly;

Level 3 - inputs are not based on observable market data.

CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this section. The Company has adopted both of the above Sections.

(m) Comprehensive income

The Company has adopted CICA Handbook Section 1530 "Comprehensive Income". Comprehensive income consists of net earnings and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and unrealized foreign currency translation gains or losses arising from self-sustaining foreign subsidiaries. The Company reports a financial statement entitled Consolidated Statement of Operations and Comprehensive Income for the changes in these items, net of taxes.

The cumulated changes in OCI are included in accumulated other comprehensive income (loss) ("AOCI"), which is presented as a separate category in shareholders' equity on the Consolidated Balance Sheets if applicable. The AOCI represents the cumulative portion of comprehensive income not already included in net earnings.

(n) Foreign currency translation and transaction

The Company's functional or primary operating currency is the Chinese Renminbi ("RMB"). The Company's financial statements are prepared in RMB before translating to its reporting currency, the Canadian dollar. The Company uses the current rate method for translating the financial statements to the reporting currency. Under this method, items in the statement of operations and cash flows are translated into the reporting currency using the average exchange rate. Assets and liabilities are translated at the period-end rate. All resulting exchange differences are reported as a separate component of other comprehensive income.

Transactions denominated in foreign currencies are translated into the functional currency as follows:

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rate on a monthly basis. Non- monetary assets and liabilities are translated at historical rates. Gains and losses arising from such translation are reflected in the statement of operations and comprehensive income.

(o) Equity and changes in equity

CICA Handbook Section 3251 establishes the standards for presentation of equity and changes in equity during the reporting period. The application of this standard did not materially change the Company's statement of changes in shareholders' equity. The Company presents statutory appropriations from retained earnings and accumulated other comprehensive income in a statutory surplus reserve separately (Note 13) in accordance with the requirements of section 3251.

(p) Capital disclosures

The Company adopted Handbook Section 1535 which specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by these Handbook section in note 15 to these consolidated financial statements.

3. Future accounting pronouncements

Future accounting pronouncements which will affect the Company's financial reporting under Canadian GAAP are summarized below:

(a) International financial reporting standards ("IFRS")

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal year 2012 (quarter beginning July 1, 2011), for which the current and comparative 2011 information will be prepared under IFRS. As well, an opening balance sheet at July 1, 2010 will be required to be presented in its first set of IFRS financial statements. The Company expects the transition to IFRS to impact foreign currency translation, financial reporting, internal control over financial reporting, income taxes, information systems and process as well as certain contractual arrangements and capital requirements. The Company is currently evaluating the impact of IFRS on its financial statements, will be developing a conversion plan and will continue to invest in training and additional resources to ensure a timely conversion.

The Company will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook-accounting in the periods beginning on July 1, 2011 when it will start to apply IFRS as set out in Part I of the CICA Handbook. Consequently, future accounting changes to Canadian GAAP are not disclosed in these financial statements as they will never be applied by the Company.

4. Advances to suppliers

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)
Advances paid for raw materials	1,980,083	5,577,272
Advances paid for research and development	-	422,027
Total	1,980,083	5,999,299

Balances represent the down payments for purchasing raw materials from suppliers and services provided by a local agriculture science institution on connection with research and development projects. The purchased raw materials and services were received subsequent to the three and nine months ended March 31, 2011 and the year ended June 30, 2010.

5. Inventories

Inventories are comprised of the following:

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)

Raw materials	1,380,206	3,567,237
Finished goods	4,232,040	2,374,313
Others (represent WIP, packaging and low value materials)	-	42,996
Total	5,612,246	5,984,546

There were no write-downs or reversal of write-downs of inventories during the three and nine months ended March 31, 2011 and the year ended June 30, 2010.

6. Property, plant and equipment

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)
Cost		
Building	30,227,906	27,823,139
Machinery	22,273,227	21,204,932
Electronic equipment	175,279	136,729
Office equipment	1,210,856	1,253,558
Vehicle	520,019	540,791
	54,407,287	50,959,149
Accumulated Depreciation		
Building	(3,688,483)	(3,065,464)
Machinery	(9,957,968)	(9,052,906)
Electronic equipment	(126,049)	(119,097)
Office equipment	(370,335)	(331,647)
Vehicle	(255,818)	(227,237)
	(14,398,653)	(12,796,351)
Net Book Value	40,008,634	38,162,798

Total amortization expense for the three and nine months ended March 31, 2011 was $713,085 and $2,145,527, respectively.

Total amortization expense for the three and nine months ended March 31, 2010 was $631,777 and $1,932,757, respectively.

