GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of GLG Life Tech Corporation (the "Company") have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment on information currently available.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Thompson Penner & Lo LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2012, the Company's internal control over financial reporting was effective.

Dr. Luke Zhang (Signed)
Chairman and Chief Executive Officer

June 10, 2013

Brian Meadows (Signed)
President and Chief Financial Officer

June 10, 2013

THOMPSON PENNER & LO LLP
CERTIFIED GENERAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GLG Life Tech Corporation:

Report on the financial statements

We have audited the accompanying consolidated financial statements of GLG Life Tech Corporation, which comprise the consolidated statements of financial position as at December 31, 2012, December 31 and January 1, 2011, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the conslidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GLG Life Tech Corporation as at December 31, 2012, December 31 and Janauary 1, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

Thompson Penner & Lo, LLP

Certified General Accountants

June 6, 2013
Calgary, Alberta, Canada

GLG LIFE TECH CORPORATION

Consolidated Statement of Financial Position
As at December 31, 2012, December 31, and January 1, 2011
(Expressed in Canadian Dollars)

	Note		December 31, 2012		December 31, 2011 (Note 29)		January 1, 2011 (Note 29)
ASSETS							
Current Assets							
Cash and cash equivalents		$	3,582,437	$	4,486,838	$	23,817,215
Accounts receivable	6		8,444,038		7,124,710		31,562,296
Sale taxes recoverable	7		5,652,678		8,583,119		6,554,498
Inventory	8		31,593,282		66,740,868		63,306,902
Prepaid expenses	9		3,567,802		6,639,713		4,461,751
Total Current Asset			52,840,237		93,575,248		129,702,662
Property, Plant, and Equipment	10		49,552,923		53,110,025		107,601,010
Biological Assets	11		672,013		696,859		723,174
Goodwill	12		-		-		7,736,478
Intangible Assets	12		-		-		35,643,970
Total Assets		$	103,065,173	$	147,382,132	$	281,407,294
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities							
Short term loans	14	$	59,882,876	$	70,574,229	$	100,131,084
Accounts payable and accruals	15		25,048,280		32,476,546		22,006,820
Interest payable			1,762,825		215,554		384,761
Due to related parties	17		-		-		99,460
Deferred revenue			-		109,460		-
Total Current Liabilities			86,693,981		103,375,789		122,622,125
Due to related parties	17		8,673,137		-		6,133,554
Deferred income tax liability	16		9,911		-		642,864
Total Liabilities			95,377,029		103,375,789		129,398,543
EQUITY							
Shareholders' Equity							
Issued capital - common shares	18		190,449,847		189,335,257		141,423,457
Contributed surplus	18		26,857,443		26,429,140		16,389,310
Accumulated other comprehensive income			5,585,772		8,568,484		-
Deficit			(216,748,234)		(182,720,710)		(5,808,403)
Total GLG Life Tech Corporation Shareholders' Equity			6,144,828		41,612,171		152,004,364
Non-controlling interests	19		1,543,316		2,394,172		4,387
Total Equity			7,688,144		44,006,343		152,008,751
Total Liabilities and Equity		$	103,065,173	$	147,382,132	$	281,407,294

Going concerns (Note 3)
Commitments (Note 26)
Contingent liabilities (Note 28)
Events after reporting date (Note 30)
See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung " Director
"David Hall " Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Operations and Comprehensive (Loss)
For the Year Ended December 31, 2012 and 2011
(Expressed in Canadian Dollars)

		2012		2011
REVENUE	$	21,708,711	$	24,840,189
COST OF SALES (Note 21)		26,958,307		26,421,812
GROSS (LOSS) PROFIT		(5,249,596)		(1,581,623)
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 21)		12,138,998		45,451,135
OTHER INCOME (EXPENSES)				
Goodwill and intangible asset impairment		-		(40,139,020)
Inventories impairment		(8,690,636)		(29,714,496)
Property, plant and equipment impairment		(891,358)		(58,448,304)
Prepaid expenses impairment		(1,108,800)		-
Interest expense		(6,916,571)		(5,721,191)
Interest income		3,918		183,494
Other income (expenses)		105,356		-
Foreign exchange (loss) gain		148,940		(242,721)
		(17,349,150)		(134,082,238)
(LOSS) BEFORE INCOME TAXES		(34,737,744)		(181,114,996)
INCOME TAX (EXPENSE) RECOVERY		(82,666)		(440,460)
NET (LOSS)		(34,820,410)		(181,555,456)
OTHER COMPREHENSIVE (LOSS)				
Foreign Currency Translation Adjustment		(3,040,681)		8,785,852
TOTAL COMPREHENSIVE (LOSS)		(37,861,091)		(172,769,604)
NET (LOSS)				
ATTRIBUTABLE TO NON-CONTROLLING INTEREST		(792,886)		(4,643,149)
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS		(34,027,524)		(176,912,307)
COMPREHENSIVE (LOSS)				
ATTRIBUTABLE TO NON-CONTROLLING INTEREST		(850,856)		(4,425,781)
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS		(37,010,236)		(168,343,823)
NET (LOSS) PER SHARE				
Basic & Diluted (Note 22)		(1.03)		(5.52)
Weighted Average Number of Shares Outstanding				
Basic and diluted		32,915,634		32,045,917

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Changes in Shareholders' Equity
As at December 31, 2012, December 31, and January 1, 2011
(Expressed in Canadian Dollars)

	Number of common shares	Common shares amount	Contributed surplus	Accumulated Other Comprehensive Income ("AOCI")	Deficit	Total Equity Attributable to GLG Life Tech Corporation	Non-controlling Interest	Total Shareholders' Equity
Balance, January 1, 2011 (adjusted Note 25)	27,371,246	$ 141,423,457	$ 16,389,310	$ -	$ (5,808,403)	$ 152,004,364	$ 4,387	$ 152,008,751
Equity offering, net	5,290,000	45,745,972	9,453,580	-	-	55,199,552	-	55,199,552
Exercise of stock option	6,388	86,273	(34,041)	-	-	52,232	-	52,232
Restricted shares	248,000	217,940	-	-	-	217,940	-	217,940
Share-based compensation	-	1,861,615	620,291	-	-	2,481,906	-	2,481,906
Change in foreign currency translation	-	-	-	8,568,484	-	8,568,484	217,368	8,785,852
Equity contribution (Note 19)	-	-		-	-	-	6,815,567	6,815,567
Net (loss)	-	-	-	-	(176,912,307)	(176,912,307)	(4,643,150)	(181,555,457)
Balance, December 31, 2011	32,915,634	$ 189,335,257	$ 26,429,140	$ 8,568,484	$ (182,720,710)	$ 41,612,171	$ 2,394,172	$ 44,006,343
Share-based compensation	-	1,114,590	428,303	-	-	1,542,893	-	1,542,893
Change in foreign currency translation	-	-	-	(2,982,712)	-	(2,982,712)	(57,970)	(3,040,681)
Net (loss)	-	-	-	-	(34,027,524)	(34,027,524)	(792,886)	(34,820,410)
Balance, December 31, 2012	32,915,634	$ 190,449,847	$ 26,857,443	$ 5,585,772	$ (216,748,234)	$ 6,144,828	$ 1,543,316	$ 7,688,144

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Expressed in Canadian Dollars)

	2012	2011
Cash Flows From Operating Activities		
Net (loss)	$ (34,820,410)	$ (181,555,456)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	1,542,893	2,699,846
Depreciation of property, plant and equipment and amortization of intangible assets	1,909,931	10,429,946
Goodwill and intangible asset impairment	-	40,139,020
Loss on disposal of property, plant and equipment	295,693	-
Allowances for doubtful accounts	(24,412)	6,405,224
Inventories impairment	8,690,636	29,714,496
Property, plant and equipment impairment adjustment	891,358	58,448,304
Prepaid expenses impairment	1,108,800	-
Unrealized foreign exchange loss (gain)	27,338	(479,464)
Deferred income tax expense (recovery)	9,911	430,146
Changes in non-cash working capital items (Note 20)	22,321,074	1,432,898
Net cash from (used in) operating activities	1,952,812	(32,335,040)
Cash Flows From Investing activities		
Proceeds on disposal of property, plant and equipment	207,307	-
Purchase of property, plant and equipment	(775,693)	(9,005,825)
Net cash from (used in) investing activities	(568,386)	(9,005,825)
Cash Flow From Financing activities		
Issuance of short term loans	-	66,305,489
Repayment of short term loans	(9,796,836)	(100,978,904)
Issuance of common shares, net of share issuance costs	-	54,187,645
Exercise of stock options	-	52,232
Equity contribution by non-controlling interests	-	6,815,566
Advance from related parties	8,673,137	(6,125,438)
Net cash from (used in) financing activities	(1,123,699)	20,256,590
Effect of exchange rate changes on cash and cash equivalents	(1,165,128)	1,753,898
NET DECREASE IN CASH AND CASH EQUIVALENTS	(904,401)	(19,330,377)
CASH AND CASH EQUIVALENTS, beginning of year	4,486,838	23,817,215
CASH AND CASH EQUIVALENTS, end of year	$ 3,582,437	$ 4,486,838

See Accompanying Notes to the Consolidated Financial Statements
Supplemental Cash Flow Information (Note 20)

1. NATURE OF OPERATIONS

GLG Life Tech Corporation (the "Company") was incorporated under the Companies Act (British Columbia), Canada. The registered office of the Company is located at Suite 2168, 1050 West Pender Street, Vancouver, British Columbia. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "GLG".

The Company is a vertically integrated producer of high-grade stevia extract. The Company's business operates primarily through two reportable business segments: the manufacturing and sales of a refined form of stevia which has operations in China and North America; and the sales and distribution of stevia sweetened consumer food and beverage products in China.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Company's first annual consolidated financial statements under IFRS are presented for the year ended December 31, 2012. The Company adopted IFRS effective January 1, 2012 and accordingly, the Company's date of transition to IFRS and its opening IFRS balance sheet is as at January 1, 2011.

These consolidated financial statements have been prepared on a historical costs basis except for biological assets, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting. These consolidated financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 23, 2013, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2012 could result in restatement of these consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

3. GOING CONCERN

These consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the year ended December 31, 2012, the Company incurred a net loss of $34,820,410 (2011 - $181,555,456). As at December 31, 2012, the Company had an accumulated deficit of $216,748,234 (2011 - $182,720,710), working capital deficit of $33,853,744 (2011 - $9,800,541) and a net cash from operating activities of $1,952,812 (2011 – outflow of $32,335,040). During the year ended December 31, 2012, the Company renewed loans of $2,395,515 (RMB 15,000,000), fully repaid one loan of $2,512,097 (RMB 15,730,000), and reduced loan balances of $7,432,223 (RMB 46,525,825) with various banks.

3. GOING CONCERN, continued

On April 18, 2013, the Company has signed a loan refinancing agreement with Agricultural Bank of China. The agreement details the repayment of all existing short term loans totaling $32,567,575 (RMB 203,928,387) with Agriculture Bank as of December 31, 2012. The Company will repay $6,108,799 (RMB 38,251,465) during the year ended December 31, 2013, $12,776,083 (RMB 80,000,000) during the year ended December 31, 2014 and $13,682,693 (RMB 85,676,922) during the year ended December 31, 2015. The Company has made the first scheduled payment of $1,317,768 (RMB 8,251,465) as of March 31, 2013 (see Note 29). Excluding the loans with Agricultural Bank of China and Huisheng Bank, short term loans with three banks were matured and not repaid. These banks have not demanded immediate repayment of these loans and the Company is currently in discussion with the banks to formally renew these remaining loans. The Company has had a successful history in renewing its short term loans (see Note 14) and plans to continue to renew these loans as they become due. However, if the Company is unable to refinance these other short term bank loans of $24,296,564, the Company will require alternative forms of financing. There can be no assurance the Company will be successful in this endeavor and these circumstances lead to significant doubt about the ability of the Company to continue as a going concern.

