GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of GLG Life Tech Corporation have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States 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 as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's management has employed a framework consistent with Exchange Act Rule 13a-15(c), to evaluate the Company's internal control over financial reporting as described below. 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 generally accepted accounting principles.

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, 2011. 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, 2011, the Company's internal control over financial reporting was effective.

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

August 14, 2012

Brian Meadows (Signed)
President and Chief Financial Officer

August 14, 2012

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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 statement of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, 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 financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of GLG Life Tech Corporation as at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 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.

Other matter

The financial statements of GLG Life Tech Corporation for the year ended December 31, 2010, which were presented under Canadian generally accepted accounting principles, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2011.

Thompson Penner & Lo LLP

Certified General Accountants

August 14, 2012
Calgary, Alberta, Canada

GLG LIFE TECH CORPORATION

Consolidated Balance Sheets as at December 31

(Expressed in Canadian Dollars)

	Note		December 31, 2011		December 31, 2010 (Adjusted-note 3(a))
ASSETS					
Current Assets					
Cash and cash equivalents		$	4,486,838	$	23,817,215
Accounts receivable	4		7,124,710		31,562,296
Taxes recoverable	5		8,583,119		6,554,498
Inventory	6		66,740,868		63,306,902
Prepaid expenses	7		6,639,713		4,461,751
Total Current Assets			93,575,248		129,702,662
Property, Plant, and Equipment	8		112,255,188		108,324,184
Goodwill	9		-		7,736,478
Intangible Assets	10		27,949,699		35,643,970
Total Assets		$	233,780,135	$	281,407,294
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Short term loans	11	$	70,574,229	$	100,131,084
Accounts payable and accrued liabilities	12		31,651,426		21,929,861
Interest payable			215,554		384,761
Advances from customers			825,120		76,959
Due to related parties	13		-		99,460
Deferred revenue			109,460		-
Total Current Liabilities			103,375,789		122,622,125
Due to Related Parties	13		-		6,133,554
Deferred Income Tax Liability	19		-		642,864
Total Liabilities			103,375,789		129,398,543
EQUITY					
Stockholders' Equity					
Common Stock: no par value; unlimited shares authorized; issued and outstanding shares: 32,915,634 (December 31, 2010 -27,371,246)	14		189,335,257		141,423,457
Additional paid-in capital			26,429,140		16,389,310
Accumulated other comprehensive income			14,462,164		5,676,312
Deficit			(101,999,019)		(11,484,715)
Total GLG Life Tech Corporation Stockholders' Equity			128,227,542		152,004,364
Non-controlling interests			2,176,804		4,387
Total Stockholders' Equity			130,404,346		152,008,751
Total Liabilities and Stockholders' Equity		$	233,780,135	$	281,407,294

Nature of Operations and Going Concern (Note 1)

Commitments (Note 22)

Contingent liabilities (Note 23)

Subsequent events (Note 25)

See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"David Hall" Director

"Sophia Leung" Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Operations and Comprehensive (Loss)
For the years ended December 31
(Expressed in Canadian Dollars)

	2011	2010 (Adjusted-note 3(a))
REVENUE	$ 24,840,189	$ 58,927,129
COST OF SALES	26,421,812	41,365,355
GROSS (LOSS) PROFIT	(1,581,623)	17,561,774
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	45,451,135	15,096,788
(LOSS) PROFIT BEFORE THE UNDERNOTED	(47,032,758)	2,464,986
OTHER INCOME (EXPENSES)		
Goodwill and intangible asset impairments (Notes 9 & 10)	(12,189,321)	-
Provisions for inventories impairment	(29,714,496)	-
Interest expense	(5,721,191)	(4,337,649)
Interest income	183,494	170,212
Foreign exchange (loss)	(242,721)	(860,169)
	(47,684,235)	(5,027,606)
(LOSS) BEFORE INCOME TAXES	(94,716,993)	(2,562,620)
INCOME TAX (EXPENSE)	(440,460)	(586,968)
NET (LOSS)	(95,157,453)	(3,149,588)
NET (LOSS) ATTRIBUTABLE TO NON CONTROLLING INTERESTS	(4,643,149)	(18,856)
NET (LOSS) ATTRIBUTABLE TO GLG LIFE TECH CORPORATION	(90,514,304)	(3,130,732)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign Currency Translation Adjustment	8,785,852	(710,376)
COMPREHENSIVE (LOSS)	(81,728,452)	(3,841,108)
NET (LOSS) PER SHARE		
Basic and diluted	(2.82)	(0.12)
Weighted Average Number of Shares Outstanding		
Basic and diluted	32,045,917	26,618,546