Management has determined that there is no indication of impairment of the Company's property, plant and equipment at March 31, 2011 and June 30, 2010.

7. Construction in progress

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)
Renovation of the office and research and development building	3,705,793	2,022,640
Construction of the phase four and five of factory building	4,833,388	3,015,864
Total	8,539,181	5,038,504

The construction in progress represents the uncompleted renovation and construction projects of the Company's office and factory properties as at March 31, 2011 and June 30, 2010. Construction in progress is stated at cost with no amortization provided. The construction in progress will be closed and transferred into property, plant and equipment and amortization will commence when substantially all the activities necessary to prepare the assets for their intended use are completed and the assets are commissioned for use.

8. Intangible assets

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)
Land use right		
Costs	24,183,334	22,707,427
Accumulated amortization	(2,302,953)	(1,998,944)
Land use right, net	21,880,381	20,708,483
Electricity use right		
Costs	8,908	9,264
Accumulated amortization	(8,240)	(7,874)
Electricity use right, net	668	1,390
Net Book Value	21,881,049	20,709,873

Intangible assets consist of: 1) land use rights of nine parcels of land the Company has obtained from the government since January 2005 for manufacturing and business purposes and 2) the electricity power use right to access the local electricity power network to maintain the Company's daily production and administrative activities.

The increase of the land use right costs from June 30, 2010 to March 31, 2011 represents mainly an additional land use right of $2,348,131 (RMB15,815,600) obtained under the statutory land use right certificate LinHeGuoYong #026 on July 18, 2010.

No further acquisition or disposal of electricity use rights occurred during the three and nine months ended March 31, 2011, the fluctuation of the cost of the electricity use right was caused by the fluctuation of the foreign exchange rate between RMB and Canadian dollar between June 30, 2010 and March 31, 2011.

Total amortization expense for the three and nine months ended March 31, 2011 was $130,507 and $390,877 respectively.

Total amortization expense for the three and nine months ended March 31, 2010 was $121,362 and $372,632 respectively.

9. Other assets

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)
Advances paid for equipment purchase	-	5,621,478
Advances paid for construction in progress	3,640,496	3,507,968
Advances for land use right	1,930,101	5,649,722
Advances for land leasing	535,291	-
Total	6,105,888	14,779,168

The other assets represent advances the Company has made in accordance with the relevant building construction, equipment purchase and land use rights acquisition (leasing). Such advances will be transferred as the cost of the relevant long-term assets once the construction is complete and (or) the assets obtained are being used in the Company's daily operations.

10. Accounts payable and accrued liabilities

	31-Mar-11	30-Jun-10
	(Unaudited)	(Audited)
Accounts payable	178,905	920,950
Value added tax payable	93,857	109,521
Other sundry taxes and surcharges payable	518,298	20,334
Accrued payroll	377,383	530,728
Accrued other expenses	363,862	954,897
Total	1,532,305	2,536,430

11. Income taxes payable

Income taxes for the three and nine months ended March 31, 2011 and 2010 consist of the following:

	Three months ended March 31,		Nine months ended March 31,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Current income tax expenses	1,993,366	1,902,499	7,297,884	6,000,580
Future income tax expenses	-	-	-	-
Net income tax expenses	1,993,366	1,902,499	7,297,884	6,000,580

A reconciliation of the provision for income taxes computed at the statutory PRC income tax rate to the provision for income taxes as shown in the statement of operations and comprehensive income for the three and nine months ended March 31, 2011 and 2010 are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Net income before income taxes	8,042,799	7,548,413	29,399,411	23,889,331
Statutory income tax rate	25%	25%	25%	25%
Income tax expenses at statutory tax rate	2,010,700	1,887,103	7,349,853	5,972,333
Reconciling items:				
Expenses not deductible	6,124	15,396	19,344	28,247
Taxable credits on R&D expenditure	(23,458)	-	(71,313)	-
Net income tax expenses	1,993,366	1,902,499	7,297,884	6,000,580

12. Paid-in capital

The Company has issued 50,000 no par value shares in consideration for US$50,000 subscribed by the shareholders. This US$50,000 has been included with paid-in capital of Shenhe's capital stock is in the form of registered capital, and is not issued in the form of unit shares, as is common in the PRC. As a result, earnings per share data based on the 50,000 shares of the company would not provide meaningful information. The Company will provide per share data following completion of the proposed qualifying transaction (see note 18).

Holders of the registered capital are entitled to vote in proportion to their ownership of the outstanding registered capital. Holders of the registered capital are entitled to receive ratably, dividends when, as and if declared by the Company's board of directors out of funds legally available for that purpose and, upon the Company's liquidation dissolution or winding up, are entitled to share ratably in all assets remaining after payment of liabilities and payment of accrued dividends, if any. Holders of the registered capital have no preemptive rights and have no rights to convert their registered capital into any other form of equity.

