

GLG Life Tech Limited
(Formerly Panoramic Mirrors Inc.)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005
(Unaudited – Prepared by Management)

SCHEDULE "A"

GLG Life Tech Limited
(Formerly Panoramic Mirrors Inc.)

**NOTICE TO SHAREHOLDERS FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2005**

Responsibility for Financial Statements

The accompanying financial statements for GLG Life Tech Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in December 31, 2004 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditor's involvement

The auditors of GLG Life Tech Limited have not performed a review of the unaudited financial statements for the nine month periods ended September 30, 2005

GLG Life Tech Limited (formerly Panoramic Mirrors Inc.)
CONSOLIDATED BALANCE SHEET
September 30, 2005
(Unaudited - Prepared by Management)

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 706,986	\$ 54,633
Accounts receivable	138,568	2,296
Subscriptions receivable	0	102,211
Prepaid and deposits	<u>600</u>	<u>0</u>
	846,154	159,140
NOTES RECEIVABLE (Note 7)	620,100	0
CAPITAL ASSETS (Note 8)	7,113	0
LICENSE (Note 5)	<u>5</u>	<u>0</u>
	<u>\$ 1,473,372</u>	<u>\$ 159,140</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>4,310</u>	\$ <u>10,729</u>
	<u>4,310</u>	<u>10,729</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	1,473,817	163,440
CONTRIBUTED SURPLUS (Note 10)	1,856,562	0
DEFICIT	<u>(1,861,317)</u>	<u>(15,029)</u>
	<u>1,469,062</u>	<u>148,411</u>
	<u>\$ 1,473,372</u>	<u>\$ 159,140</u>

APPROVED BY THE BOARD

"Brian A Palmieri"

Director

"Jinduo Zhang"

Director

The accompanying notes are an integral part of these financial statements.

GLG Life Tech Limited (formerly Panoramic Mirrors Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(Unaudited - Prepared by Management)

	<u>3 Months Ended</u> <u>Sep 30, 2005</u>	<u>9 Months Ended</u> <u>Sep 30, 2005</u>
REVENUE	\$ 243,019	\$ 243,019
COST OF SALES	<u>33,967</u>	<u>33,967</u>
GROSS PROFIT	209,052	209,052
EXPENSES		
Accounting	6,470	19,211
Amortization of capital assets	301	902
Bank charges and interest	270	270
Consulting fees	22,864	25,148
Meals & Entertainment	294	294
Office and stationary	4,442	6,591
Professional fees	24,443	80,642
Regulatory fees	300	4,034
Rent	2,861	4,856
Telephone and fax	1,772	1,772
Travel	8,453	8,453
Stock-based compensation	<u>0</u>	<u>1,856,562</u>
	<u>72,470</u>	<u>2,008,735</u>
NET PROFIT (LOSS) FROM OPERATIONS	136,582	(1,799,683)
OTHER ITEMS		
Foreign exchange loss	(38,288)	(61,314)
Interest income	<u>13,605</u>	<u>14,709</u>
	(24,683)	(46,605)
PROFIT (LOSS) FOR THE PERIOD	111,899	(1,846,288)
DEFICIT, BEGINNING OF PERIOD	<u>(1,973,216)</u>	<u>(15,029)</u>
DEFICIT, END OF PERIOD	<u>\$ (1,861,317)</u>	<u>\$ (1,861,317)</u>
PROFIT (LOSS) PER SHARE	<u>\$ 0.00</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	91,135,188	91,135,188

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GLG Life Tech Limited (formerly Panoramic Mirrors Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited - Prepared by Management)