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Stockholders' Equity
For the years ended December 31
(Expressed in Canadian Dollars)

	Common Shares			Accumulated Other		Total Equity Attributable to		
	Shares	Amount	Additional Paid in Capital	Comprehensive Income ("AOCI")	Deficit	GLG Life Tech Corporation	Non-Controlling Interests	Total Stockholders' Equity
Balance, December 31, 2009	25,417,723	$ 134,869,181	$ 16,339,037	$ 6,386,688	$ (8,353,983)	$ 149,240,923	23,243	$ 149,264,166
Common shares issued:								
Intangible Assets (Note 10)	250,000	1,977,500	-	-	-	1,977,500	-	1,977,500
Exercise of stock option	1,099,167	1,319,000	(439,666)	-	-	879,334	-	879,334
Restricted shares	604,356	377,964	-	-	-	377,964	-	377,964
Stock-based compensation	-	2,879,812	489,939	-	-	3,369,751	-	3,369,751
Change in foreign currency translation	-	-	-	(710,376)	-	(710,376)	-	(710,376)
Net (loss)	-	-	-		(3,130,732)	(3,130,732)	(18,856)	(3,149,588)
Balance, December 31, 2010	27,371,246	$ 141,423,457	$ 16,389,310	$ 5,676,312	$ (11,484,715)	$ 152,004,364	$ 4,387	$ 152,008,751
(Adjusted - note 3(a))								
Common shares issued:								
Equity offering, net (Note 14(a))	5,290,000	45,745,972	9,453,580	-	-	55,199,552	-	55,199,552
Exercise of stock options	6,388	86,273	(34,041)	-	-	52,232	-	52,232
Restricted shares	248,000	217,940	-	-	-	217,940	-	217,940
Stock-based compensation	-	1,861,615	620,291	-	-	2,481,906	-	2,481,906
Change in foreign currency translation	-	-	-	8,785,852	-	8,785,852	-	8,785,852
Non-controlling interest	-	-	-	-	-	-	6,815,566	6,815,566
Net (loss)	-	-	-	-	(90,514,304)	(90,514,304)	(4,643,149)	(95,157,453)
Balance, December 31, 2011	32,915,634	$ 189,335,257	$ 26,429,140	$ 14,462,164	$ (101,999,019)	$ 128,227,542	$ 2,176,804	130,404,346

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

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

	2011	2010 (Adjusted-note 3(a))
Cash Flows From Operating Activities		
Net (loss)	$ (95,157,453)	$ (3,149,588)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	2,699,846	3,308,048
Amortization of property, plant and equipment and intangible assets	10,503,420	10,393,853
Goodwill and intangible asset impairments (Notes 9 & 10)	12,189,321	-
Provisions for receivables	6,405,224	(18,027)
Provisions for inventories impairment	29,714,496	
Unrealized foreign exchange (gain) loss	(479,464)	202,305
Deferred income tax expense (recovery)	430,146	(101,802)
Changes in non-cash working capital items (Note 16)	729,642	(39,190,958)
Net cash (used in) operating activities	(32,964,822)	(28,556,169)
Cash Flows From Investing activities		
Decrease in restricted cash	-	10,003
Purchase of property, plant and equipment	(9,005,825)	(14,885,743)
Net cash (used in) investing activities	(9,005,825)	(14,875,740)
Cash Flow From Financing activities		
Issuance of short term loans	66,305,489	53,981,670
Repayment of short term loans	(100,978,904)	(3,719,372)
Issuance of common shares, net of share issuance costs	54,187,645	-
Exercise of stock options	52,232	1,319,000
Equity contribution by non-controlling interests	6,815,566	-
Advances from customers	703,256	73,543
Advance from related parties	-	2,634,781
Repayment of loans to related parties	(6,125,438)	(3,406,211)
Net cash from financing activities	20,959,846	50,883,411
Effect of exchange rate changes on cash and cash equivalent	1,680,424	347,510
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,330,377)	7,799,012
CASH AND CASH EQUIVALENTS, beginning of year	23,817,215	16,018,203
CASH AND CASH EQUIVALENTS, end of year	**$** 4,486,838	$ 23,817,215

Supplemental Cash Flow Information (Note 16)

See Accompanying Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS AND GOING CONCERN

GLG Life Tech Corporation (the "Company") was incorporated under the Companies Act (British Columbia) on June 5, 1998 and changed its name to GLG Life Tech Corporation on March 14, 2007. 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 operations include stevia seed breeding, propagation, growth and harvest, extraction, refining and formulation. The Company also has an 80% interest in Dr. Zhang's All Natural and Zero Calorie Beverage and Foods Company ("AN0C") formed in 2010. AN0C is focused on the sales and distribution of consumer food and beverage products in China. These consumer products are sweetened with the Company's stevia products and have low or zero calories.

These consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") 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 2011, the Company incurred a net loss of $90,514,304 (2010 – $3,130,732). As at December 31, 2011 the Company had an accumulated deficit of $101,999,019 (2010 - $11,484,715), working capital deficit of $9,800,541 (2010 – working capital of $7,080,537) and a net cash outflow used in operations of $32,964,822 (2010 - $28,556,169). The Company has had a successful history in renewing its short term loans over the past three years and in the 2011 fiscal year (see also Note 11) and plans to continue to renew these loans as they become due. However, if the Company is unable to refinance its credit facilities of $70,025,049 due in 2012, 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 substantial doubt about the ability of the Company to continue as a going concern.

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 consideration 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.

Many laws and regulations dealing with economic matters in general and foreign investment in particular have been enacted in China. However, China still does not have a comprehensive system of laws, and enforcement of the existing laws may be uncertain and sporadic.

1. NATURE OF OPERATIONS AND GOING CONCERN, Continued

The Company's operating assets and primary sources of income and cash flows originate in China. The China economy has, for many years, been a centrally planned economy, operating on the basis of annual, five-year and ten-year state plans adopted by central China governmental authorities, which set out national production and development targets. The China government has been pursuing economic reforms since it first adopted its "open-door" policy in 1978. There is no assurance that the China government will continue to pursue economic reforms or that there will not be any significant change in its economic or other policies, particularly in the event of any change in the political leadership of, or the political, economic or social conditions in China. There is also no assurance that the Company will not be adversely affected by any such change in governmental policies or any 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 being implemented by 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 China government to exert significant influence on the China economy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

These consolidated financial statements are prepared in accordance with U.S. GAAP and include the accounts of the Company, all of its wholly owned subsidiaries and partially owned subsidiaries controlled by the Company. All intercompany accounts and transactions were eliminated upon consolidation.

The Company's wholly owned subsidiaries consist of the following: Agricultural High Tech Developments Limited, incorporated in the Marshall Islands; Anhui Bengbu HN Stevia High Tech Development Company Limited, Chuzhou Runhai Stevia High Tech Company Limited, Dongtai Runyang Stevia High Tech Company Limited, Qingdao Runde Biotechnology Company Limited, Qingdao Runhao Stevia High Tech Company Limited, and Dr. Zhang's All Natural and Zero Calorie Beverage and Foods (Anhui) Limited, all incorporated in China and GLG Life Tech US, Inc., incorporated in Delaware, USA.

The Company has an 80% owned subsidiary, Dr. Zhang's All Natural and Zero Calorie Beverage and Foods Company which has a wholly owned subsidiary, Dr. Zhang's All Natural and Zero Calorie Stevia Solution Company Ltd. These two subsidiaries were incorporated in Hong Kong.

The Company also has a 55% owned subsidiary, GLG Weider Sweet Naturals Corporation, incorporated in Canada.

The Company operates in two reportable operating segments: (1) the manufacturing and sales of a refined form of stevia which has operations in China and North America; and (2) sales of consumer products with operations within China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

(b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Items included in the financial statements of each of the Company's subsidiary are measured using its own functional currency, which is the currency of the primary economic environment in which the subsidiary operates. The Company considers none of its subsidiaries operates in a hyper inflationary economic environment. Significant subsidiaries have functional currencies in RMB and US Dollars.

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in a currency other than an entity's functional currency are recognized in the statements of operations.

(ii) Consolidated entities

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:

(1) assets and liabilities for each balance sheet presented are translated at the rate of exchange in effect as at the balance sheet date;
(2) income and expense items for each statement of operations are translated at the average rates of exchange in effect during the reporting period; and
(3) all resulting exchange differences are recognized in accumulated other comprehensive income.

(c) 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.

(d) Accounts receivable and concentration of credit risk

Trade and other receivables are stated at net realizable value. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 the statement of operations as an expense recovery in the period that the cash is collected.

The Company might have a high concentration of credit risk as the accounts receivable are made up of a small number of customers. However, the Company believes that it does not require collateral to support the carrying value of the accounts receivable The Company reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability.

(e) 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 comprises 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.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost and include interest capitalized during construction, less accumulated amortization. Amortization is calculated using the straight line method with 10% residual value over the estimated useful lives of the assets as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 the 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.

Amortization is not provided for construction in progress until the assets are ready for use.