13. Statutory surplus reserve

As stipulated by the Corporation Law of the PRC, net income after taxation can only be distributed as dividends after appropriation has been made for the following purposes:

(i) Making up cumulative prior years' losses, if any;

(ii) Allocations to the "Statutory Surplus Reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital; and

(iii) Allocations to a discretionary surplus reserve, if approved at the shareholders' general meeting.

According to the Corporation Law of the PRC, the accumulated statutory surplus reserve can only be allocated or used for the following three purposes:

(i) To make up future years' operating losses;

(ii) Further investment with the purpose to enlarge the operational scope of the Company; and

(iii) Increase the registered capital of the Company.

As at March 31, 2011 and June 30, 2010, the Company's statutory surplus reserve pool has accumulated to $13,972,188 which is in excess of the requirements. No interim statutory surplus reserve has been transferred for the three and nine months ended March 31, 2011 and 2010.

14. Commitments and contingencies

(i) Capital and other commitments

As at March 31, 2011, the Company had the following commitments relating to the infrastructure construction and renovation, land leasing and equipment purchasing:

	Office building renovation	Factory construction	Land leasing	Equipment purchase	Land use right purchase	Total
2012	463,000	-	726,000	-	827,000	2,016,000
2013	463,000	5,587,000	714,000	6,092,000	-	12,856,000
2014	-	213,000	714,000	422,000	-	1,349,000
2015	-	-	714,000	-	-	714,000
2016	-	-	714,000	-	-	714,000

Thereafter	-	-	5,710,000	-	-	5,710,000
Total commitments	926,000	5,800,000	9,292,000	6,514,000	827,000	23,359,000

(ii) Taxes matters

According to PRC tax laws, the Company is subject to two main taxes: 1) income taxes at the tax rate of 25% of the Company's taxable net income before tax (see Note 11) and 2) value added tax ("VAT") which is levied on products the Company's sells within the PRC at a rate of 17%. A net VAT payable is calculated and payable to the tax bureau after deducting the VAT paid on purchases of production or consumable materials (VAT paid on purchase of fixed assets is not deductible) out of the total VAT raised from sales.

In the PRC, tax declarations, together with other legal compliance areas, such as customs and currency controls are subject to review and investigation by various agencies and authorities, who are enabled by law to impose possibly very severe fines, penalties and interest charges when breaching actions identified. These facts create tax risks in PRC substantially more significant than typically found in countries with more developed tax systems and structures. Various tax authorities could take differing positions on interpretive issues and the effect could be significant. In any cases of the above mentioned taxes being identified and determined as underpaid by the tax authorities, a penalty between zero and five times of the underpaid amount of taxes could be imposed by the tax authorities at their discretion. The Company and its subsidiaries historically have encountered no tax penalties and have assessed that the likelihood of future tax penalties is low.

15. Capital management

The Company includes the components of shareholders' equity, comprised of paid-in-capital, retained earnings, statutory surplus reserve and debt in the definition of capital.

The Company's primary objective with respect to its capital management is to maintain a capital base sufficient to provide confidence to its investors and creditors and to improve the market confidence in the sustainable future development of its business. To secure the additional capital necessary to pursue its plans, the Company may raise additional funds through the issuance of equity or debt upon approval from the Company's Board of Directors. Its capital risk management strategy is to manage its capital to balance the pursuit of profitable growth against a flexible capital structure at an acceptable cost and risk. There has been no change with respect to the overall capital risk management strategy during the three and nine months ended March 31, 2011 compared with the Company's prior accounting periods.

As at March 31, 2011, total managed capital was $136,879,650 comprised entirely of shareholders' equity.

16. Financial instruments

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(a) Financial instruments

Classification and fair value of financial instruments:

The carrying values of cash, accounts receivable, other receivable, due from shareholders, advance to suppliers, accounts payable and accrued liabilities and taxes payable approximate their fair values because of the short-maturities of these financial instruments.

Cash has been assigned a Level 1 fair value. All other financial instruments have been assigned as Level 2 fair value. There were no financial instruments categorized as Level 3.

(b) Currency risk

The Company holds virtually all of its cash balances within PRC banks in RMB as at March 31, 2011, and June 30, 2010. All of the Company's operations are conducted in the PRC through its wholly-owned subsidiary, Shenhe and the functional currency is the RMB. However, for financial reporting purposes, the Company selected Canadian dollars as its reporting currency. The value of the RMB against the Canadian dollar may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of RMB may materially and adversely affect the Company's cash flows, revenues and financial conditions.