The Company continues to progress with the following measures to manage cash flow of the Company: paying down short term loans and refinancing with longer term debt with its Chairman, reducing accounts payable and negotiating with creditors extended payment terms, working closely with the banks to manage their loans, and reducing operating expenditures including general and administrative expenses and production-related expenses.

These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange 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. 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 Chinese government to control inflation have significantly restrained economic expansion in the recent past. Similar actions by the Chinese government in the future could have a significant adverse effect on economic conditions in China.

The Company’s operating assets and primary sources of income and cash flows originate in China. The Chinese 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 government of China has been pursuing economic

3. GOING CONCERN, continued

reforms since it first adopted its "open-door" policy in 1978. There is no assurance that the government of China 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 unfavorable 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 the Chinese 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 government of China to exert significant influence on the Chinese economy.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, after eliminating intercompany balances and transactions.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with these subsidiaries, and has the ability to use its power to affect the amount of these returns.

The Company has early adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities on January 1, 2012. By applying IFRS 10, the Company has no change in the entities to be included in the Consolidated Financial Statements. The Company does not have any joint arrangements as defined by IFRS 11, and hence, is not affected by the application of this standard.

b) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs are expensed in the period that they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c) Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

d) Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates (Note 4a). The Company has determined that none of its subsidiaries operates in a hyper inflationary economic environment. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21. For the analysis of the parent entity, the primary determining factors regarding revenue and labour, material and other costs were inconclusive. As a result, the secondary factors were considered. The secondary factors indicated that CAD will be the primary currency in the future for financing activities. Therefore, the functional currency for GLG Canada is CAD. The reporting currency for the Company is CAD.

Foreign currency transactions are translated into the functional currency of the respective currency of the entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates as at the date when fair value was determined.

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each balance sheet presented are translated at the rate of exchange in effect as at the balance sheet date; (ii) income and expense items for each statement of operations are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income.

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e) Basis of consolidation

These consolidated financial statements include the following:

Entity	Ownership	Domicile	Functional Currency
GLG Life Tech Corporation	Parent	Canada	CAD
Agricultural High Tech Developments Limited	100%	Marshall Islands	CAD
Anhui Bengbu HN Stevia High Tech Development Company Limited	100%	China	RMB
Chuzhou Runhai Stevia High Tech Company Limited	100%	China	RMB
Dongtai Runyang Stevia High Tech Company Limited	100%	China	RMB
Qingdao Runde Biotechnology Company Limited	100%	China	RMB
Qingdao Runhao Stevia High Tech Company Limited	100%	China	RMB
GLG Life Tech US, Inc.	100%	USA	USD
Dr. Zhang's All Natural and Zero Calorie Beverage and Foods Company	80%	Hong Kong, China	USD
Dr. Zhang's All Natural and Zero Calorie Beverage and Foods (Anhui) Limited	80%	China	RMB
Dr. Zhang's All Natural and Zero Calorie Beverage and Foods (Shanghai) Limited	80%	China	RMB
Dr. Zhang's All Natural and Zero Calorie Stevia Solution Company Ltd.	80%	Hong Kong, China	RMB
GLG Weider Sweet Naturals Corporation	55%	Canada	USD

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with these subsidiaries, and has the ability to use its power to affect the amount of these returns.

The Company has early adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities on January 1, 2012. By applying IFRS 10, the Company has no change in the entities to be included in the Consolidated Financial Statements. The Company does not have any joint arrangements as defined by IFRS 11, and hence, is not affected by the application of this standard.

All intercompany transactions and balances are eliminated on consolidation.

f) Financial instruments

Fair Value measurement

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f) Financial instruments, continued

Financial assets

The Company determines the classification of its financial assets at initial recognition, depending on the nature and purpose of the financial asset. All financial assets, except financial assets at fair value through profit or loss ("FVTPL"), are recognized initially at fair value plus directly attributable transaction costs. The Company has not designated any of its financial assets as FVTPL. A financial asset is derecognized when the rights to receive cash flows from the asset have expired.

The Company's financial assets include cash and cash equivalents, accounts receivable and sales tax recoverable. The Company classifies these financial assets as "loans and receivables". The carrying value of these instruments approximates their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial asset/liability to its fair value.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition, depending on the nature and purpose of the financial liability. All financial liabilities, except financial liabilities at FVTPL, are recognized initially at fair value plus directly attributable transaction costs. The Company has not designated any of its financial liabilities as FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

The Company's financial liabilities include short term loans, accounts payables and accruals, interest payables and amounts due to related parties. The Company classifies these financial liabilities as "Other financial liabilities". The carrying value of financial liabilities approximates their fair value due to their immediate or short term to maturity.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

g) Impairment

Financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at December 31) and when events or changes in circumstances indicate that the carrying value may be impaired, the recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are consistent with its reporting segments, Stevia and Consumer Products (AN0C). Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

g) Impairment, continued

Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of FVLCS and VIU. FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For assets that does not generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits held with banks readily convertible into cash and purchased with original maturities of three months or less.

i) Accounts receivable and concentration of credit risks

Trade and other receivables are stated at amortized cost less any impairment. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data.

When all or part of a trade receivable is known to be uncollectible, the trade receivable and related allowance are written off. Amounts subsequently recovered from trade receivables previously considered uncollectible and written off are recorded in profit or loss as an expense recovery in the period that the cash is collected.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

i) Accounts receivable and concentration of credit risks, continued

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and has a high concentration of credit risk as the accounts receivable are made up of a small number of customers. It is the Company's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Each new customer is analysed individually for creditworthiness. A review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. The executive management determines concentrations of credit risk frequently by monitoring the creditworthiness rating of existing customers and through a review of the trade receivables' ageing analysis. Over-due balances are reviewed for collectability and allowance for doubtful amounts, where appropriate, will be provided. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made only with payment in advance. However, based on current facts and circumstances, the Company believes that it does not require collateral to support the carrying value of the accounts receivable.

j) Inventory

Raw materials, work-in-progress and finished goods are measured at the lower of cost, determined on a weighted average basis and net realizable value.

The cost of raw materials is comprised of the purchase price, applicable taxes and other costs incurred in bringing inventory to their present location and condition. The cost of finished goods includes cost of materials and cost of conversion. The cost of conversion includes costs directly related to the units of production, such as direct labour, and fixed and variable production overheads, based on normal operating capacity.

The net realizable value of inventory is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale.

The amount of any impairment of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any impairment of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Property, plant and equipment

Recognition and measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Land use rights have been accounted for as an asset in the consolidated financial statements. However, all lands in China are owned by the Chinese government (the “Government”). In accordance with the terms as established by Chinese law, the Government may sell the right to use the land for a specific period of time. If in the public interest there is a need to re-develop the land, the Government may revoke the right at any time. The purpose of the land use is restricted. In the event that the land is used for purposes outside the scope of the purpose for which they were granted, the Government could revoke such rights. Land use rights are recorded at cost less accumulated amortization and are amortized over 50 years.

Subsequent costs

The cost of replacing part of an item of the equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs other than maintenance and repairs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profits or loss.

Amortization

Amortization is calculated using the straight line method over the estimated useful lives of the assets as follows:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Property, plant and equipment, continued

Ion exchange resin equipment - 15 years
Buildings - 20 years
Manufacturing equipment - 10 years
Motor vehicles, computer equipment, computer software, furniture and fixtures – 5 years

Amortization is provided over the term of the lease on leasehold and land use rights. Amortization is not provided for construction in progress until the assets are ready for use.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

l) Capitalization of interest

Interest on long term debt associated with the construction of long term assets is capitalized into property, plant and equipment, where the borrowing cost is attributable to the acquisition, construction or production of a qualifying asset until the facilities are substantially completed.

For funds borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization would be the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

For non-specific funds borrowed and being used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization would be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. The capitalization rate for the year ended December 31, 2011 was 3.78%.

m) Biological assets

The biological assets of the Company are bearer biological assets consisting of mother and father stevia plants that are cultivated and developed for their active ingredient (steviol glycosides) content in their leaves. Expenditures incurred in planting and developing stevia seedlings up to maturity are recognized directly in the profit or loss. Biological assets are stated at fair value less any accumulated impairment losses. Fair value is determined by net present value of future cash flows generated by the related assets. Any gain or loss on fair value adjustment is recognized in profit or loss. Upon disposal or retirement of biological assets, the difference between the disposal proceeds and the carrying value of such biological assets are recognized in profit or loss accordingly.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss. Customer relationships are amortized over a 10 year period. Patents and technology are amortized on a straight-line basis over the expected useful lives of 4.5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

o) Revenue recognition

Revenue from all product sales of the Company is recognized when products are shipped to customers and ownership is transferred to customers, when the price is fixed or determinable and when the ultimate collection is reasonably assured. Customer prepayments are recorded as advances from customers and revenue is not recognized until the shipment of goods occurs. Shipping and handling costs related to product sales are included in cost of sales.

p) Share-based payments

The Company grants stock options and restricted shares to employees, directors, and consultants pursuant to the Stock Option and Restricted Share Plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

p) Share-based payments, continued

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility and expected life of the option. The Company estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate. Changes in these assumptions can materially affect the fair value estimate.

q) Comprehensive income

Comprehensive income is comprised of net earnings for the period and other comprehensive income. Included in accumulated other comprehensive income are foreign exchange amounts resulting from the translation of certain subsidiaries' functional currency to the Company's presentation currency.

r) Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the period.

Diluted net earnings per share is computed similar to basic net earnings per shares, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants at the beginning of the reporting period, if dilutive. The number of additional shares is calculated assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to repurchase common shares at the average market price during the reporting period. Stock options and warrants are dilutive when the market price of the common shares at the end of the period exceeds the exercise price of the options and warrants and when the Company generates net earnings.

s) Income taxes

Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

s) Income taxes, continued

The Company is subject to income taxes in Canada and in other foreign jurisdictions. The calculation of our tax provision involves the application of complex tax laws and requires significant judgment and estimates. The deferred tax asset for each jurisdiction at each reporting date will be assessed for the possibility if the asset can be realized. The ultimate realization of deferred tax asset is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. All available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies will be considered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

The Company accounts for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year.

t) Change in accounting policies

The Company has early adopted the Annual Improvements to IFRSs 2009-2011 Cycle of IAS 1 Presentation of Financial Statements. The amendments to IAS 1 clarifies the requirements for comparative information when entities apply accounting policies retrospectively, makes a retrospective restatement of items in the financial statements, or when items are reclassified in its financial statements. The amendments are effective for annual periods beginning on or after January 1, 2013 but can be applied earlier.

The Company has early adopted IFRS 10, which replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require that management exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The adoption of IFRS 10 did not change entities consolidated as required under IAS 27.

The Company has early adopted IFRS 11, which replaces the guidance in IAS 31, Interests in Joint Ventures, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The adoption of IFRS 11 did not change entities consolidated as required under IAS 31.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

t) Change in accounting policies, continued

The Company has early adopted IFRS 12, which includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

u) New standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective as of December 31, 2012 and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 13, Fair-value measurement

IFRS 13, sets out in a single IFRS, a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and is currently evaluating the potential impact of the adoption of IFRS 13.