(g) Goodwill and intangible assets

Goodwill and indefinite-lived intangible assets are not amortized, but reviewed for impairment annually or more frequently if impairment indicators arise. A fair value approach is used to identify potential goodwill impairment and, when necessary, measure the amount of impairment. The Company uses a present value technique to discount a series of expected future cash flows to determine the fair value of reporting units, unless there is a readily determinable fair market value. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component.

Intangible assets with finite lives include customer relationships, patents and technology and are amortized over their useful lives. 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.

(h) Impairment of long-lived assets

Long-lived assets, comprised of property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. The Company's policy is to record an impairment loss when it is determined that the carrying amount of the assets exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value and are recognized as an expense in the period of impairment. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

(i) 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.

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. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets are not more likely than not realizable, a valuation allowance will be established.

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.

The Company applies ASC 740, *"Income Taxes"* ("ASC 740") in the accounting for uncertainty in income taxes recognized in its financial statements. ASC 740 requires that all tax positions be evaluated using a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Differences between tax positions taken in a tax return and amounts recognized in the financial statements are recorded as adjustments to income taxes payable or receivable, or adjustments to deferred taxes, or both. The Company believes that its accruals for uncertain tax positions are adequate for all open audit years based on its assessment of many factors including past experience and interpretation of tax law. To the extent that new information becomes available which causes the Company to change its judgment about the adequacy of its accruals for uncertain tax positions, such changes will impact income tax expense in the period such determination is made. The Company's policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

(j) 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 the consolidated entities' functional currency to the Company's presentation currency.

(k) 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.

(l) Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on income (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted income (loss) per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(m) Stock-based compensation

The Company grants stock options and restricted shares to employees, directors, and consultants pursuant to the Stock Option and Restricted Share Plan. The Company uses the Black-Scholes option valuation model to calculate the fair value of stock options.

For stock options and restricted shares granted to directors, officers and employees, the fair value is estimated on the date of grant and is recognized as compensation expense on a straight-line basis over the related vesting periods. Compensation expense is recorded based on the estimated fair value of options with a corresponding credit to contributed surplus. Any consideration received on the exercise of stock options is credited to share capital.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

(n) Use of estimates and measurement uncertainty

The preparation of these consolidated financial statements in conformity with U.S. GAAP 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 year.

Significant areas requiring the use of management estimates include: determining the accrued liabilities, assessing the fair value of property, plant and equipment, intangible assets and goodwill, the valuation of future tax assets, revenue recognition, estimate of inventory net realizable value, going concern assumption, expected useful lives of assets subject to amortization and the assumptions used in determining the fair value of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(o) Capitalization of interest

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

Where funds were borrowed specifically for obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined as the product of the average accumulated costs and average interest rate applicable to the borrowing.

The interest cost of debt attributable to the construction of major new facilities is capitalized during the construction period until the facilities are substantially completed. Interests on funds borrowed that are not specific to obtaining a qualifying asset are expensed as incurred.

(p) Financial instruments

Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments are measured in the balance sheets at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value with changes in fair value recognized in net income; available-for-sale financial assets are measured at fair value with changes

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income; held-to-maturity financial assets, loans and receivables, and other financial liabilities are amortized using the effective interest rate method.

Financial instruments that are derivative contracts are considered held-for-trading unless they are designed as a hedge. Cash and cash equivalents, short term investments, and restricted cash are classified as "held-for-trading". Accounts receivable and certain other assets that are financial instruments are classified as "loans and receivables".

Short term loans, accounts payable, interest payable, advances from customers, due to related party, and non- current bank loan are classified as "other financial liabilities". The Company currently does not have any hedge instruments.

3. CHANGES AFFECTING FISCAL 2011 CONSOLIDATED FINANCIAL STATEMENTS

(a) Change in generally accepted accounting principles

The Company was reporting under Canadian GAAP prior to January 1, 2011. Effective January 1, 2011, the Company adopted U.S. GAAP as the reporting standard for its consolidated financial statements. These consolidated financial statements, including related notes, have therefore been prepared in accordance with U.S. GAAP. All comparative financial information contained herein has been recast to reflect the Company's results as if the Company had historically reported in U.S. GAAP. These adjustments resulted in a decrease in deficit of $2,738,562, an increase in common share capital of $57,066, an increase in additional paid-in capital of $1,429,329 and an increase in Property, Plant and Equipment of $4,224,959 as at January 1, 2011.

(b) Change in operating segments

The Company has historically operated as one reportable segment with manufacturing and sales of stevia operations in China and North America. In fiscal 2011, the Company began operating in a second reportable segment with sales of consumer products in China. The Company has disclosed the segmented information in note 18.