During the three and nine months ended March 31, 2011, the Canadian dollar weakened in relation to the RMB and upon the translation of the Company's assets and liabilities held in RMB, the Company recorded currency translation adjustment losses of $2,889,969 (three months ended March 31, 2010 – $3,165,220) and $5,136,103 (nine months ended March 31, 2010 - $16,845,575), respectively, in other comprehensive income.

10% of increase or decrease during the three and nine months ended March 31, 2011 in the RMB/CAD exchange rate would have increased or decreased the net income (or loss) of the Company by $0.6 million and $2 million respectively. 10% of increase or decrease during the three and nine months ended March 31, 2010 in the RMB/CAD exchange rate would have increased or decreased the net income (or loss) of the Company by $0.5 million and $1.8 million, respectively.

(c) Currency risk (continued)

As the Company's products are sold outside of China, it is exposed to currency risks as a result of potential exchange rate fluctuations, in the currencies in which it transacts business.

The exchange rates used by the Company for the nine months ended March 31, 2011 and 2010 are as follows:

Exchange rates	Nine months Ended March 31, 2011		Nine months Ended March 31, 2010	
	Average	Closing	Average	Closing
US dollar / RMB	6.6614	6.5501	6.8196	6.8161
EURO / RMB	8.9113	9.2343	9.7552	9.1697

The portion of Company's total sales denominated in US dollars is approximately 70% and in Euros is approximately 30%. The Company does not currently hedge its exposure to currency fluctuations.

(d) Credit risk and economic dependence

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable.

The Company maintains cash with high credit quality financial institutions located in the PRC.

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses.

Five major customers represent 46.5% and 47.0% of the Company's accounts receivable as at March 31, 2011, and June 30, 2010, respectively. The Company's revenue was also concentrated with the five major customers who represent 41.2% (three months ended March 31, 2010 - 45.3%) and 42.3% (nine months ended March 31, 2010 – 41.5%) respectively for the three and nine months ended March 31, 2011. The Company is planning to increase its customer base in the future and hence reduce this concentration of credit risk and economic dependence.

The Company's operations rely on the reliable supply of high-quality raw materials from its suppliers. Five major suppliers provided 72.9% (three months ended March 31, 2010 – 72.8%) and 64.7% (nine months ended March 31, 2010 – 61.5%) of the Company's total purchased raw materials for the three and nine months ended March 31, 2011, respectively. The Company is planning to reduce the concentration of credit risk and economic dependence in focusing on a small group of suppliers by broadening its base of potential suppliers.

(e) Interest rate risk

Interest risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with varying interest rates expose The Company to cash flow interest rate risk. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

16. Financial instruments (continued)

(f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipating investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

At March 31, 2011, the Company had $42.7 million of cash on hand which management believes is sufficient to meet its financial liabilities and future financial liabilities from its commitments in the next fiscal year.

17. Segment information

The Company operates in one business segment, manufacturing freeze-dried vegetables and fruits in Shandong Province, PRC. All property, plant and equipment are located in Shandong Province, PRC. All of the Company's sales are for export. Approximately 30% of the Company's products were exported to Europe, 20% were exported to North American and 40% were exported to Japan, Korea, Singapore and other Asian countries.

18. Subsequent events

On May 13, 2011, Canadian Pacific Capital Corp ("CPCC"), Shenhe, the Company and the Company's shareholders entered into the Acquisition Agreement providing for the Proposed Qualifying Transaction. Pursuant to the Acquisition Agreement, CPCC will acquire a 100% equity interest in BVICo.

Pursuant to the terms of Acquisition Agreement, CPCC intends to acquire all of the 50,000 issued and outstanding common shares of BVICo in consideration for a total of 90,251,562 Post-Consolidation Shares of CPCC at a deemed price of $1.50 per share for a total purchase price of $135,377,343 representing five times the average operating cash flow of Shenhe as indicated in the June 30, 2010, 2009 and 2008 financial statements.

19. Comparatives

Certain prior year figures have been reclassified to conform to the presentation and to facilitate comparability of the financial statements for the period of three and nine months ended March 31, 2011.