	<u>3 Months Ended</u> <u>Sep 30, 2005</u>	<u>9 Months Ended</u> <u>Sep 30, 2005</u>
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Profit (loss) for the period	\$ 111,899	\$ (1,846,288)
Items not involving cash:		
Amortization of capital assets	301	902
Stock-based compensation	0	1,856,562
Changes in non-cash working capital items:		
Decrease (increase) in Inventory	33,966	0
Decrease (increase) in Accounts receivable	(133,244)	(136,272)
Decrease (increase) in Prepaid and deposits	0	(600)
Decrease (increase) in Licence	0	(5)
Increase (decrease) in Accounts payable and accrued liabilities	4,310	(6,419)
Net cash used in operating activities	<u>17,232</u>	<u>(132,120)</u>
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		
Notes receivable	0	(620,100)
Purchase of capital assets	0	(8,015)
Net cash used in investing activities	<u>0</u>	<u>(628,115)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Subscription receivable	0	102,211
Issuance of share capital	0	1,310,377
Net cash provided by financing activities	<u>0</u>	<u>1,412,588</u>
INCREASE (DECREASE) ON CASH DURING THE PERIOD	17,232	652,353
CASH, BEGINNING OF PERIOD	<u>689,754</u>	<u>54,633</u>
CASH, END OF PERIOD	<u>\$ 706,986</u>	<u>\$ 706,986</u>

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GLG Life Tech Limited

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

1. Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with the on-going assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The statements are prepared using the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim financial statements should be read in conjunction with the audited financial statements of Grand Leaf International Ltd. (“Grand Leaf” or “GLI”) for the year ended December 31, 2004. Interim results are not necessary indicative of the results expected for the fiscal year.

Comparative statements of operations and cashflows for the corresponding period ended September 30, 2004 are not available as Grand Leaf was incorporated in England and Wales on December 15, 2004.

2. Nature of Operations

Panoramic Mirrors Inc. (“PMI”) was incorporated on June 5, 1998 under the corporate laws of the Province of British Columbia, Canada. On June 16, 2005 the Company changed its name to GLG Life Tech Limited (“GLGT” or the “Company”).

On June 28, 2005, closing escrow conditions were satisfied and GLGT formally completed a share exchange agreement with the shareholders of Grand Leaf under which it acquired all the issued and outstanding common shares of Grand Leaf. The effective date of the acquisition was June 21, 2005. To effect this acquisition, the common shareholders of Grand Leaf exchanged their shares for common shares of GLGT at a ratio 12.58 to 1. As a result of this acquisition, the former shareholders of Grand Leaf, having received 86% of the shares of the Company, have control of the combined entity. Therefore, this transaction is accounted for as an acquisition of GLGT by Grand Leaf. (Note 3)

The Company is in the business of procuring health and nutritional products, including protein and vitamin supplements, food supplements and dietary supplements from around the globe and is currently selling them to their main customer in China that currently has in excess of 300 of locations. Their main customer in China is GLG International Health Products.

3. Acquisition of Grand Leaf International Limited

Pursuant to a Definitive Share Purchase Agreement (“Agreement”) dated December 1, 2004 with Grand Leaf and its shareholders, the Company agreed to issue 79,661,000 shares of its common share in exchange for all of the outstanding common shares in Grand Leaf.

The above transaction resulted in the former shareholders of Grand Leaf owning the majority of the issued and outstanding shares of the combined entity. For accounting purposes, the acquisition has been recorded, in accordance with the GAAP, as a reverse takeover of GLGT by Grand Leaf. Accordingly, Grand Leaf has been identified as the acquirer and, accordingly, the financial statements of the combined company reflect the continuation of Grand Leaf under the name GLG Tech Limited (the “Company”).

GLG Life Tech Limited

(Formerly Panoramic Mirrors Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

It was also agreed between the parties that as of June 21, 2005, the effective date of the transaction, the former management of the Company would be responsible for all of the Company's outstanding liabilities and that a license to distribute SQ mirrors worldwide with a book value of \$1 would be the only asset on the Company's books. The operating results of PMI for the period January 1, 2005 to June 21, 2005 (the effective date of acquisition) are summarized below:

EXPENSES

Amortization of capital assets	1,134
Bank charges and interest	230
Office and stationary	174
Professional fees	707
Regulatory fees	4,270
Rent	6,000
Telephone and fax	369
Salaries and wages	4,616

NET LOSS FROM OPERATIONS 17,500

OTHER ITEMS

Interest income	<u>(1,796)</u>
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NET LOSS FOR THE PERIOD **15,704**

Before the effective date of the transaction, PMI's share capital value was written down to \$1 to reflect the value of the licence and the net liabilities (where liabilities exceed assets) were removed from the Company's books.

4. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Consolidation

These consolidated financial statements included the accounts of the Company and its wholly-owned subsidiary, Grand Leaf. All significant inter-company transactions occurring subsequent to June 21, 2005, the effective date of acquisition of Grand Leaf, have been eliminated upon consolidation.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

GLG Life Tech Limited

(Formerly Panoramic Mirrors Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

c) Revenue recognition

Revenue is recognized when products are shipped to customers, and the ultimate collection is reasonably assured.

d) Foreign currency translation

The Company maintains its accounting records in Canadian dollars. Monetary assets and liabilities of the company denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Foreign currency transactions are translated at rates in effect on the dates of the transactions. Foreign exchange gains and losses are reflected in the statement of income.

e) Earnings (loss) per share

Earnings (loss) per share are computed using the weighted average number of common shares outstanding during the year.

Fully diluted earnings (loss) per share have not been presented as the effect of common shares issuable upon the exercise of options and warrants would be anti-dilutive.

f) Income taxes

The Company follows the liability method of accounting for income taxes in accordance with Section 3465, Income Taxes, of *The Handbook of the Canadian Institute of Chartered Accountant*. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

g) Equipment

Computer equipment is recorded at cost less accumulated amortization and is amortized over its expected life on the following basis:

30% declining balance.

The Company uses the half-year rule in the year of acquisition.

h) Stock-based Compensation

The Company uses the fair value method for stock-based compensation granted to employees and non-employees of the Company and all direct awards of stock, in accordance with the Canadian Institute of Chartered Accountants Handbook Section 3870 "*Stock-based compensation and Other stock-based payments*". The fair value of stock options is determined by the *Black-Scholes Option Pricing Model* with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

GLG Life Tech Limited

(Formerly Panoramic Mirrors Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

i) Intangible Assets

Intangible assets are amortized over its useful life unless the life is determined to be indefinite. An intangible asset with an indefinite life is not amortized but will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized when the carrying value of intangible asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

5. Licenses and Rights

a) Exclusive License Agreement with Dr. Zhang and Prof. Hong

Pursuant to an agreement dated December 30, 2004, Dr. Zhang, a major shareholder of the Company, and Prof. Hong have granted the Company an exclusive world-wide license to operate the health and wellness business owned by Dr. Zhang and Prof. Hong (which includes health education and consulting services, and the marketing and distribution for retail sale of various health and nutraceutical products) and the right to sub-license such right.

An independent appraiser had completed a valuation that was approved by the Central Finance Committee in China. The Supreme Court in China had also stamped on the valuation which stated that the contract has a value of RMB ¥320,000,000 which is equivalent to \$47,392,000 in Canadian dollars. However, the Company assigns only a nominal value of \$1 to the license on its Balance Sheet for accounting purpose.

b) Exclusive License Agreement with Prof. Jinduo Zhang

Pursuant to an agreement dated December 30, 2004, Prof. Jinduo Zhang granted the Company the exclusive world-wide license to use the name GLG, and to sub-license such right.

c) Supplier Agreement with GLG Health Products Chain Store Limited

Pursuant to an agreement dated December 30, 2004, GLG Health Products Chain Store Limited ("GLG Health Products") was appointed as an authorized retailer in China of health and nutraceutical products distributed by the Company. The agreement also provides that all health and nutraceutical products sold by GLG Health Products must be purchased from the Company or its approved suppliers. Mrs. Yunru Zhang, a minority owner of GLG Health Products, owns approximately 13% of the Company's issued and outstanding shares.

d) Share Transfer Agreement with the Owners of GLG Health Products

Pursuant to an agreement dated December 30, 2004, the Company has the right, but not the obligation, to purchase ownership of GLG Health Products and all interest in its registered capital. Mrs. Yunru Zhang, a minority owner of GLG Health Products, owns approximately 13% of the Company's issued and outstanding shares.