(Expressed in Canadian Dollars)

3. CHANGES AFFECTING FISCAL 2011 CONSOLIDATED FINANCIAL STATEMENTS, Continued

(c) Recently Issued Accounting Pronouncements

Comprehensive Income

In June 2011, the FASB provided amendments to ASU Topic 820 requiring an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present the components of other comprehensive income as part of the statement of stockholders' equity. Additionally, the amendments require an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. These amendments will be effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect the adoption of these amendments to have a material impact on the Company's financial position, results of operations or cash flows.

4. ACCOUNTS RECEIVABLE

		December 31, 2011		December 31, 2010
Accounts Receivable	$	13,529,934	$	31,595,621
less allowance for doubtful accounts		(6,405,224)		(33,325)
	$	7,124,710	$	31,562,296

The Company has made a total provision of $6.4 million in which $5.8 million is associated with two of its international customers, $0.5 million is associated with its agriculture customers in China, and $0.1 million is associated with its beverage customers. With respect to the status of settlement with these two international customers, the Company has a signed letter of agreement with one customer for the repayment of an agreed balance, has received partial payments and continues to have an ongoing business relationship with this customer. The other customer has requested more time to settle the outstanding balance. The Company therefore has not yet received any settlement and has subsequently terminated the distribution agreement with this customer.

5. 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)

6. INVENTORY

		December 31, 2011		December 31, 2010
Raw material	$	17,420,060	$	27,987,562
Work in process		41,558,934		28,675,875
Finished goods		7,761,874		6,643,465
	$	66,740,868	$	63,306,902

For the year ended December 31, 2011, the amount of inventories charged to cost of sales was $26,421,812 (2010 - $41,365,355).

The Company decided to implement lower stevia extract pricing structure in December 2011 based on the introduction of an improved stevia seed which has higher leaf yields and significantly lower production costs. Under the U.S. GAAP, an assessment is required to review the existing inventory costs based on lower of cost or net realizable market value. The Company has therefore recorded an impairment charge to its inventory of $29,714,496 (2010 - $nil). This impairment charge also included a write down of the AN0C finished goods inventory to either reflect products that had been discontinued or that was deemed may potentially expire before it was sold beyond year end.

7. PREPAID EXPENSES

		December 31, 2011		December 31, 2010
Prepayment for raw material	$	1,161,889	$	602,445
Prepayment for construction and equipment		351,637		732,521
Insurance		73,755		39,060
Rent and deposits		2,535,470		2,245,709
Prepayment for AN0C production costs		1,873,511		-
Others		643,451		842,016
	$	6,639,713	$	4,461,751

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2011			December 31, 2010 (Adjusted-note 3(a))		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Ion exchange resin equipment	$ 15,956,718	$ 3,650,078	$ 12,306,640	$ 14,853,702	$ 2,514,610	$ 12,339,092
Manufacturing equipment and biological assets	54,230,981	12,369,126	41,861,855	46,863,830	7,261,957	39,601,873
Buildings	59,060,216	6,865,135	52,195,081	52,906,353	4,015,700	48,890,653
Leasehold and land use rights	4,684,652	131,762	4,552,890	2,866,319	95,990	2,770,330
Construction in progress	129,207	-	129,207	3,616,743	-	3,616,743
Computer equipment and software	733,372	224,951	508,421	473,993	113,013	360,980
Motor vehicles and	46,582	2,825	43,757			
furniture and fixture	1,135,910	478,573	657,337	998,700	254,187	744,513
	$ 135,977,638	$ 23,722,450	$ 112,255,188	$ 122,579,640	$ 14,255,457	$ 108,324,184

Interest capitalized to property, plant and equipment during the year ended December 31, 2011 was $212,028 (2010 - $163,457).

Property, plant and equipment have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries (Note 11).

Land use rights in China have remaining terms ranging from 47.2 to 47.5 years.

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

	2011	2010
Cost of sales	$ 6,916,163	$ 7,109,683
Selling, general and administrative expenses	3,587,257	3,284,171
	$ 10,503,420	$ 10,393,853

9. GOODWILL

During the year ended December 31, 2011, management concluded there were impairment indicators present for the goodwill asset due to changes to certain external factors as well as the market capitalization of the Company being below book value. As a result, management conducted a test for impairment of goodwill at September 30, 2011. The Company used a present value technique to discount a series of expected future cash flows for the stevia reporting unit in order to estimate the fair value. When the estimate of fair value was compared to the carrying value it was determined that a non-cash impairment charge of $7,649,321 was required to be recorded against the goodwill asset. The carrying value of goodwill is therefore written down to $nil and the impairment charge was allocated to the stevia operating segment.