IFRS 9, Financial instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 28, Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28, Investments in Associates and Joint Ventures. This amendment requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires it to continue to be accounted for under the equity method. The amendment also disallows the re-measurement of any retained interest in an investment upon the cessation of significant influence or joint control.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

u) New standards, amendments and interpretations not yet effective, continued

This amended standard is effective for our interim and annual consolidated financial statements commencing January 1, 2013. Management is assessing the impact of this amended standard on our consolidated financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes certain estimates and judgments regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Judgments

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Determination of Stevia Cash Generating Unit (CGU)

The stevia operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The stevia operations include: an agricultural unit, primary processing plants, secondary processing plants, and corporate and sales and marketing offices in North America.

Centralized production planning that takes place across the entire supply chain. It starts with the worldwide sales forecast of the stevia products for secondary processing plants, which then translates into production forecasts for secondary processing plants. The production forecasts for secondary processing plants then define how much products will be required from the primary processing plants.

The design of the integrated supply chain makes the cash flows for each component of the supply not sufficiently independent of all the components in order to break down the cash flows any lower than the stevia business level. Therefore, management has treated the four stevia processing plants, the agricultural unit as well as the North American offices are included as a single CGU (Stevia CGU). The carrying amount of the Stevia CGU is $99,930,699.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments, continued

Determination of AN0C Cash Generating Unit (CGU)

The consumer products operations include: an entity in Hong Kong, China that focuses on marketing of the consumer products in China, two entities in China that focus on sales and marketing of the consumer products in China, and an entity in China that focus on the development of sweetener solutions around stevia and other sweeteners.

There are no production facilities for the AN0C business units and all production of its products is contracted out. Cash flow from external parties are generated from the two sales and marketing subsidiaries in China, and there are no cash flow from external parties generated from the other two entities. Sales and production planning is done on the level of the entire operations and not on the level of individual entity. Furthermore, the nature of products and their markets are very different from the stevia operations. Therefore, management has treated the four entities in the consumer products operation as a single CGU (AN0C CGU) and is a separate CGU from the Stevia CGU. The carrying amount of the AN0C CGU is $3,134,474.

Impairment of long-lived assets

In assessing impairment, management estimates the recoverable amount of each its CGU's using a VIU calculation based on a discounted cash flow analysis. Significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using a long term growth rate assumption with consideration to the expected long term growth of the market in which the Company operates based on independent sources. The discount rates used in the analysis are based on the Company's weighted average cost of capital. In arriving at the weighted average cost of capital general market, industry and company specific risk, which included an assessment of the risk inherent in the projected cash flows, were considered in determining the cost of equity. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, which is included in Note 13.

b) Uncertainty estimation

Inventories

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

(Expressed in Canadian Dollars)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation, continued

Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions such as the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Income Tax Estimates

The Company provides for income taxes based on currently available information in each of the jurisdictions in which we operate. The calculation of income taxes in many cases, however, requires significant judgment in interpreting tax rules and regulations. Our tax filings are subject to audits, which could materially change the amount of current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

Market forecasts

Assumptions in determining the recoverable amount of the Stevia CGU include market forecasts and the Company's market share. The Company's market forecast was derived by establishing the size of the sugar market in the core geographical markets, estimating the market for high intensity sweeteners ("HIS") in the same markets and thereafter assuming the percentage of the HIS market that stevia would be able to capture.

Key assumptions used to determine the recoverable amounts for Stevia CGU in 2012 include forecast market share estimates was 4.7% to 9.1%, forecast leaf costs per kilogram were $2.16 - $ 2.53.

6. ACCOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011	January 1, 2011
Current			
Accounts receivables	$ 8,902,584	$ 13,409,317	$ 31,594,785
Allowance for doubtful accounts	(456,997)	(6,231,535)	(33,325)
Foreign currency translation	(1,549)	(53,072)	836
Total trade and other receivables	$ 8,444,038	$ 7,124,710	$ 31,562,296

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE, continued

		Total
Allowance for doubtful accounts (AFDA)		
As at January 1, 2011	$	33,325
Increase (decrease) in AFDA		6,104,132
Foreign Currency Translation		94,078
As at December 31, 2011		6,231,535
Increase (decrease)in AFDA		(5,674,770)
Foreign Currency Translation		(99,768)
As at December 31, 2012	$	456,997

The aging analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days	91 - 180 days	>180 days
December 31, 2012	$ 8,444,038	$ 269,075	$ 3,157,350	$ 665,418	$ 4,352,195
December 31, 2011	7,124,710	42,450	144,206	6,790,648	147,406
January 1, 2011	31,562,296	17,178,547	159,655	365,296	13,858,798

As of December 31, 2012, trade receivable balances with aging over twelve months is $3,613,191 (2011 - $nil). Subsequent to December 31, 2012, the Company received $1,884,472 (RMB 11,800,000) of trade receivables from a customer under the >180 days category (see also Note 29).

No accounts receivable has been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries.

7. SALES TAXES RECOVERABLE

The taxes are value-added taxes paid on purchases in China and Harmonized Sales Tax ("HST") paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns.

(Expressed in Canadian Dollars)

8. INVENTORY

		December 31, 2012		December 31, 2011		January 1, 2011
Raw material	$	6,091,200	$	17,420,060	$	27,987,562
Work in process		6,195,338		41,558,934		28,675,875
Finished goods		19,306,744		7,761,874		6,643,465
	$	31,593,282	$	66,740,868	$	63,306,902

For the year ended December 31, 2012, the amount of inventories charged to cost of sales was $25,328,514 (2011 - $17,353,993).

The Company assessed the net realizable value of inventory based on the following: the cost of raw materials is comprised of the purchase price, applicable taxes and other costs incurred in bringing inventory to their present location and condition. The cost of finished goods includes cost of materials and cost of conversion. The cost of conversion includes costs directly related to the units of production, such as direct labour, and fixed and variable production overheads, based on normal operating capacity.

For the year ended December 31, 2012, the Company has recorded an impairment of inventory of $8,690,636 (2011 - $29,714,496).

The carrying amounts of inventory have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries.

9. PREPAID EXPENSES

		December 31, 2012		December 31, 2011		January 1, 2011
Prepayment for raw material	$	760,637	$	1,161,889	$	602,445
Prepayment for construction and equipment		1,032,672		1,308,312		732,521
Insurance		89,804		73,755		39,060
Rent and deposits		147,129		151,405		19,502
Prepayment for AN0C production costs		261,430		1,873,511		-
Others		1,276,130		2,070,841		3,068,223
	$	3,567,802	$	6,639,713	$	4,461,751

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Ion exchange resin equipment	Manufacturing equipment	Buildings & construction in progress	Leasehold & land use rights	Computer equipment & software	Motor vehicles & furniture and fixture	Total
Costs							
As at January 1, 2011	$ 14,853,702	$ 46,140,656	$ 56,523,093	$ 2,866,320	$ 473,993	$ 998,701	$ 121,856,465
Additions	944,074	5,364,640	655,297	1,500,016	214,782	111,826	8,790,635
Interest capitalized	-	106,013	106,013	-	-	-	212,026
Impairment	(7,326,069)	(23,982,618)	(27,139,617)				(58,448,304)
Foreign currency adjustments	158,942	1,840,337	1,905,019	318,316	44,596	71,967	4,339,177
As at December 31, 2011	8,630,649	29,469,028	32,049,805	4,684,652	733,371	1,182,494	76,749,999
Additions	-	154,764	592,233	-	25,621	3,072	775,690
Disposals	-	(1,521,846)	(129,207)	-	-	(47,533)	(1,698,586)
Impairment		(891,358)					(891,358)
Foreign currency adjustments	(357,507)	(552,418)	(872,830)	4,408	(5,732)	(12,974)	(1,797,053)
As at December 31, 2012	$ 8,273,142	$ 26,658,171	$ 31,640,001	$ 4,689,060	$ 753,260	$ 1,125,059	$ 73,138,692
Accumulated depreciation							
As at January 1, 2011	$ 2,514,610	$ 7,261,956	$ 4,015,699	$ 95,990	$ 113,013	$ 254,187	$ 14,255,455
Amortization	906,313	3,617,628	2,461,066	33,350	98,524	199,627	7,316,508
Foreign currency adjustments	229,155	1,407,065	388,369	2,422	13,416	27,584	2,068,011
As at December 31, 2011	3,650,078	12,286,649	6,865,134	131,762	224,953	481,398	23,639,974
Amortization	168,440	805,312	353,231	218,182	138,858	225,907	1,909,931
Disposals	-	(256,695)	-	-	-	(47,533)	(304,228)
Foreign currency adjustments	(343,687)	(1,092,516)	(216,051)	3,845	(4,564)	(6,934)	(1,659,907)
As at December 31, 2012	$ 3,474,831	$ 11,742,750	$ 7,002,314	$ 353,789	$ 359,247	$ 652,838	$ 23,585,769
Net book value							
As at January 1, 2011	$ 12,339,092	$ 38,878,700	$ 52,507,394	$ 2,770,330	$ 360,980	$ 744,514	$ 107,601,010
As at December 31, 2011	4,980,571	17,182,379	25,184,671	4,552,890	508,418	701,096	53,110,025
As at December 31, 2012	4,798,311	14,915,420	24,637,687	4,335,271	394,013	472,221	49,552,923

The carrying amounts of Property, plant and equipment have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries (Note 14).

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 46.5 to 46.8 years.

Amortization expense is included in the consolidated statement of operations under the following categories:

		December 31, 2012		December 31, 2011
Cost of sales	$	1,330,145	$	5,528,877
Selling, general and administrative expenses		579,786		1,787,631
	$	1,909,931	$	7,316,508

11. BIOLOGICAL ASSETS

		2012		2011
As at January 1	$	696,859	$	723,174
Expenditure incurred		156,501		31,116
Agricultural products		(214,178)		(218,996)
Gain/(loss) from changes in fair value		57,677		187,880
Foreign currency adjustments		(24,846)		(26,315)
As at December 31	$	672,013	$	696,859

The Company's biological assets include a gain of $57,677 (2011 – $187,880) representing changes in the fair value of the nursery plants.

As of December 31, 2012, approximately 6.6 million parent seedlings are at the nursery plants.

(Expressed in Canadian Dollars)

12. GOODWILL AND INTANGIBLE ASSETS

a) Goodwill and intangible assets

Details of goodwill and intangible assets are as follows:

	Cost prior to impairment losses	Accumulated amortization	Accumulated impairment	Net Book Value
				December 31, 2012
Goodwill	$ 7,736,478	$ -	$ (7,736,478)	$ -
Finite Life Intangibles				
Customer Relationships	15,416,254	(4,719,606)	(10,696,648)	-
Patents and Acquired Technologies	26,533,750	(4,740,698)	(21,793,052)	-
Total Intangible Assets	$ 41,950,004	$ (9,460,304)	$ (32,489,700)	$ -
Total Goodwill & Intangible Assets	$ 49,686,482	$ (9,460,304)	$ (40,226,178)	$ -

	Cost prior to impairment losses	Accumulated amortization	Accumulated impairment	Net Book Value
				December 31, 2011
Goodwill	$ 7,736,478	$ -	$ (7,736,478)	$ -
Finite Life Intangibles				
Customer Relationships	15,416,254	(4,719,606)	(10,696,648)	-
Patents and Acquired Technologies	26,533,750	(4,740,698)	(21,793,052)	-
Total Intangible Assets	$ 41,950,004	$ (9,460,304)	$ (32,489,700)	$ -
Total Goodwill & Intangible Assets	$ 49,686,482	$ (9,460,304)	$ (40,226,178)	$ -

(Expressed in Canadian Dollars)

12. GOODWILL AND INTANGIBLE ASSETS, continued

Changes to the net carrying amounts of goodwill and intangible assets are as follows:

	December 31, 2011					December 31, 2012
	Net Book Value	Acquisitions	Net Additions and Disposals	Amortization	Current period Impairment loss (note 13)	Net Book Value
Goodwill	$ -	$ -	$ -	$ -	$ -	$ -
Customer Relationships	-	-	-	-		-
Patents and Acquired Technologies	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -

	December 31, 2010					December 31, 2011
	Net Book Value	Acquisitions	Net Additions and Disposals	Amortization	Current period Impairment loss (note 13)	Net Book Value
Goodwill	$ 7,736,478	$ -	$ -	$ -	$ (7,736,478)	$ -
Customer Relationships	12,124,773	-	-	(1,428,125)	(10,696,648)	-
Patents and Acquired Technologies	23,519,197			(1,726,145)	(21,793,052)	-
	$ 43,380,448	$ -	$ -	$ (3,154,270)	$ (40,226,178)	$ -

13. IMPAIRMENT OF GOODWILL, FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS

a) Goodwill, finite life intangible assets and tangible assets

The Company tested CGUs with goodwill, finite life intangible assets and tangible assets for impairment during 2012 and 2011 as at December 31 of both calendar years. In assessing whether or not there is impairment, the Company determines the recoverable amount of a CGU based on the greater of value in use and FVLCS (if market comparables are available). The Company estimates the discounted future cash flows for a period of five years and includes a terminal value to capture results beyond the five year forecasts. The future cash flows are based on the Company’s estimates and include consideration for expected future operating results, economic conditions and a general outlook for the industry in which the CGU operates.