EXHIBIT D

PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER

Canada Pacific Capital Corp.
Pro Forma Consolidated Balance Sheet
February 28, 2011
(Expressed in Canadian Dollars)
(Unaudited)

			BVICo Minimum Offering Pro Forma			BVICo Maximum Offering Pro Forma		
	CPCC	BVICo	Note	Adjustments	Consolidated	Note	Adjustments	Consolidated
ASSETS								
Current assets								
Cash	763,564	42,739,337	3b)	975,000	44,477,901	3b)	27,015,000	70,517,901
Accounts receivable	-	13,999,635			13,999,635			13,999,635
Other receivable	15,416	121,364			136,780			136,780
Advance to suppliers	-	1,980,083			1,980,083			1,980,083
Deposit on qualifying transaction	45,000	-			45,000			45,000
Due from shareholders	-	54,080			54,080			54,080
Inventory, net	-	5,612,246			5,612,246			5,612,246
Total current assets	823,980	64,506,745		975,000	66,305,725		27,015,000	92,345,725
Property, plant and equipment, net	-	40,008,634			40,008,634			40,008,634
Construction in progress	-	8,539,181			8,539,181			8,539,181
Intangible assets	-	21,881,049			21,881,049			21,881,049
Other assets	-	6,105,888			6,105,888			6,105,888
Total assets	823,980	141,041,497		975,000	142,840,477		27,015,000	168,880,477
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities								
Accounts payable and accrued liabilities	60,420	1,532,305			1,592,725			1,592,725
Other payable	-	-			-			-
Due to shareholders	-	-			-			-
Taxes payable	-	2,629,542			2,629,542			2,629,542
Total current liabilities	60,420	4,161,847		-	4,222,267		-	4,222,267
Shareholders' equity								
Paid-in capital	745,427	11,350,189	3a)	(745,427)	13,088,749	3a)	(745,427)	39,128,749
			3a)	763,560		3a)	763,560	
			3b)	975,000		3b)	27,015,000	
Contributed surplus	105,092	-		(105,092)	-		(105,092)	-
Reserves	-	13,972,188			13,972,188			13,972,188
Retained earnings (Accumulated deficit)	(86,959)	112,452,769		86,959	112,452,769		86,959	112,452,769
Accumulated other comprehensive income	-	(895,496)			(895,496)			(895,496)
Total equity	763,560	136,879,650		975,000	138,618,210		27,015,000	164,658,210
Total liabilities and shareholders' equity	823,980	141,041,497		975,000	142,840,477		27,015,000	168,880,477

1. Basis of presentation

The unaudited pro forma consolidated balance sheet of Canada Pacific Capital Corp. ("CPCC") as at February 28, 2011 has been prepared by management after giving effect to the proposed transaction among CPCC, China Freeze-Dry Inc. ("BVICo"), shareholders of BVICo, Supertown Trading Company Limited. ("HKCo") and HKCo's wholly owned subsidiary Linyi Shenhe Foodstuff Co., Limited. ("Shenhe") in accordance with the terms of share purchase agreement (the "Acquisition Agreement") amount the parties dated May 13, 2011 (Note 2). Pursuant to the Acquisition Agreement, CPCC will acquire 100% ownership of BVICo (the "Acquisition" or "Proposed Qualifying Transaction"). The unaudited pro forma consolidated balance sheet is the effect of combining the unaudited interim consolidated balance sheet of BVICo as at March 31, 2011 and the unaudited balance sheet of CPCC as at February 28, 2011 after giving effect to the transactions contemplated in the Acquisition.

It is management's opinion that the pro forma consolidated balance sheet includes all adjustments necessary for the fair presentation, in all material aspects, of the transactions described in Notes 2 and 3 in accordance with Canadian GAAP. The pro forma consolidated balance sheet is intended to reflect the financial position of CPCC had the proposed transactions been effected on the date indicated, however is not necessarily indicative of the financial position which would have resulted if the transactions had actually occurred on February 28, 2011.

The unaudited pro forma consolidated balance sheet should be read in conjunction with the historical financial statements and notes thereto of BVICo and CPCC. Unless where otherwise noted, the pro forma consolidated balance sheet and accompanying notes are presented in Canadian dollars.

The unaudited pro forma consolidated balance sheet has been compiled using the significant accounting policies as set out in the unaudited interim consolidated financial statements of BVICo as at and for the three-month and nine-month period ended March 31, 2011 and the unaudited financial statements of CPCC as at and for the three-month and six-month period ended February 28, 2011.

2. Business acquisition

On May 13, 2011, CPCC, Shenhe and BVICo entered into the Acquisition Agreement providing for the Proposed Qualifying Transaction. Pursuant to the Acquisition Agreement, CPCC will acquire a 100% equity interest in BVICo.

BVICo was incorporated under the laws of British Virgin Islands on November 16, 2010. BVICo holds 100% of all outstanding shares of HKCo, a corporation formed in Hong Kong. HKCo holds 100% of all contributed capital of Shenhe. Upon Completion of the Proposed Qualifying Transaction, BVICo, HKCO and Shenhe will be wholly owned subsidiaries of CPCC and the principal business of CPCC will be the business of Shenhe.