(Expressed in Canadian Dollars)

10. INTANGIBLE ASSETS

	December 31, 2011				December 31, 2010		
	Cost	Accumulated Amortization	Impairment Loss	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer relationship	$ 15,416,254	$ 4,719,607	$ 4,540,000	$ 6,156,647	$ 15,416,254	$ 3,291,481	$ 12,124,773
Patents and acquired technologies	26,533,750	4,740,698	-	21,793,052	26,533,750	3,014,553	23,519,197
	$ 41,950,004	$ 9,460,305	$ 4,540,000	$ 27,949,699	$ 41,950,004	$ 6,306,034	$ 35,643,970

(a) Customer relationship

In conjunction with signing a 10 year supply agreement with Cargill Incorporated ("Strategic Customer"), the Company issued share purchase warrants in July 2007. Since the Company expected to obtain future economic benefits from the relationship, an intangible asset was recorded at the fair value of consideration given to enter into the contract.

During the year, management conducted a test for impairment of the customer relationship intangible asset as there was a change in the terms of the agreement. As a result, the Company concluded there was an indicator of impairment present. The Company used a present value technique and applied a discount rate of 14.5% to discount a series of expected future cash flows for this customer relationship asset in order to estimate the fair value. When compared to the carrying value it was determined that a non-cash impairment loss of $4,540,000 was required which was recorded as at December 31, 2011.

(b) Patents and acquired technologies

On June 29, 2010, the Company issued 250,000 common shares with a fair value of $1,977,500 as the royalty consideration under the agreement with International Biotechnology Group Ltd. ("IBG") to license the patents and the technology of IBG. Such patent cost will be amortized over the economic life of 4.5 years to 20 years. In addition, a basic royalty is payable to IBG based on revenues generated from sale of certain products over the term of the agreement, beginning in fiscal 2011.

On December 27, 2007, the Company acquired all issued and outstanding shares of Agricultural High-Tech Developments Limited ("AHTD"), a company incorporated under the laws of the Marshall Islands. AHTD owns patents relating to new stevia seedling and breeding technology. One patent has been registered with the Chinese government. The purchase price consisted of 3,125,000 common shares of the Company. 937,500 common shares were issued on December 27, 2007 and 1,093,750 common shares were issued on November 27, 2008. An additional 1,093,750 common shares were issued on December 8, 2009. Total consideration for the patent was $24,556,250 based on the fair value of the common shares on the date of issuance.

(Expressed in Canadian Dollars)

11. SHORT TERM LOANS

As at December 31, 2011, the Company's short term loans consisted of borrowings from private lenders and from four banks in China as follows:

Short term borrowing from a private lender as at December 31, 2011 and 2010

December 31, 2011	December 31, 2010	Loan amount in USD	Maturity Date	Interest rate per annum
$ 549,180	$ 537,084	$ 540,000	October 9, 2012	8.00%

Short term bank loans as at December 31, 2011

Loan amount in C$	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
4,848,015	30,000,000	Dec 17, 2011	6.06%	Construction Bank of China
3,005,625	18,599,111	Dec 23, 2011	6.06%	Construction 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	September 29, 2012	7.22%	Bank of China
2,747,208	17,000,000	December 1, 2012	7.54%	Huishang Bank
$ 70,025,049	433,322,005			

(Expressed in Canadian Dollars)

11. SHORT TERM LOANS, Continued

Short term bank loans as at December 31, 2010

Loan amount in C$	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$ 9,054,000	60,000,000	January 11, 2011	5.31%	Construction Bank of China
3,018,000	20,000,000	March 18, 2011	5.31%	Construction Bank of China
4,527,000	30,000,000	March 23, 2011	5.31%	Construction Bank of China
3,018,000	20,000,000	May 24, 2011	5.56%	Agricultural Bank of China
9,054,000	60,000,000	June 17, 2011	5.56%	Agricultural Bank of China
4,527,000	30,000,000	June 22, 2011	5.40%	Construction Bank of China
4,527,000	30,000,000	June 28, 2011	6.12%	CITIC Bank
3,018,000	20,000,000	June 29, 2011	5.56%	Agricultural Bank of China
9,054,000	60,000,000	July 2, 2011	5.40%	Agricultural Bank of China
15,090,000	100,000,000	July 27, 2011	5.59%	Bank of Communication
2,565,300	17,000,000	July 29, 2011	5.56%	Agricultural Bank of China
3,018,000	20,000,000	August 5, 2011	6.02%	CITIC Bank
15,090,000	100,000,000	August 25, 2011	5.63%	Bank of Communication
3,018,000	20,000,000	August 30, 2011	5.56%	Agricultural Bank of China
3,018,000	20,000,000	September 14, 2011	6.12%	CITIC Bank
1,509,000	10,000,000	September 28, 2011	5.56%	Agricultural Bank of China
1,509,000	10,000,000	October 18, 2011	5.56%	Agricultural Bank of China
452,700	3,000,000	October 28, 2011	5.56%	Agricultural Bank of China
4,527,000	30,000,000	October 28, 2011	5.56%	Agricultural Bank of China
$ 99,594,000	660,000,000			