The discount rates used by the Company consider debt to equity ratios and certain risk premiums. The terminal value is the value attributed to the CGU’s operations beyond the initial five year period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

(Expressed in Canadian Dollars)

13. IMPAIRMENT OF GOODWILL, FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS, continued

a) Goodwill, finite life intangible assets and tangible assets, continued

The following table gives an overview of the methods and assumptions used to determine recoverable amounts for CGUs with allocated goodwill, definite life intangible assets and tangible assets that are significant to the Company:

December 31, 2012

CGU	Goodwill	Intangible Assets	Recoverable Method	Periods used (Years)	Terminal Growth Rates %	Pre-Tax Discount Rate %
Stevia	-	$ -	Value in Use	5	1.5	14.7
Consumer Products	N/A	N/A	N/A	N/A	N/A	N/A

December 31, 2011

CGU	Goodwill	Intangible Assets	Recoverable Method	Periods used (Years)	Terminal Growth Rates %	Pre-Tax Discount Rate %
Stevia	-	$ -	Value in Use	5	1.5	13.2
Consumer Products	N/A	N/A	N/A	N/A	N/A	N/A

December 31, 2012

CGU	Tangible Assets (NBV)	Recoverable Method	Periods used (Years)	Terminal Growth Rates %	Pre-Tax Discount Rate %
Stevia	$ 49,500,650	Value in Use	5	1.5	14.7
Consumer Products	$ 52,273	Value in Use	5	0	14.7

December 31, 2011

CGU	Tangible Assets (NBV)	Recoverable Method	Periods used (Years)	Terminal Growth Rates %	Pre-Tax Discount Rate %
Stevia	$ 51,985,609	Value in Use	5	1.5	13.2
Consumer Products	$ 1,124,416	Value in Use	5	0	13.2

13. IMPAIRMENT OF GOODWILL, FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS, continued

b) Impairment losses

Key assumptions used to determine the recoverable amounts for Stevia CGU in 2012 include forecast market share estimates was 4.7% to 9.1%, forecast leaf costs per kilogram were $2.16 - $ 2.53, terminal value was $149,300,000 (2011 - $151,180,000) and present value of the terminal value was $87,510,000 (2011 – $88,760,000), the calculated recoverable amount was $125,454,738 (2011 – $114,255,238), the calculated impairment amount was $nil (2011 – $98,587,324).

During the year ended December 31, 2012, the Company performed an impairment assessment for its two CGUs. In the case of Stevia CGU, the recoverable amount based on VIU exceeded the carrying value and therefore no further impairment charge was warranted. In the case of AN0C CGU, the recoverable amount based on VIU is lower than the carrying amount and an impairment charge of $2,000,158 was recorded.

During the year ended December 31, 2011, the Company recorded an aggregate $98,587,324 impairment charge for the CGU in the stevia segment, consisting of $7,736,478 in goodwill, $10,696,648 in finite life intangible assets of customer relationships, $21,705,894 in patents and acquired technologies and $58,448,304 in property, plant and equipment. The recoverable amounts of the stevia CGU declined in 2011 due to the increase in competition in the stevia market and a decline in the Company’s expectations for future growth in revenues.

c) Sensitivity analysis on key assumptions used to determine recoverable amounts for Stevia CGU

The Company has made certain assumptions for the discount and terminal growth rates to reflect variations in expected future cash flows. These assumptions may differ or change quickly depending on economic conditions or other events. Therefore, it is possible that future changes in assumptions may negatively impact future valuations of CGUs and goodwill, which would result in further impairment losses. An increase of 2.0% in the discount rate would increase the impairment charge for the year ended December 31, 2011 by $8,729,813. A decrease in growth rate of 0.5% would increase the impairment charge for the year ended December 31, 2011 by $4,352,849.

14. SHORT TERM LOANS

The Company’s short term loans consisted of borrowings from a private lender and from various banks in China as follows:

(Expressed in Canadian Dollars)

14. SHORT TERM LOANS, continued

Short term borrowing from a private lender:

As at January 1, 2011	$	537,084
Foreign Currency Adjustment		12,096
As at December 31, 2011		549,180
Addition		74,042
As at December 31, 2012	$	623,222

During the year ended December 31, 2012, the Company renewed the short term borrowing from a private lender. The loan principal amount as of December 31, 2012 is $623,252 and bear interest at 11.50 % per annum. The short term borrowing is due on demand and does not have any attached covenants.

Short term bank loans as at December 31, 2012:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$ 479,103	3,000,000	July 28, 2012	7.71%	Agricultural Bank of China
4,471,629	28,000,000	July 28, 2012	7.71%	Agricultural Bank of China
8,931,821	55,928,387	June 9, 2012	6.81%	Agricultural Bank of China
3,194,021	20,000,000	June 16, 2012	6.81%	Agricultural Bank of China
12,776,083	80,000,000	June 20, 2012	6.81%	Agricultural Bank of China
2,714,918	17,000,000	July 25, 2012	7.08%	Agricultural Bank of China
13,125,870	82,190,263	February 25, 2012	7.98%	Bank of Communication
3,140,734	19,666,333	August 26, 2012	7.22%	Bank of China
525,819	3,292,523	August 26, 2012	7.22%	Bank of China
1,117,907	7,000,000	September 7, 2013	7.20%	Huishang Bank
1,277,608	8,000,000	September 8, 2013	7.20%	Huishang Bank
4,791,031	30,000,000	December 17, 2011	9.09%	Construction Bank of China
2,713,109	16,988,674	December 23, 2011	9.09%	Construction Bank of China
$ 59,259,655	371,066,180			

(Expressed in Canadian Dollars)

14. SHORT TERM LOANS, continued

Short term bank loans as at December 31, 2011:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$ 484,801	3,000,000	July 28, 2012	7.71%	Agricultural Bank of China
4,524,814	28,000,000	July 28, 2012	7.71%	Agricultural Bank of China
1,616,005	10,000,000	April 18, 2012	7.71%	Agricultural Bank of China
1,616,005	10,000,000	March 28, 2012	7.71%	Agricultural Bank of China
9,696,029	60,000,000	June 9, 2012	6.81%	Agricultural Bank of China
3,232,010	20,000,000	June 16, 2012	6.81%	Agricultural Bank of China
12,928,039	80,000,000	June 20, 2012	6.81%	Agricultural Bank of China
2,747,208	17,000,000	July 25, 2012	7.08%	Agricultural Bank of China
16,160,049	100,000,000	February 25, 2012	7.98%	Bank of Communication
2,541,976	15,730,000	February 13, 2012	7.87%	CITIC Bank
3,232,010	20,000,000	August 26, 2012	7.22%	Bank of China
645,254	3,992,894	August 26, 2012	7.22%	Bank of China
2,747,208	17,000,000	December 1, 2012	7.54%	Huishang Bank
4,848,015	30,000,000	December 17, 2011	6.06%	Construction Bank of China
3,005,625	18,599,111	December 23, 2011	6.06%	Construction Bank of China
$ 70,025,049	433,322,005			

During the year ended December 31, 2012, the Company renewed loans of $2,395,516 (RMB 15,000,000), fully repaid one loan of $2,512,097 (RMB 15,730,000), reduced loan balances of $7,432,223 (RMB 46,525,825) with various banks.

On April 18, 2013, the Company has signed a loan refinancing agreement with Agricultural Bank of China. The agreement details the repayment of all existing short term loans totaling $32,567,575 (RMB 203,928,387) with Agriculture Bank as of December 31, 2012. The Company will repay $6,108,799 (RMB 38,251,465) during the year ended December 31, 2013, $12,776,083 (RMB 80,000,000) during the year ended December 31, 2014 and $13,682,693 (RMB 85,676,922) during the year ended December 31, 2015. The Company has made the first scheduled payment of $1,317,768 (RMB 8,251,465) as of March 31, 2013.

Excluding the loans with Agricultural Bank of China and Huisheng Bank, loans with three banks were matured and not repaid. These banks have not demanded immediate repayment of these remaining loans and the Company is currently in discussion with the banks to formally renew these loans. The Company has had a history of successfully renewing these loans since 2008. There is no certainty that the Company will be successful in renewing these loans (see also Note 3), although the Company believes that these loans will eventually be renewed.

The assets of the Company's subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these bank loans (see Note 8, 10). For the year ended December 31, 2012, the weighted average interest capitalization was nil% (2011 – 3.8%).

(Expressed in Canadian Dollars)

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011	January 1, 2011
Accounts payable	8,734,141	16,676,205	9,226,130
Payroll liabilities	526,601	438,908	511,308
Accrued liabilities	3,497,262	2,725,576	1,829,581
Construction liabilities	7,778,430	7,345,006	8,104,659
Other payables	3,006,192	4,118,579	2,258,184
Advance from customers	1,550,054	825,120	76,959
Foreign currency translation	(44,400)	347,153	-
	25,048,280	32,476,546	22,006,820

16. INCOME TAXES

a) Income tax expenses

Provision for income taxes	December 31, 2012	December 31, 2011
Current tax expense		
USA	3,498	10,314
China	79,168	
Deferred income tax expense (recovery)		
Canadian	-	(1,076,916)
China	-	1,507,062
Total	$ 82,666	$ 440,460

As the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The statutory income tax rates in China range from 0% to 25%. The income tax expense differs from the amount that would have resulted from applying the Canada statutory income tax rates of 25% (2011 – 26.5%) to loss before taxes as follows:

(Expressed in Canadian Dollars)

16. INCOME TAXES, continued

a) Income tax expenses, continued

		December 31, 2012		December 31, 2011
Tax recovery at statutory rates	$	(8,684,068)	$	(47,995,475)
Increase (decrease) resulting from:				
Permanent and other differences		(668,931)		3,131,313
Stock based compensation		385,723		715,459
Change in tax rates		-		2,002,903
Book to tax differences		6,546,323		(1,392,828)
Foreign rate differences		20,934		2,048,950
Change in valuation allowance		2,482,684		41,930,137
Total	$	82,666	$	440,460

b) Deferred income taxes

		December 31, 2012		December 31, 2011
Non-capital loss carry-forwards	$	19,836,287	$	20,198,852
Pre-operating costs		-		24,680
Cumulative eligible costs		244,431		227,321
Inventory		9,601,283		7,428,624
Net capital loss carry-forwards		(35,672)		1,472
Property, plant and equipment		15,290,715		14,436,115
Share issuance costs		778,726		1,178,408
Other		277,200		-
Deferred income tax asset not recognized		45,992,970		43,495,472

(Expressed in Canadian Dollars)

16. INCOME TAXES, continued

c) Non-capital loss carry-forwards

As at December 31, 2012, the Company has non-capital loss carry forwards for Canada and China that are available to reduce taxable income in future years. These non-capital loss carry-forwards expire as follows:

		Canada & US	China	2012
2014	$		2,419,582	2,419,582
2015			1,619,481	1,619,481
2016			58,041,321	58,041,321
2017			46,792,264	46,792,264
2030		3,623,727		3,623,727
2031		5,719,383		5,719,383
	Total $	9,343,110	108,872,648	118,215,758

d) Uncertain tax positions

The Company believes there are no significant unrecognized tax benefits to be recorded. The Company has accrued $nil (2011 - $164,532) interest and penalties related to income taxes in the Statement of Operations.