As a condition for the Acquisition, CPCC will complete a consolidation of common shares of CPCC on a 10:1 basis with each 10 pre-Consolidation common shares being consolidated into one post-Consolidation common share (the "Consolidation").

As consideration for the Acquisition, CPCC has agreed to issue to the Current BVICo Shareholders an aggregate of 90,251,562 Post-Consolidation Shares at an ascribed weighted average price of Cdn$1.50 per Post-Consolidation Share, at an weighted average exchange ratio of 1,805.03124 Post-Consolidation Shares for each BVICo Share (the "Exchange Ratio"), for a total value of C$135,377,343, representing five (5) times the average operating cash flow of Shenhe as indicated in its audited June 30, 2010, 2009 and 2008 financial statements.

(Expressed in Canadian Dollars)

Subject to completion of satisfactory due diligence, PI Financial Corp. has agreed to act as Sponsor in connection with the Transaction pursuant to the Sponsorship Engagement Agreement dated January 20, 2011. Under the Sponsorship Engagement Agreement, the Sponsor will receive a sponsorship fee of $65,000, of which $20,000 was paid upon signing of the Sponsorship Engagement Agreement, and the balance is payable on submission of the final sponsorship report, plus taxes and reasonable expenses.

Upon completion of the Acquisition, BVICo, HKCo and Shenhe will be wholly owned subsidiaries of CPCC and the principal business of CPCC will be the business of Shenhe. The Resulting Issuer is expected to be named "China Freeze-Dry Products Corporation" or such other name as may be chosen by the directors of the Resulting Issuer and accepted by the Toronto Stock Exchange (the “TSX”) upon Closing of the Acquisition.

The Acquisition is expected to constitute a reverse take-over of CPCC by BVICo and a qualifying transaction pursuant to the rules of the TSX and TSXV. Completion of the Acquisition is conditional on obtaining all necessary regulatory approvals, including but not limited to, acceptance by the TSX and the TSXV, and other customary conditions for a transaction of this kind.

3. Pro forma assumptions and adjustments

The pro forma consolidated balance sheet includes the effects of the following pro forma assumptions and adjustments as if they had occurred on March 31, 2011

a) The Acquisition had occurred as described in Note 2 and the net assets of BVICo were effectively recorded as an addition to paid-up-capital. The assets acquired and liabilities assumed were to be recorded at their fair values which are the same as their carrying values. BVICo is deemed to have acquired the following net assets of CPCC of $ 763,560 comprised as follows:

Cash	763,564
Other receivable	15,416
Deposit on qualifying transaction	45,000
Accounts payable and accrued liabilities	(60,420)
Net assets	763,560

b) Pursuant to the Acquisition Agreement described in Note 2, prior to completion of the Acquisition, BVICo will use best efforts to complete a private placement financing (the "BVICo Financing") of a minimum of 554 BVICo Shares for gross proceeds of $2,000,000 (the "BVICo Minimum Offering") and a maximum of 8,310 BVICo Shares for gross proceeds of $30,000,000 (the "BVICo Maximum Offering") at a price of $3,610.06 per BVICo Share. On closing the Proposed Qualifying Transaction, the BVICo Shares issued in the BVICo Financing will be replaced and exchanged for 1,000,000 Post-Consolidation Shares in the case of BVICo Minimum Offering, or 15,000,000 Post-Consolidation Shares in the case of BVICo Minimum Offering, at an effective price of $2.00 per Post-Consolidation Share.

BVICo has agreed to pay a cash commission equal to 7% (or 3.5% with respect to purchasers on the President's List) of the gross proceeds of the BVICo Financing and to issue broker warrants (the “BVICo Broker Warrants”) to purchase that number of BVICo Shares equal to 7% (or 3.5% with respect to purchasers on the President's List) of the BVICo Shares sold in the BVICo Financing for a period of two years at a price of $3,610.06 per BVICo Share (38.78 BVICo Broker Warrants in the case of the BVICo Minimum Offering or 581.71 BVI Broker Warrants in the case of the BVICo Maximum Offering, assuming there is no President’s List). On Completion of the Proposed Qualifying Transaction, the BVICo Broker Warrants will be exchanged into broker warrants of the Resulting Issuer (a “Replacement Broker Warrant”) (70,000 Replacement Broker Warrants in the case of BVICo Minimum Offering or 1,050,000 Replacement Broker Warrants in the case of BVICo Maximum Offering, assuming there is no President’s List) with each Replacement Broker Warrant entitling the holder to purchase one Post-Consolidation Share at $2.00 per share for a period of two years following the Completion of the Proposed Qualifying Transaction.