During the year, the Company repaid loans totaling $99,594,000 (660,000,000 RMB) and renewed loans totaling $70,025,049 (433,332,005 RMB). The repaid loans were held by the Bank of Communication in China, the Agricultural Bank of China, and the CITIC Bank and had interest rates ranging from 5.31%-6.12% per annum.

Two loans due to Construction Bank of China matured were payable on December 17, 2011 and December 23, 2011, respectively. Certain loans due to Bank of Communication, CITIC Bank and Agricultural Bank of China matured subsequent to year end and were payable on February 25, 2012, February 13, 2012 and March 28, 2012 respectively. These loans were not repaid on the maturity dates and are currently payable and classified on the balance sheet as current liabilities. The banks did not demand repayments on the loans, and the Company is currently in discussion with these banks to renew the loans. The Company believes the loans will continue to be extended with scheduled repayments on dates later in 2012.

The assets of the Company’s subsidiaries have been pledged as collateral for the short term bank loans. Land of two subsidiaries has also been used as collateral for the above facilities.

(Expressed in Canadian Dollars)

11. SHORT TERM LOANS, Continued

As part of the collateral agreement with CITIC Bank loan, a third party monitor is in place at one of GLG's subsidiaries to monitor inventory collaterals. The Company maintains access to its inventory at this subsidiary.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2011		December 31, 2010
Raw material	$	3,181,095	$	1,112,843
Construction and equipment		6,388,331		10,424,222
Trade payable		22,081,999		10,392,796
	$	31,651,425	$	21,929,861

13. RELATED PARTIES TRANSACTIONS AND BALANCES

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Company has agreements with Grand Leaf Group Ltd. ("Grand Leaf"), PALCO International Inc. ("PALCO"), GLG International Development Company ("GLG International"), AAFAB Corporation ("AAFAB") and BISM Ltd. ("BISM") for executive and management consulting services. These Companies are related as they are owned by senior officials and directors of the Company.

The amounts of these transactions and outstanding balances as at December 31, 2011 are as follows:

a) During the year ended December 31, 2011, the Company paid or accrued consulting fees totaling $455,708 (2010 - $367,148) for the services provided by Grand Leaf. As at December 31, 2011, there was $nil (2010 - $367,148) payable to Grand Leaf.
b) During the year ended December 31, 2011, the Company paid or accrued consulting fees of $nil (2010 - $127,153) and $35,496 (2010 - $61,929) to PALCO and AAFAB respectively. As at December 31, 2011 and December 31, 2010 there was $nil payable to both PALCO and AAFAB.
c) During the year ended December 31, 2011, the Company paid or accrued consulting fees totaling $63,670 (2010 - $65,408) to BISM. As at December 31, 2011 and December 31, 2010 there was $nil payable to BISM.
d) During the year ended December 31, 2011, the Company paid or accrued management fees totaling $400,000 (2010 - $400,000) to GLG International. As at December 31, 2011 there was $400,000 (December 31, 2010 - $400,000) included in accounts payable to GLG International.

During the year ended December 31, 2011, the Company repaid with interest a loan of US $100,000 obtained from a company controlled by a director of the Company. The loan bears interest at the US dollar prime rate posted by the Bank of Canada plus 3% per annum and matures June 9, 2011.

(Expressed in Canadian Dollars)

13. RELATED PARTIES TRANSACTIONS AND BALANCES, Continued

During the year ended December 31, 2011, the Company repaid with interest the following loans obtained from the Chairman and Chief Executive Officer:

i. US $3,966,885 - this loan bears interest at the US dollar prime rate posted by the Bank of Canada plus 3% per annum and will mature on June 1, 2012;
ii. US $1,500,000 - this loan bears interest at the US dollar prime rate posted by the Bank of Canada plus 4% per annum and will mature on December 1, 2012;
iii. US $750,000 - this loan bears interest at the US dollar prime rate posted by the Bank of Canada plus 4% per annum and will mature on December 23, 2012.

14. SHARE CAPITAL

a) Capital stock

The holders of common shares are entitled to one vote per share.

On February 23, 2011, the Company issued 5,290,000 units at $11.00 per unit. Net proceeds of $55,199,552 were received after agent commissions, share issuance costs and tax recovery related to share issuance costs. Each unit consisted of one common share and one half common share purchase warrant.