The Company is subject to taxes in different countries. Taxes and fiscal risks recognized in the consolidated financial statements reflect the Company’s best estimates of the outcome based on the facts known at the balance sheet date in each individual entity. These facts may include, but are not limited to, change in tax laws, interpretation thereof in the various jurisdictions where the Company operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the Statement of Operations in the period in which they are incurred.

(Expressed in Canadian Dollars)

17. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Transactions with key management personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly, including any external director of the Company.

Remuneration of key management of the Company is comprised of the following expenses:

	12 Months	
	2012	2011
Short-term employee benefits (including salaries, Bonuses, fees and social security benefits)	$ 1,121,370	$ 1,117,708
Share-based benefits	$ 1,474,615	$ 1,752,136
Total remuneration	$ 2,595,985	$ 2,869,844

Certain executive officers are subject to termination benefits. Upon resignation at the Company's request or in the event of a change in control, they are entitled to termination benefits ranging from 24 to 36 months of gross salary, totaling approximately $1,200,000.

Key management did not exercise stock options granted under the Company's stock option plan in the 2011 and 2012 fiscal years.

b) Amount due to related parties

In 2012, the Company obtained loans of $8,673,137 from the Company's Chairman and Chief Executive Officer (the "Lender"). These loans bore interest at China's 10-year benchmark government bond rate plus 11% per annum and not to be settled within a year to the balance sheet date. The loan proceeds were used for corporate working capital purposes to fund the operations of the Company. The loan does not have any attached covenants.

Loans will be repaid by either GLG or its Chinese subsidiaries to the Lender in the currency the loans were originally borrowed. Notwithstanding any provision to the contrary contained herein, the parties agree that the loan will be repayable in 36 months since the date of borrowing.

(Expressed in Canadian Dollars)

17. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

c) Subsidiaries

The following are the subsidiaries of the Company:

Subsidiaries	Jurisdiction of incorporation	Ownership interest 2012	2011
Agriculatural High Tech Development Limited	Marshall Islands	100%	100%
Anhui Bengbu HN Stevia High Tech Development Company Limited	China	100%	100%
Chuzhou Runhai Stevia High Tech Company Limited	China	100%	100%
Dontai Runyang Stevia High Tech Company Limited	China	100%	100%
Qingdao Runde Biotechnology Company Limited	China	100%	100%
Qingdao Runhao Stevia High Tech Company Limited	China	100%	100%
GLG Life Tech US, Inc.	USA	100%	100%
Dr. Zhang's All Natural and Zero Calorie Beverage and Foods Company	Hong Kong, China	80%	80%
Dr. Zhang's All Natural and Zero Calorie Beverage and Foods (Anhui) Limited	China	80%	80%
Dr. Zhang's All Natural and Zero Calorie Beverage and Foods (Shanghai) Limited	China	80%	0%
Dr. Zhang's All Natural and Zero Calorie Stevia Solution Company Ltd.	Hong Kong, China	80%	80%
GLG Weider Sweet Naturals Corporation	Canada	55%	55%

18. SHARE CAPITAL

a) Capital stock

There are 32,915,634 common shares with no par value. Unlimited number of common shares is authorized with no par value. The holders of common shares are entitled to one vote per share.

Balance at January 1, 2011	**27,371,246**	**$ 141,423,457**
Stock-based compensation on previously issued restricted shares	-	1,861,615
Issuance of restricted shares	248,000	217,940
Stock-options exercised	6,388	86,273
Shares issued on equity offering , net	5,290,000	44,734,065
Income tax recovery related to share issuance costs	-	1,011,907
Balance at December 31, 2011	**32,915,634**	**$ 189,335,257**
Stock-based compensation on previously issued restricted shares	-	1,114,590
Balance at December 31, 2012	**32,915,634**	**$ 190,449,847**

(Expressed in Canadian Dollars)

18. SHARE CAPITAL, continued

a) Capital stock, continued

In 2011, the Company issued units consisting of common share and common share purchase warrants. Each whole warrant entitles the holder thereof to acquire one common share of the Company at the exercise price of $15.00 per common share for a period of 36 months following the offering closing date. As at December 31, 2012, there were 2,645,000 (2011 – 2,645,000) warrants outstanding.

The Black-Scholes model was used to value the warrants with the following assumptions:

Risk free interest rate	1.97%
Expected dividend yield	0%
Expected stock price volatility	78%
Expected life of warrants in years	3
Exercise price	$ 15.00
Fair value	$ 4.43

The relative fair value method was used to allocate the net proceeds of $55,199,552 between common shares and share purchase warrants. $45,745,972 was allocated to common shares and $9,453,580 to additional paid in capital, respectively.

b) Share-based payments

i) Stock-based compensation

Stock-based compensation to employees is measured at fair value. Fair value is determined using the Company's common share price, and the Black-Scholes option pricing model ("Black-Scholes model").

The Company is subject to the policies of the TSX, under which it is authorized to grant options and restricted share units ("RSU") to officers, directors, employees and consultants enabling them to purchase common stock of the Company. The Company has a stock option and restricted share units plan ("Plan") amended and effective from May 16, 2008. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan.

Under the Plan, options granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares of the Company inclusive of any restricted share units granted under the Plan. The maximum term of an option is five years after the date of grant. The exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL, continued

b) Share-based payments, continued

i) Stock-based compensation, continued

Under the Plan, RSUs granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares in the Company inclusive of any stock options granted under the Plan. Holders of RSUs are entitled to voting rights and dividends. The maximum vesting period for RSUs are five years from the date of grant unless, otherwise, it is approved by the Board of Directors. RSUs are issued to certain employees and have certain performance criteria, which are based on production and financial targets.

A summary of stock-based compensation expense, which is included in employee salaries and benefits expense, is as follows:

	2012	2011
Stock-based compensation:		
Stock options	$ 428,303	$ 620,290
Restricted share units	1,114,590	2,079,555
	$ 1,542,893	$ 2,699,846

ii) Stock options

The following summarizes information about the stock options outstanding and exercisable at December 31, 2012:

Exercise price	Number outstanding at December 31, 2012	Weighted average remaining contractual life (years)	Weighted average exercise price
$16.00	44,716	0.37	$16.00
$8.60	88,100	1.50	$8.60
$7.79	85,336	2.43	$7.79
$8.11	6,000	2.87	$8.11
$8.90	142,627	3.41	$8.90
$1.32	9,000	4.03	$1.32
	375,779	**2.38**	**$9.23**

(Expressed in Canadian Dollars)

18. SHARE CAPITAL, continued

b) Share-based payments, continued

ii) Stock options, continued

	Options outstanding			Options exercisable	
Exercise price	**Number outstanding at December 31, 2012**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable at December 31, 2012**	**Weighted average exercise price**
$16.00	44,716	0.37	$1.90	44,716	$1.90
$8.60	88,100	1.50	$2.02	88,100	$2.02
$7.79	85,336	2.43	$1.77	48,858	$1.01
$8.11	6,000	2.87	$0.13	6,000	$0.13
$8.90	142,627	3.41	$3.38	46,332	$1.10
$1.32	9,000	4.03	$0.03	-	$0.00
	375,779	**2.38**	**$9.23**	**234,006**	**$6.16**

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended December 31, 2012 was $1.32 (2011 - $6.13) per option.

Summary of option transactions:

As at December 31, 2012, the total remaining unrecognized compensation costs associated with stock options totaled $250,953 (2011 - $ 723,544) which will be amortized over the weighted average remaining life of 2.38 years. The aggregate intrinsic value of vested and exercisable stock options was $nil (December 31, 2011 - $nil; January 1, 2011 - $ 1,428,216).

Significant management estimates are used to determine the fair value of stock options, and RSUs. The weighted-average fair value of stock options granted during the year ended December 31, 2012 and 2011, and the principal assumptions used in applying the Black-Scholes option to determine their fair value at grant date were as follows:

	2012	**2011**
Risk-free interest rate	0.98%	1.89 - 2.01%
Dividend yield	0%	0%
Volatility	153.42%	77.51 - 78.45%
Expected option life	5 years	5 years
Expected forfeiture per year	5%	5%

(Expressed in Canadian Dollars)

18. SHARE CAPITAL, continued

b) Share-based payments, continued

ii) Stock options, continued

The vesting periods for restricted shares as at December 31, 2012 are as follows:

Number of restricted shares	Vesting period (years)	Performance Based
37,193	2.43	No
36,000	2.40	No
538,849	7.44	Yes
200,000	8.40	Yes
812,402	4.03	

iii) Restricted shares units

As of December 31, 2012, there was $4,949,174 (2011 - $8,304,849) of total unrecognized compensation cost related to non-vested restricted shares. That cost is expected to be recognized over the weighted average remaining life of 4.03 years.

The vesting periods for restricted shares as at December 31, 2011 are as follows:

Number of restricted shares	Vesting period (years)	Performance Based
12,000	0.41	No
9,614	0.44	No
225,000	0.50	Yes
37,193	3.44	No
36,000	3.41	No
538,849	8.44	Yes
200,000	9.41	Yes
1,058,656	6.42	

(Expressed in Canadian Dollars)

18. SHARE CAPITAL, continued

b) Share-based payments, continued

iii) Restricted shares units, continued

During the year ended December 31, 2012, there were no restricted shares issued (2011 – 459,000) with a fair value of $nil (2011 - $4,085,100). The fair value of the restricted shares is calculated based on the share price at grant date. The Company recorded share-based payments in the amount of $1,114,590 (2011 - $2,079,556), of which $nil related to restricted shares issued during the year ended December 31, 2012 (2011 - $217,940) and $1,114,590 (2011 - $1,861,616) related to restricted shares granted in previous years.

As of December 31, 2012, there was $4,949,174 (December 31, 2011 - $6,063,764; January 1, 2011 - $5,919,909) of total unrecognized compensation cost related to non-vested restricted shares. That cost is expected to be recognized over the weighted average remaining life of 4.03 years.

19. NON-CONTROLLING INTERESTS

	2012	2011
Balance at January 1	2,394,172	4,387
Equity contribution by Minority Investor in Dr. Zhang's AN0C Beverage and Food Company		6,815,567
Share of Loss for the year	(792,886)	(4,643,150)
Change in foreign currency translation	(57,971)	217,368
Balance at December 31	1,543,316	2,394,172

On December 14, 2010, the Company announced that it has entered into an agreement with China Agriculture and Healthy Foods Company Limited (CAHFC) for the sale and distribution of zero calorie beverage and food products in China that are sweetened with the Company's stevia extract products. The joint venture company, Dr. Zhang All Natural & Zero Calorie Beverage and Foods Group (USA), is 80% owned by GLG and 20% owned by CAHFC. The joint venture company was registered on December 30, 2010, and equity contribution was made by the non-controlling interest party in January 2011.