(Expressed in Canadian Dollars)

Purchasers of the BVICo Shares and the holders of the BVICo Broker Warrants issued in the BVICo Financing will sign an acknowledgement to become a party to the Acquisition Agreement. The BVICo Financing will be a concurrent financing for the Proposed Qualifying Transaction and it will be a condition to the Completion of the Proposed Qualifying Transaction to complete the BVICo Minimum Offering.

The financing proceeds included in the pro forma balance sheet has excluded the cash commission equal to 7% of the gross proceeds of the Financing to agents in the Financing and $885,000 as general financing costs which represents the best estimation of other direct costs related to the financing and the Acquisition.

4. Pro forma share capital

After giving effect to the pro forma assumptions in Note 3, issued and fully paid share capital of CPCC would be as follows:

Common Shares

	BVICo Minimum Offering		BVICo Maximum Offering	
	Number	Amount ($)	Number	Amount ($)
CPCC balance as at February 28, 2011	11,600,000	763,560	11,600,000	763,560
CPCC common shares consolidated on a 10:1 ratio	1,160,000	763,560	1,160,000	763,560
Post consolidated shares issued to acquire BVICo	90,251,562	11,350,189	90,251,562	11,350,189
Post consolidated shares issued on Private Placement	1,000,000	975,000	15,000,000	27,015,000
Pro forma common shares balance as at October 31, 2010	92,411,562	13,088,749	106,411,562	39,128,749

Options and warrants

	BVICo Minimum Offering		BVICo Maximum Offering	
	Number	Amount ($)	Number	Amount ($)
CPCC balance as at February 28, 2011				
CPCC stock option	1,160,000	71,953	1,160,000	71,953
CPCC warrants	800,000	33,139	800,000	33,139
	1,960,000	105,092	1,960,000	105,092
CPCC options and warrants consolidated on a 10:1 ratio				
CPCC stock option	116,000	71,953	116,000	71,953
CPCC warrants	80,000	33,139	80,000	33,139
	196,000	105,092	196,000	105,092
Granting of broker warrants	70,000	-	1,050,000	-
Pro forma total options and warrants as at February 28, 2011	266,000	105,092	1,246,000	105,092

Pro forma total diluted shares as at February 28, 2011	92,677,562	13,193,841	107,657,562	39,233,841

5. Pro forma statutory income tax rate

The pro forma effective statutory income tax rate of the combined companies is 30%. CPCC was incorporated under the *Business Corporations Act* (Ontario). BVICo was incorporated under the laws of British Virgin Islands. HKCo was incorporated under the laws of the Companies Ordinance of Hong Kong. Shenhe was established under the laws of the PRC.

EXHIBIT E

AUDIT COMMITTEE CHARTER OF CPCC

AUDIT COMMITTEE CHARTER

1. PURPOSE AND COMPOSITION

The purpose of the Audit Committee (the **"Committee"**) of Canada Pacific Capital Corp. (the **"Corporation"**) is to assist the Board of Directors (the "**Board**") in reviewing:

(i) the Corporation's financial disclosure;

(ii) the qualifications and independence of the Corporation's external auditor; and

(iii) the performance of the external auditor.

The Audit Committee shall be comprised of a minimum of 3 Directors including a Committee Chair. While the Corporation is a "venture issuer" as defined in National Instrument 52-110 - Audit Committees ("**NI 52-110**"), a majority of the Audit Committee members shall, in the opinion of the Board, be independent directors under NI 52-110. Once the Corporation ceases to be a "venture issuer" as defined in NI 52-110, all of the Audit Committee members shall, in the opinion of the Board, be independent directors under NI 52-110. Each member of the Committee shall have a working knowledge of basic finance and accounting practices, and shall be "financially literate" as defined in NI 52-110. The Chair of the Committee must have accounting or related financial management experience.

2. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

(a) **Financial Disclosure**

(i) review the Corporation's:

(ii) interim and annual financial statements;

(iii) management's discussions and analyses;

(iv) interim and annual earnings press releases;

(v) annual information forms;

(vi) prospectuses;

(vii) other documents containing audited or unaudited financial information, at its discretion;

(viii) report thereon to the Board before such documents are approved by the Board and disclosed to the public;

(ix) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure provided by the financial statements, management's discussions and analyses and earnings press releases, and shall periodically assess the adequacy of those procedures.