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(Formerly Panoramic Mirrors Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

- e) License for distributing SQ Mirrors worldwide

Pursuant to an amended agreement dated October 5, 1998, the Company has the worldwide distribution rights for the SQ Mirrors. Due to the continuous losses in distributing these products for 3 years, Panoramic Mirrors Inc. had written down the value of the license to \$1 in 2003 and abandoned this business.

6. Inventory

Inventory consists of health and nutritional products that are ready to be shipped to GLG Health Products in China. The Company acquires the products through third parties worldwide and records its inventory at cost.

7. Notes Receivable

The Company loaned a sum of US\$500,000 to GLG Health Products pursuant to an agreement dated June 20, 2005. The loan bears interest at the rate of 1% more than the prime commercial lending rate posted by the Bank of Montreal at its main branch in Vancouver, British Columbia on the first business day of each calendar quarter. Interest is accrued at the end of each quarter. The loan is unsecured and is due on June 19, 2008.

8. Equipment

	Cost	Accumulated amortization	Net book value
Computer equipment	\$8,015	\$902	\$7,413

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(Formerly Panoramic Mirrors Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

9. Share Capital

In accordance with reverse takeover accounting principles, Grand Leaf, the legal subsidiary, is deemed to have acquired control of the net assets of the legal parent, the Company. Accordingly, the number of issued shares reflects the structure of the Company, while the value of the issued share capital reflects the position of Grand Leaf adjusted for the cost of the purchase.

- a) Authorized: Unlimited number of common shares without par value.
- b) Issued and outstanding: 92,921,000 of common shares without par value

	Shares	Amount
Shares issued and outstanding immediately before reverse acquisition	13,260,000	\$ 1
Shares issued to effect the acquisition of Grand Leaf and recapitalization at the share exchange ratio of 12.58 common shares of the Company for each common share of Grand Leaf	<u>79,661,000</u>	<u>1,473,816</u>
Total	<u>92,921,000</u>	<u>\$1,473,817</u>

- c) Shares held in escrow

As at September 30, 2005, there are 57,754,594 common shares which are being held in escrow and 66,132,670 common shares which are subject to a voluntary pooling agreement. The shares held in escrow will be released over a period of 36 months with 15% released from escrow every six months after June 21, 2005. The shares which are subject to the voluntary pooling agreement are not permitted to be traded until 18 months after June 21, 2005, except that if the closing price of the shares reaches \$2.00 or higher, then 15% of the subject shares will be released at such time.

10. Stock Options

During the quarter ended June 30, 2005, the Company adopted the Stock Option Plan ("Plan") whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 18,584,200 common shares of the Company. All options granted before the acquisition of Grand Leaf were relinquished and the Company granted a total of 18,584,200 options, exercisable into one common share of the Company at \$0.10 per share until June 20, 2010.

Stock-based compensation

The Company recorded stock-based compensation costs of \$1,856,562 by applying the fair value method of accounting for the stock options granted during the last quarter ended June 30, 2005. The offsetting amount was recorded as contributed surplus on the balance sheet. No stock option was granted in this 3-month period ended September 30, 2005.

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(Formerly Panoramic Mirrors Inc.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited – Prepared by Management)

The fair value of all options granted has been estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Risk-free interest rate	3.4%
Expected life of options	5 years
Annualized volatility	300%
Dividend rate	Nil

Option pricing models require the use of highly subjective estimate and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, in management's opinion, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

11. Warrants

During this reporting period, 300,000 half warrants (i.e. 150,000 full warrants) exercisable at \$0.15 per full warrant expired.

12. Related Party Transaction

Related party transaction not disclosed elsewhere in the financial statements are as follows:

- a) The Company paid legal fees, disbursements and provincial sales taxes in the amount of \$7,089 to a legal firm at which an officer of the Company is an associate counsel.
- b) The Company paid consulting fees in the amount of \$3,700 to an officer of the Company.

13. Financial Instruments

Fair value of estimates of financial instruments is made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company's financial instruments consist of cash, receivables, inventories, prepaid expenses and deposits and accounts payable. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

It is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

14. Comparative Figures

Comparative figures for the same period (ended September 30) in prior year were not available as Grand Leaf was not formed until December 15, 2004.