(Expressed in Canadian Dollars)

19. NON-CONTROLLING INTERESTS, continued

	2012	2011
Operating Revenue	570,092	7,701,486
Operating Costs (1)	(3,106,817)	(26,119,899)
Adjusted Operating Profit	(2,536,725)	(18,418,413)
Depreciation and amortization	(189,977)	(134,097)
Operating loss	(2,726,703)	(18,552,510)
Impairment of Assets	(2,196,323)	-
Other income, net	67,333	98,000
Income before income taxes & Minority Interest	(4,855,693)	(18,454,510)
Total assets	3,134,474	7,366,617
Total liabilities	(4,857,077)	(6,304,213)

(1) Included with operating costs in consolidated statements of income.

20. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

		2012		**2011**
Accounts receivable	$	(501,580)	$	17,915,108
Taxes recoverable		2,801,986		(1,470,238)
Inventory		25,005,383		(27,425,995)
Prepaid expenses		950,305		(706,029)
Accounts payable and accruals		(7,372,832)		13,184,883
Interest payable		1,547,271		(169,021)
Deferred revenue		(109,460)		104,190
Changes in non-cash working capital items	$	22,321,073	$	1,432,898
Income taxes paid		43,433		399,084
Interest paid		4,602,603		5,413,973

(Expressed in Canadian Dollars)

21. COST OF SALES AND EXPENSES

	Year ended December 31 2012	2011
Cost of sales		
Direct cost of sales	$ 25,847,330	$ 19,903,544
Depreciation and amortization	1,330,145	5,528,877
Transfer from expenses	(219,168)	989,391
	26,958,307	26,421,812
Selling, general and administrative expenses		
Direct expenses	$ 11,559,212	$ 43,663,504
Depreciation and amortization	579,786	1,787,631
	$ 12,138,998	$ 45,451,135
Supplementary information:		
Employee benefits	$ 3,920,215	$ 8,211,653

22. LOSS PER SHARE

The following table set forth the calculation of the basic and diluted loss per share for the year ended December 31, 2012 and 2011.

	2012	**2011**
Numerator:		
Net Loss after tax for the year	$ (34,027,524)	$ (176,912,307)
Denominator:		
Weighted average number of shares outstanding - basic	32,915,634	32,045,917
Effect of diluted securities		
Employee Stock Options	-	-
Warrants	-	-
Weighted average number of shares outstanding - diluted	32,915,634	32,045,917
Loss per share - basic	$ (1.03)	$ (5.52)
Loss per share - diluted	$ (1.03)	$ (5.52)

22. LOSS PER SHARE, continued

The total number of anti-dilutive options that were out of the money and therefore excluded from the calculation for the year ended December 31, 2012 was 234,006 (2011 – 133,603).

23. SEGMENTED INFORMATION

The Company's business operates primarily through two reportable business segments, Stevia Products and Consumer Products.

Stevia Products segment is the manufacturing and sales of a refined form of stevia which has operations in China and North America. Consumer Products segment is the sales and distribution of stevia sweetened consumer food and beverage products in China.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company by segments, which include Stevia and Consumer Products. Segment results that are reported to the Company's chief decision makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies of the segments are the same as those described in Note 2 to the Company's consolidated financial statements.

The chief operating decision makers review adjusted operating profit as a key measure of performance for each segment and for purposes of making decisions on resource allocations. Adjusted operating profit is income before stock-based compensation expense, impairment of assets, finance costs, other income, and income taxes. This measure of segment's operating results differs from operating income in the consolidated statements of income. The majority of the segment's assets are located outside of Canada, in China. Information by reportable segments is as follows, which is regularly reported to the chief operating decision makers:

(Expressed in Canadian Dollars)

23. SEGMENTED INFORMATION, continued

Year ended December 31, 2012	Stevia	Consumer Products	Corporate items & Elminations	Consolidated Totals
Operating Revenue	$ 21,138,619	$ 570,092	$ -	$ 21,708,711
Operating Costs (1)	(32,537,664)	(3,106,817)		(35,644,481)
Adjusted Operating Profit	$ (11,399,045)	$ (2,536,725)	$ -	$ (13,935,770)
Stock based compensation expense (1)	(1,542,893)	-		(1,542,893)
Depreciation and amortization	(1,719,954)	(189,977)		(1,909,931)
Operating loss	$ (14,661,891)	$ (2,726,703)	$ -	$ (17,388,594)
Impairment of Assets	(8,494,470)	(2,196,323)		(10,690,793)
Finance costs	(6,912,653)	-		(6,912,653)
Other income, net	186,963	67,333		254,296
Income before income taxes & Minority Interest	$ (29,882,051)	$ (4,855,693)	$ -	$ (34,737,744)
Additions to PP&E	775,693	-		775,693
Goodwill	$ -	$ -	$ -	$ -
Total Assets	$ 99,930,699	$ 3,134,474	$ -	$ 103,065,173
Income taxes paid	$ 43,433	$ -	$ -	$ 43,433

(1) Included with operating costs in consolidated statements of income.

Year ended December 31, 2011	Stevia	Consumer Products	Corporate items & Elminations	Consolidated Totals
Operating Revenue	$ 18,793,604	$ 7,701,486	$ (1,654,901)	$ 24,840,189
Operating Costs (1)	(34,184,535)	(26,119,899)	1,561,278	(58,743,155)
Adjusted Operating Profit	$ (15,390,931)	$ (18,418,413)	$ (93,623)	$ (33,902,966)
Stock based compensation expense (1)	(2,699,846)	-		(2,699,846)
Depreciation and amortization	(10,295,849)	(134,097)		(10,429,946)
Operating loss	$ (28,386,625)	$ (18,552,510)	$ (93,623)	$ (47,032,758)
Impairment of Assets	(127,045,937)	(1,255,883)		(128,301,820)
Finance costs	(5,537,697)	-		(5,537,697)
Other income, net	(340,721)	98,000		(242,721)
Income before income taxes & Minority Interest	$ (161,310,981)	$ (19,710,392)	$ (93,623)	$ (181,114,996)
Additions to PP&E	7,881,409	1,124,416		9,005,825
Goodwill and intangibles	$ -	$ -	$ -	$ -
Total Assets	$ 140,015,515	$ 7,366,617	$ -	$ 147,382,132
Income taxes paid	$ 399,084	$ -	$ -	$ 399,084

(1) Included with operating costs in consolidated statements of income.

(Expressed in Canadian Dollars)

23. SEGMENTED INFORMATION, continued

Revenue to external customers by geographical locations is as follows:

	Year ended December 31, 2012	2011
China	$ 20,106,215	$ 15,762,253
North America	1,602,496	9,077,936
	$ 21,708,711	$ 24,840,189

During the year ended December 31, 2012, three customers (2011 – two customers) of the Stevia CGU individually represented 10% or more of total consolidated revenue. The sales to these customers represented 48% (2011 – 60%) of total consolidated revenue.

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) Categories of financial assets and liabilities

Fair value

As at December 31, 2012, December 31, 2011 and January 1, 2011, the recorded amounts for cash and cash equivalents are at fair value.
As at December 31, 2012, December 31, 2011 and January 1, 2011, accounts receivable, accounts payable and accrued liabilities, short term loans, interest payable, advances from customers, and amount due to related parties, less provision for impairment if applicable, approximate their fair values due to the short-term nature of these instruments.

The carrying value of the Company's financial instruments is classified into the following categories:

	December 31, 2012		
	Available-for-sale	Loans and receivables	Other financial liabilities
Financial instruments			
Cash and cash equivalents	$ -	3,582,437	-
Accounts receivables	-	8,444,038	-
Short-term loans	-	(59,882,876)	-
Accounts payable and accrued liabilities	-	-	(25,048,280)
Interest payable	-	-	(1,762,825)
Due to related parties	-	-	(8,673,137)
	$ -	(47,856,401)	(35,484,242)

(Expressed in Canadian Dollars)

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

a) Categories of financial assets and liabilities, continued

Fair value, continued

	December 31, 2011		
	Available-for-sale	Loans and receivables	Other financial liabilities
Financial instruments			
Cash and cash equivalents	$ -	4,486,838	-
Accounts receivables	-	7,124,710	-
Short-term loans	-	(70,574,229)	-
Accounts payable and accrued liabilities	-	-	(32,476,546)
Interest payable	-	-	(215,554)
Due to related parties	-	-	-
	$ -	(58,962,681)	(32,692,100)

	January 1, 2011		
	Available-for-sale	Loans and receivables	Other financial liabilities
Financial instruments			
Cash and cash equivalents	$ -	23,817,215	-
Accounts receivables	-	31,562,296	-
Short-term loans	-	(100,131,084)	-
Accounts payable and accrued liabilities	-	-	(22,006,820)
Interest payable	-	-	(384,761)
Due to related parties	-	-	(6,233,014)
	$ -	(44,751,573)	(28,624,595)

The Company is exposed to credit risk, liquidity risk and market risk. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposures are consistent with its business objectives and risk tolerance.

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

(Expressed in Canadian Dollars)

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

a) Categories of financial assets and liabilities, continued

Fair value, continued

The Company's primary credit risk is on its cash and cash equivalents and accounts receivable. The Company has a high concentration of credit risk as the accounts receivable were owed by two major customers that make up 83% of the total accounts receivable. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, which is estimated by the Company's management based on prior experience and an assessment of the current economic environment. Significant management estimates are used to determine the allowance for doubtful accounts. The allowance for doubtful accounts is calculated by taking into account factors such as the Company's historical collection and write-off experience, the number of days the counterparty is past due, ongoing discussion with the customers and the status of the account. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

b) Credit risk

Allowance account for credit losses	December 31, 2012	December 31, 2011	January 1, 2011
Opening balance	6,231,535	33,325	-
Increase (decrease) in allowance of doubtful debts	(5,674,770)	6,104,132	33,325
Foreign currency translation	(99,768)	94,078	-
Ending balance	456,997	6,231,535	33,325

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 18. It also manages liquidity risk by continually monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Expressed in Canadian Dollars)

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Liquidity risk, continued

The following are the undiscounted contractual maturities of the Company's financial liabilities at December 31, 2012 and 2011:

Financial liabilities at December 31, 2012	0 to 12 months	12 to 24 months
Accounts payable and accruals	$ 25,048,280	$ -
Short term loans	59,882,876	-
Interest payable	1,762,825	-
Due to related party	8,673,137	-
	$ 95,367,118	**$ -**

Financial liabilities at December 31, 2011	0 to 12 months	12 to 24 months
Accounts payable and accruals	$ 32,476,546	$ -
Short term loans	70,574,229	-
Interest payable	215,554	-
	$ 103,266,329	**$ -**

Financial liabilities at January 1, 2011	0 to 12 months	12 to 24 months
Accounts payable and accruals	$ 22,006,820	$ -
Short term loans	100,131,084	-
Interest payable	384,761	-
Due to related party	99,460	6,133,554
	$ 122,622,125	**$ 6,133,554**

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

d) Market risk

Market risk is the risk that changes in market prices, such as fluctuations in the market prices of the Company's publicly traded investments, the Company's share price, foreign exchange rates and interest rates, will affect the Company's income, cash flows or the value of its financial instruments.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its cash and cash equivalents, short term loans and amounts due to related parties at December 31, 2012. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2012, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of approximately $215,642 (December 31, 2011 - $660,874; January 1, 2011 - $825,468) on net (loss) income.

ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. The Company conducts its business primarily in U.S. dollars, Chinese renminbi ("RMB"), Canadian dollars and Hong Kong dollars. The Company is exposed to currency risk as the functional currency of its subsidiaries is other than Canadian dollars.

The majority of the Company's assets are held in subsidiaries whose functional currency is the RMB. The RMB is not a freely convertible currency. Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Company's capital account, are subject to foreign exchange controls and require the approval of the People's Republic of China State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC government could cause future foreign exchange rates to vary significantly from current or historical rates. The Company cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into Canadian dollars of the Company's net assets and net profits.