(b) **External Audit**

(i) recommend to the Board the external auditor to be appointed for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services;

(ii) review and approve the audit plan, the terms of the external auditor's engagement, the appropriateness and reasonableness of proposed audit fees, and any issues relating to the payment of audit fees, and make a recommendation to the Board with respect to the compensation of the external auditor;

(iii) review the independence of the external auditor;

(iv) meet with the external auditor and with management to discuss the audit plan, audit findings, any restrictions on the scope of the external auditor's work, and any problems that the external auditor experiences in performing the audit;

(v) review with the external auditor and management any changes in Generally Accepted Accounting Principles that may be material to the Corporation's financial reporting;

(vi) review pro forma or adjusted information not in accordance with GAAP;

(vii) have the authority to communicate directly with the external auditor;

(viii) require the external auditor to report directly to the Committee;

(ix) directly oversee the work of the external auditor that is related to the preparation or issue of an auditor's report or other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;

(x) meet with the external auditor to discuss the annual financial statements (including the report of the external auditor thereon) and the interim financial statements (including the review engagement report of the external auditor thereon);

(xi) review any management letter containing the recommendations of the external auditor, and the response and follow up by management in relation to any such recommendations;

(xii) review any evaluation of the Corporation's internal control over financial reporting conducted by the external auditor, together with management's response;

(xiii) pre-approve (or delegate such pre-approval to one or more of its independent members) in accordance with a pre-approval policy, all engagements for non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor, together with all non-audit services fees, and consider the impact of such engagements and fees on the independence of the external auditor;

(xiv) review and approve the Corporation's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation; and

(xv) in the event of a change of auditor, review and approve the Corporation's disclosure relating thereto.

(c) **Financial Complaints Handling Procedures**

(i) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

3. OPERATION OF THE COMMITTEE

In connection with the discharge of its duties and responsibilities, the Committee shall observe the following procedures:

(i) **Reporting**. The Committee shall report to the Board.

(ii) **Meetings**. The Committee shall meet at least four times every year, and more often if necessary, to discharge its duties and responsibilities hereunder.

(iii) **Advisors**. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay, at the Corporation's expense, the compensation of such advisors.

(iv) **Chairman**. The Committee will recommend a director as Chairman of the Committee to the Board for approval.

If the Chairman of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.

(v) **Quorum**. A majority of committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.

(vi) **Secretary**. The Committee shall appoint a Secretary who need not be a member of the Committee or a director of the Corporation. The Secretary shall keep minutes of the meetings of the Committee.

(vii) **Calling of Meetings**. A meeting of the Committee may be called by the Chairman of the Committee, by the external auditor of the Corporation, or by any member of the Committee.

(viii) **Notice of meeting**. Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such meeting.

A member may in any manner waive notice of the meeting. Attendance of a member at the meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

(ix) **Auditor's Attendance at Meetings**. The external auditor shall be entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard at any meeting of the Committee. If so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

(x) **Access To Information**. The Committee shall have access to any information, documents and records that are necessary in the performance of its duties and the discharge of its responsibilities under this Charter.

(xi) **Review Of Charter**. The Committee shall periodically review this Charter and recommend any changes to the Board as it may deem appropriate.

(xii) **Reporting**. The Chairman of the Committee shall report to the Board, at such times and in such manner, as the Board may from time to time require and shall promptly inform the Chairman of the Corporation of any significant issues raised during the performance of the functions as set out herein, by the external auditor or any Committee member, and shall provide the Chairman copies of any written reports or letters provided by the external auditor to the Committee.

EXHIBIT F

CERTIFICATE OF CPCC

DATE: May 13, 2011

The Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Canada Pacific Capital Corp. as required by the securities legislation of Ontario, British Columbia, Alberta and Nova Scotia

(Signed) Rong Lu	*(Signed) Michael Lam*
Rong Lu President	Michael Lam Chief Financial Officer

ON BEHALF OF THE BOARD

(Signed) Daniel Noone	*(Signed) Yan Gang Li*
Daniel Noone Director	Yan Gang Li Director

EXHIBIT G

CERTIFICATE OF SHENHE AND PROMOTER

DATE: May 13, 2011

The Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Linyi Shenhe Foodstuff Co., Ltd. as required by the securities legislation of Ontario, British Columbia, Alberta and Nova Scotia

LINYI SHENHE FOODSTUFF CO., LTD.

(Signed) Shen Dapeng	*(Signed) Zhao Yan*
Shen Dapeng CEO	Zhao Yan CFO

ON BEHALF THE BOARD

(Signed) Shen Demin	*(Signed) Lu Youshan*
Shen Demin Director	Lu Youshan Director

CERTIFICATE OF PROMOTER

(Signed) Shen Dapeng

Shen Dapeng