The Company cannot give any assurance that any future movements in the exchange rates of RMB against the Canadian dollar and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(Expressed in Canadian Dollars)

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

d) Market risk, continued

ii) Foreign exchange risk, continued

Information on the net foreign exchange risk exposure on translating functional currency of the consolidated entities to the presentation currency with an impact on the other comprehensive income is provided in the following table:

	December 31, 2012		
	RMB balance	HK balance	US balance
Total assets	1,038,875,369	4,404	314,586
Total liabilities	(620,964,882)	-	(30,776)
Net foreign exchange risk exposure	**417,910,487**	**4,404**	**283,809**

	December 31, 2011		
	RMB balance	HK balance	US balance
Total assets	1,404,708,765	5,679	855,000
Total liabilities	(641,894,435)	-	-
Net foreign exchange risk exposure	**762,814,330**	**5,679**	**855,000**

	January 1, 2011		
	RMB balance	HK balance	US balance
Total assets	1,457,070,820	5,679	-
Total liabilities	(611,148,070)	-	-
Net foreign exchange risk exposure	**845,922,750**	**5,679**	**-**

(Expressed in Canadian Dollars)

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

d) Market risk, continued

ii) Foreign exchange risk, continued

As of December 31, 2012, assuming that all other variables remain constant, a change of 1% in the Canadian dollar against the RMB would have an effect on other comprehensive income of approximately $667,407 (December 31, 2011 - $1,232,712; January 1, 2011 - $1,276,497).

The Company's U.S. operations, which are integrated operations, and Canadian operations are primarily exposed to exchange rate changes between the U.S. dollar and the Canadian dollar. The Company's primary U.S. dollar exposure in Canada relates to the revaluation into Canadian dollars of its U.S. dollar denominated working capital.

The following table provides information on the Company's net foreign exchange risk exposure from its US and Canadian operations with an impact on the net income (loss):

	December 31, 2012	**December 31, 2011**	**January 1, 2011**
	US$	US$	US$
Financial assets			
Cash and cash equivalents	315,675	1,322,808	348,199
Accounts receivable	315,460	2,674,971	8,775,010
Financial liabilities			
Accounts payable and accruals	(140,723)	-	(404,956)
Short-term borrowing		-	(540,000)
Interest payable	(694,186)	1,910	(194,692)
Due to related party	(8,621,881)	-	(6,266,855)
Net foreign exchange risk exposure	**(8,825,654)**	**3,999,689**	**1,716,706**

As of December 31, 2012, assuming that all other variables remain constant, an increase of 1% in the Canadian dollar against the US dollar would have an effect on net income of approximately $82,624 (December 31, 2011 - $41,512; January 1, 2011 - $17,074).

(Expressed in Canadian Dollars)

25. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to provide returns for shareholders, and comply with any externally imposed capital requirements while safeguarding the Company's ability to continue as a going concern.

	December 31, 2012	December 31, 2011	January 1, 2011
Cash and cash equivalents	$ (3,582,437)	$ (4,486,838)	$ (23,817,215)
Debt	68,556,013	70,574,229	106,264,638
Net Debt	64,973,576	66,087,391	82,447,423
Share capital	190,449,847	189,335,257	141,423,457
Contributed surplus	26,857,443	26,429,140	16,389,310
AOCI	5,585,772	8,568,484	-
Deficit	(216,748,234)	(182,720,710)	(5,808,403)
Shareholder's equity	6,144,828	41,612,171	152,004,364

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests), and short and long term loans and bank indebtedness less cash and cash equivalents.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt, or sell assets to reduce debt. In this respect, the Company monitors its net debt to equity ratio. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's officers and senior management are responsible for managing the Company's capital and do so through regular meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

Pursuant to Chinese regulations, the Company is required to make appropriations to reserve funds, based on after tax net income determined in accordance with generally accepted accounting principles of China. The reserve funds are established for covering corporate obligations in the event of business liquidation. The reserve funds are recorded as part of deficit. The reserve funds are available for the Company to use but are not available for distribution to shareholders other than in liquidation and may limit repatriation of invested capital. The Company is in compliance with this regulation during the year ended December 31, 2012.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2012.

(Expressed in Canadian Dollars)

26. COMMITMENTS

a) Operating leases

The Company renewed two five-year operating leases with respect to land and production equipment at the Qingdao factory in China. The leases expire in 2016, and the annual minimum lease payments are approximately $156,000 (RMB 1,000,000).

The Company entered into a thirty-year agreement with the Dongtai City Municipal Government, located in the Jiangsu Province of China, for approximately 50 acres of land for its seed base operation. Rent of approximately $124,000 (RMB 790,000) is paid every 10 years.

The Company entered into a five-year agreement for office premises located in Vancouver, Canada beginning June 1, 2011. The lease payments for the year ended December 31, 2012 is $143,114 (2011 – $85,485).

The minimum operating lease cash payments related to the above are summarized as follows:		**Amounts**
2013	$	371,615
2014		306,917
2015		308,293
2016		221,789
2017		-
Thereafter		252,000
	$	1,460,614

b) Marketing and promotional contracts

The Company entered into various marketing and promotional short term contracts to support the consumer business promotional campaigns. The total commitment as of December 31, 2012 is $68,000 (RMB 428,125).

c) Investment in Juancheng

In April 2008, the Company signed a twenty year agreement with the government of Juancheng County in the Shandong Province of China, which gave the Company exclusive rights to build and operate a stevia processing factory as well as the exclusive right to purchase high quality stevia leaf grown in that region. The agreement requires the Company to make a total investment in the Juancheng County of $58,998,000 (US$60,000,000) over the course of the twenty year agreement to retain its exclusive rights. As of December 31, 2012, the Company has not made any investment in the county and there is no liability if the Company eventually does not make any investment in the region. However, the Company may lose its exclusivity right if no investment is made by the end of the term of the agreement.

27. STATUTORY SURPLUS RESERVE

The Company's subsidiaries in China are required to make appropriations to a statutory surplus reserve to the amount of 10% of the after tax net income as determined under the Chinese GAAP in accordance with the legal requirements in China until the statutory surplus reserve is equal to 50% of the entities registered capital. Statutory surplus reserve is established for the purpose of offsetting accumulated losses, expending productions or increasing share capital. No appropriation of statutory surplus reserve is made for the year ended December 31, 2012. As at December 31, 2012, the Company's statutory surplus reserve was in the amount of $813,364 (December 31, 2011 - $881,382; January 1, 2011 - $829,600).

28. CONTINGENT LIABILITIES

On December 14, 2011, a putative class action lawsuit was filed against the Company, its Chief Executive Officer and Chief Financial Officer in the U.S. District Court for the Southern District of New York. On January 26, 2012, a very similar putative class action lawsuit against the same defendants was filed in the U.S. District Court for the Southern District of New York. These lawsuits were consolidated into a single case on March 21, 2012, and a consolidated complaint was filed on May 10, 2012. On August 31, 2012, the company was served with proposed class action law suits filed in the Supreme Court of British Columbia and in the Ontario Superior Court of Justice. The Company has reviewed the allegations in the consolidated complaint and the Canadian claims, which concern certain purported misrepresentations and omissions in the Company's public filings, and believes that these allegations are completely without merit.

The Company has retained counsel and will defend itself vigorously in these matters. For the US action, the plaintiffs filed an amended consolidated complaint on March 15, 2013 after the defendants filed a motion to dismiss the proceeding. The defendants filed a motion to dismiss the amended consolidated complaint on March 29, 2013, which remains pending. For the Canadian matter, the Company is awaiting the completion of service and the appointment of a case management judge which is likely to take several months. For the Canadian matter, in order to hold the Canadian matter in abeyance pending further developments in the U.S. litigation, the Plaintiff proposed and the Company agreed to a tolling agreement that postpones the running of the limitation period for the claims under the B.C. and Ontario Securities Acts until the Plaintiff or the Company provides 30 days' notice terminating the tolling agreement.

The outcome of all the proceedings and claims against the Company, including the matters described above, is subject to future resolution that includes the uncertainties of litigation. Based on information currently known to the Company, management believes that it is not probable that the ultimate resolution of any such proceedings and claims, individually or in the aggregate, will have a material adverse effect on the consolidated financial position or results of operations. If it becomes probable that the Company is liable, a provision will be recorded in the period in which the change in probability occurs, and such a provision could be material to the consolidated financial position and results of operations.

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retroactively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings or if appropriate another category of equity unless certain exemptions are applied. In preparing the opening IFRS consolidated statement of financial position, the Company has assessed potential adjustments to amounts reported previously in financial statements that were prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). An explanation of the Company's assessment on the transition from US GAAP to IFRS is set out below.

IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, Business Combinations, prospectively from January 1, 2011;
- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of January 1, 2011;
- to apply the requirements of IFRIC 4, determining whether an arrangement contains a lease, only to periods after on or after January 1, 2011;
- to apply the requirements of IAS 23, Borrowing costs, only to instances prospectively from January 1, 2011; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at January 1, 2011 including those foreign currency differences which arose on adoption of IFRS.

The Company applied the following mandatory exemption:

Estimates

Hindsight is not used to create or revise estimates. In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous GAAP applied, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2011 are consistent with its US GAAP estimates for the same date.

Although there is a possibility that the opening statement of financial position may require adjustment before constituting the external statement of financial position as at January 1, 2011 due to factors such as changes in accounting standards to IFRS, including exposure drafts and final determination by management, management has concluded that no significant adjustment is required after such a review.

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

Non-controlling interests

The Company will apply the following requirements of IFRS 10, Consolidated financial statements, prospectively from January 1, 2011:

- total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
- accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
- accounting for a loss of control over a subsidiary, and the related requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Share-based Payment

Under US GAAP, the Company measured stock-based compensation related to share purchase options at the fair value of the share purchase options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. Forfeitures are recognized as they occur.

IFRS 2, similar to US GAAP, requires the Company to measure stock-based compensation related to share purchase options granted to employees at the fair value of the share purchase options on the date of grant and to recognize such expense over the vesting period of the options. However, for share purchase options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured.

Prior to January 1, 2011, the Company used the straight-line method of calculating vested options. The fair value of stock-based awards with graded vesting was calculated as one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. Effective January 1, 2011, the Company changed from the straight-line method to the graded-vesting method.

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.

Prior to January 1, 2011, forfeitures of awards were recognized as they occurred. Under IFRS, forfeiture estimates are recognized on the grant date and revised for actual experiences in subsequent periods.

The adjustments were calculated only for unvested share purchase options issued and outstanding as of and after the Transition Date.

Management has determined that the adoption of IFRS has resulted in no significant adjustments to the amounts as reported previously under US GAAP.

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

Reconciliation from US GAAP to IFRS

The adoption of the IFRS has resulted in changes to the Company's previously reported financial position, although such an adoption has resulted in no significant impact to the Company's previously reported results of operations and cash flow movement. In order to allow the users of the financial statements to better understand about these changes, reconciliations from US GAAP to IFRS of the Company's reported financial positions as at January 1, 2011 are presented below.

(Expressed in Canadian Dollars)

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

The US GAAP consolidated statement of financial position at January 1, 2011 has been reconciled to IFRS as follows:

	Note	Previously reported under US GAAP	Change in foreign currency translation	Reclassification of balance sheet items	Restated under IFRS
ASSETS					
Current Assets					
Cash and cash equivalents		$ 23,817,215	$ -	$ -	$ 23,817,215
Accounts receivable		31,562,296	-	-	31,562,296
Taxes recoverable		6,554,498	-	-	6,554,498
Inventory		63,306,902	-	-	63,306,902
Prepaid expenses		4,461,751	-	-	4,461,751
Total Current Asset		129,702,662	-	-	129,702,662
Property, Plant, and Equipment	b	108,324,184	-	(723,174)	107,601,010
Biological Assets	b	-	-	723,174	723,174
Goodwill		7,736,478	-	-	7,736,478
Intangible Assets		35,643,970	-	-	35,643,970
Total Assets		$ 281,407,294	$ -	$ -	$ 281,407,294
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Short term loans		$ 100,131,084	$ -	$ -	$ 100,131,084
Accounts payable and accruals		22,006,820	-	-	22,006,820
Interest payable		384,761	-	-	384,761
Due to related parties		99,460	-	-	99,460
Total Current Liabilities		122,622,125	-	-	122,622,125
Due to related parties		6,133,554	-	-	6,133,554
Deferred income tax liability		642,864	-	-	642,864
Total Liabilities		129,398,543	-	-	129,398,543
Shareholders' Equity					
Issued capital		141,423,457	-	-	141,423,457
Additional paid-in capital		16,389,310	-	-	16,389,310
Accumulated other comprehensive income	a	5,676,312	(5,676,312)	-	-
Deficit	a	(11,484,715)	5,676,312	-	(5,808,403)
Total GLG Life Tech Corporation Shareholde		152,004,364	-	-	152,004,364
Non-controlling interests		4,387	-	-	4,387
Total Shareholders' Equity		152,008,751	-	-	152,008,751
Total Liabilities and Shareholders' Equ		$ 281,407,294	$ -	$ -	$ 281,407,294

a) In accordance with IFRS optional exemptions, the Company elected to transfer the cumulative translation differences, recognized as a separate component of equity, to deficit at the date of transition. In electing to take this IFRS 1 exemption, the Company has reclassified $5,676,312 previously recorded to accumulated other comprehensive loss under US GAAP to deficit as at the date of transition.

b) The Company has reclassified biological assets as defined in IAS41 from property, plant and equipment as reported under US GAAP.

(Expressed in Canadian Dollars)

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

The US GAAP consolidated statement of financial position at December 31, 2011 has been reconciled to IFRS as follows:

	Note	Previously reported under US GAAP	Change in foreign currency translation	Impairment of assets	Reclassification of balance sheet items	Restated under IFRS
ASSETS						
Current Assets						
Cash and cash equivalents		$ 4,486,838	$ -	$ -	$ -	$ 4,486,838
Accounts receivable		7,124,710	-	-	-	7,124,710
Taxes recoverable		8,583,119	-	-	-	8,583,119
Inventory		66,740,868	-	-	-	66,740,868
Prepaid expenses		6,639,713	-	-	-	6,639,713
Total Current Asset		93,575,248	-	-	-	93,575,248
Property, Plant, and Equipment	b	112,255,188	-	(58,448,304)	(696,859)	53,110,025
Biological assets	b	-	-	-	696,859	696,859
Intangible Assets		27,949,699	-	(27,949,699)	-	-
Total Assets		$ 233,780,135	$ -	$ (86,398,003)	-	$ 147,382,132
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Short term loans		$ 70,574,229	$ -	$ -	-	$ 70,574,229
Accounts payable and accrua	c	31,651,426	-	-	825,120	32,476,546
Interest payable		215,554	-	-	-	215,554
Advances from customers	c	825,120	-	-	(825,120)	-
Deferred revenue		109,460	-	-	-	109,460
Total Liabilities		103,375,789	-	-	-	103,375,789
Shareholders' Equity						
Issued capital		189,335,257	-	-	-	189,335,257
Additional paid-in capital		26,429,140	-	-	-	26,429,140
Accumulated other comprehensive income	a	14,462,164	(5,676,312)	-	(217,368)	8,568,484
Deficit	a,d	(101,999,019)	5,676,312	(86,398,003)		(182,720,710)
Total GLG Life Tech Corporation Shareholde		128,227,542	-	(86,398,003)	(217,368)	41,612,171
Non-controlling interests	d	2,176,804	-	-	217,368	2,394,172
Total Shareholders' Equity		130,404,346	-	(86,398,003)	-	44,006,343
Total Liabilities and Shareholders' Equ		$ 233,780,135	$ -	$ (86,398,003)	$ -	$ 147,382,132

a) In accordance with IFRS optional examinations, the Company elected to transfer the cumulative translation differences, recognized as a separate component of equity, to deficit at the date of transition. In electing to take this IFRS 1 exemption, the Company has reclassified $5,676,312 previously recorded to accumulated other comprehensive loss under US GAAP to deficit as at the date of transition.
b) The Company has reclassified biological assets as defined in IAS41 from property, plant and equipment as reported under US GAAP.
c) The Company has reclassified advances from customers as defined in IAS39 from advances from customers as reported under US GAAP.
d) The Company has allocated foreign currency translation to NCI as defined in amendment in IAS 1 from NCI as reported under US GAAP.

(Expressed in Canadian Dollars)

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

The US GAAP consolidated statements of operations and comprehensive (loss) at December 31, 2011 has been reconciled to IFRS as follows:

			Previously reported under US GAAP		Impairment based on IFRS		Restated under IFRS
REVENUE		$	24,840,189	$		$	24,840,189
COST OF SALES			26,421,812				26,421,812
GROSS (LOSS) PROFIT			(1,581,623)				(1,581,623)
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 21)			45,451,135				45,451,135
OTHER INCOME (EXPENSES)							
Goodwill and intangible asset impairment	a		(12,189,321)		(27,949,699)		(40,139,020)
Inventories impairment			(29,714,496)				(29,714,496)
Property, plant and equipment impairment	a		-		(58,448,304)		(58,448,304)
Interest expense			(5,721,191)				(5,721,191)
Interest income			183,494				183,494
Foreign exchange (loss) gain			(242,721)				(242,721)
			(47,684,235)		(86,398,003)		(134,082,238)
(LOSS) BEFORE INCOME TAXES			(94,716,993)		(86,398,003)		(181,114,996)
INCOME TAX (EXPENSE) RECOVERY			(440,460)				(440,460)
NET (LOSS)			(95,157,453)		(86,398,003)		(181,555,456)
OTHER COMPREHENSIVE (LOSS)							
Foreign Currency Translation Adjustment			8,785,852				8,785,852
TOTAL COMPREHENSIVE (LOSS)			(86,371,601)		(86,398,003)		(172,769,604)
NET (LOSS)							
ATTRIBUTABLE TO NON-CONTROLLING INTEREST			(4,643,149)				(4,643,149)
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS			(90,514,304)		(86,398,003)		(176,912,307)
OTHER COMPREHENSIVE INCOME (LOSS)							
ATTRIBUTABLE TO NON-CONTROLLING INTEREST			217,368				217,368
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS			8,568,484		-		8,568,484
COMPREHENSIVE (LOSS)							
ATTRIBUTABLE TO NON-CONTROLLING INTEREST			(4,425,781)		-		(4,425,781)
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS			(81,945,820)		(86,398,003)		(168,343,823)
NET (LOSS) PER SHARE							
Basic & Diluted (Note 22)			(2.82)		(2.70)		(5.52)
Weighted Average Number of Shares Outstanding							
Basic and diluted			32,045,917		32,045,917		32,045,917

a) In accordance with IAS 36, the Company reassessed impairment of assets. The Company recognized impairments on intangible assets and PP&E. (see Note 13)

(Expressed in Canadian Dollars)

29. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

The US GAAP consolidated statements of cash flow at December 31, 2011 has been reconciled to IFRS as follows:

		Previously reported under US GAAP	Impairment based on IFRS	Reclassification of balance sheet items	Restated under IFRS
Cash Flows From Operating Activities					
Net (loss)		$ (95,157,453)	$ (86,398,003)	$	$ (181,555,456)
Adjustments to reconcile net income to net cash provided by operating activities:					
Stock-based compensation		2,699,846			2,699,846
Depreciation of property, plant and equipment and amortization of intangible assets		10,503,420	(73,474)		10,429,946
Goodwill and intangible asset impairment		12,189,321	27,949,699		40,139,020
Loss on disposal of property, plant and equipment		-			-
Allowances for doubtful accounts		6,405,224			6,405,224
Inventories impairment		29,714,496			29,714,496
Property, plant and equipment impairment		-	58,448,304		58,448,304
Prepaid expenses impairment		-			-
Unrealized foreign exchange loss (gain)		(479,464)			(479,464)
Deferred income tax expense (recovery)		430,146			430,146
Changes in non-cash working capital items (Note 20)	a	729,642		703,256	1,432,898
Net cash from (used in) operating activities		(32,964,822)	(73,474)	703,256	(32,335,040)
Cash Flows From Investing activities					
Proceeds on disposal of property, plant and equipment		-			-
Purchase of property, plant and equipment		(9,005,825)			(9,005,825)
Net cash from (used in) investing activities		(9,005,825)			(9,005,825)
Cash Flow From Financing activities					
Issuance of short term loans		66,305,489			66,305,489
Repayment of short term loans		(100,978,904)			(100,978,904)
Issuance of common shares, net of share issuance costs		54,187,645			54,187,645
Exercise of stock options		52,232			52,232
Equity contribution by non-controlling interests		6,815,566			6,815,566
Advance from customers	a	703,256		(703,256)	-
Advance from related parties		(6,125,438)			(6,125,438)
Net cash from (used in) financing activities		20,959,846	-	(703,256)	20,256,590
Effect of exchange rate changes on cash and cash equivalents		1,680,424	73,474		1,753,898
NET DECREASE IN CASH AND CASH EQUIVALENTS		(19,330,377)	-	-	(19,330,377)
CASH AND CASH EQUIVALENTS, beginning of year		23,817,215			23,817,215
CASH AND CASH EQUIVALENTS, end of year		$ 4,486,838	$	$	$ 4,486,838

a) The Company has reclassified advances from customers as defined in IAS39 from advances from customers as reported under US GAAP.

30. EVENTS AFTER REPORTING DATE

Subsequent to December 31, 2012, the Company has received a letter of agreement with one customer for the repayment of an agreed balance, and has received $1,884,472 (RMB 11,800,000) against the balance of trade receivables under the >180 days category.

On April 18, 2013, the Company has signed a loan refinancing agreement with Agricultural Bank of China. The agreement details the repayment of all existing short term loans totaling $32,567,575 (RMB 203,928,387) with Agriculture Bank as of December 31, 2012. The Company will repay $6,108,799 (RMB 38,251,465) during the year ended December 31, 2013, $12,776,083 (RMB 80,000,000) during the year ended December 31, 2014 and $13,682,693 (RMB 85,676,922) during the year ended December 31, 2015. The Company has made the first scheduled payment of $1,317,768 (RMB 8,251,465) as of March 31, 2013.

On May 21, 2013- the company provided an update on the review by the regulatory authorities. Following the cease trade order issued on May 2, 2012 by British Securities Commission (the "BCSC"), and subsequently adopted by the other Canadian securities regulators in jurisdictions where GLG is a reporting issuer, the BCSC launched a continuous disclosure review in September 2012. The Company expected that it is now nearing completion of that process and will be able to then file its year-end financial reports including its annual audited Financial Statements, Management Discussion and Analysis, Annual Information Form, and CEO and CFO Certifications for the period ending December 31, 2012 shortly. The main reasons for the delay in filing were due to third party valuation reports required to support its transition from US GAAP to IFRS and in particular to look at tangible and intangible assets impairment testing and to meet the BCSC's information request as part of the Continuous Disclosure review. 2012 is the first year that the Company is reporting under IFRS. The Company will re-file its financial statements for the nine month period ended September 30, 2012 and related MD&A to correct an error associated with its IFRS impairment testing.