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, 2011 there are 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%
Dividend yield		nil
Volatility		78%
Expected Life		3 years
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.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL, Continued

b) Stock options and restricted shares

The Company is subject to the policies of the TSX, under which it is authorized to grant options 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.

(i) Stock options

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.

The following summarizes information about the stock options outstanding and exercisable at December 31, 2011 and 2010:

Exercise price	Number outstanding at December 31, 2011	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2010	Weighted average exercise price
$16.00	44,716	1.37	44,716	$16.00
$7.79	85,336	3.44	26,027	$7.79
$8.11	6,000	3.87	6,000	$8.11
$8.90	146,627	4.41	-	$8.90
$6.33	10,000	3.63	-	$6.33
	380,779	**3.36**	**133,603**	**$9.34**

Exercise price	Number outstanding at December 31, 2010	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2010	Weighted average exercise price
$16.00	44,716	2.37	44,716	$16.00
$8.60	91,150	3.50	56,860	$8.60
$8.26	6,250	3.92	-	$8.26
$7.79	107,924	4.44	-	$7.79
$8.11	6,000	4.87	-	$8.11
	256,040	**3.74**	**101,576**	**$9.53**

(Expressed in Canadian Dollars)

14. SHARE CAPITAL, Continued

Summary of option transactions:

	Number of options		Weighted average exercise price per option	Weighted average fair value per option
Balance at December 31, 2009	**1,253,783**	**$**	**2.37**	1.33
Options granted	119,424		7.81	5.33
Options forfeited	(18,000)		8.12	5.86
Options exercised	(1,099,167)		1.20	0.40
Balance at December 31, 2010	**256,040**	**$**	**9.53**	**4.19**
Options granted	304,303		8.75	5.56
Options forfeited	(173,176)		8.64	5.57
Options exercised	(6,388)		8.18	5.33
Balance at December 31, 2011	**380,779**	**$**	**9.34**	

During the year ended December 31, 2011, 304,303 (2010 - 119,424) stock options were granted and 173,176 options were forfeited (2010 – 18,000). For these options granted during the year ended December 31, 2011, 227,553 of the options are subject to the achievement of 2011 performance targets and have a vesting period of four years. Based on the 2011 performance target assessment, 122,427 of these options are forfeited as at December 31, 2011. The remaining 76,750 options granted in 2011 vest over one to three year periods.

As at December 31, 2011, the total remaining unrecognized compensation costs associated with stock options totaled $723,544 (2010 - $451,885) which will be amortized over the weighted average remaining life of 3.36 years. The aggregate intrinsic value of vested and exercisable stock options was $nil (2010 – $nil).

The fair value of the options granted in 2011 and 2010 was estimated on the grant date using the Black-Scholes option pricing model with the following range of assumptions:

	2011	2010
Risk-free interest rate	1.89%-2.01%	1.75%-2.32%
Dividend yield	0%	0%
Volatility	77.51%-78.45%	77.51%
Expected option life	5 years	5 years
Expected forfeiture per year	5%	5%

(Expressed in Canadian Dollars)

14. SHARE CAPITAL, Continued

(ii) Restricted share units

Under the Plan, restricted share units 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 restricted share units are entitled to voting rights and dividends. The maximum vesting period for restricted share units are five years from the date of grant unless, otherwise, it is approved by the Board of Directors. Restricted share units are issued to certain employees have certain performance criteria, which are based on production and financial targets.

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

Number of restricted share units at December 31, 2011	Vesting period (years)	Performance based
85,709	-	No
311,295	-	Yes
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
1,455,660	**4.67**	

The vesting periods for restricted shares as at December 31, 2010 are as follows:

Number of restricted share units at December 31, 2010	Vesting period (years)	Performance based
7,854	-	No
6,000	0.87	No
25,359	-	No
30,000	-	Yes
281,295	0.37	Yes
3,196	0.43	No
44,850	0.50	No
9,614	1.44	No
225,000	1.50	Yes
38,843	4.44	No
538,849	9.44	Yes
1,210,860	**4.75**	

(Expressed in Canadian Dollars)

14. SHARE CAPITAL, Continued

During the year ended December 31, 2011, 459,000 (2010 - 604,356) restricted shares were issued with a fair value of $4,085,100 (2010 - $4,712,367). Of these restricted shares granted, 400,000 are subject to the achievement of 2011 performance targets and have a vesting period of 10 years. Based on not all the 2011 performance target being met, 200,000 of these restricted shares are cancelled as at December 31, 2011. The remaining 59,000 restricted shares granted in 2011 are subject to a vesting period ranging from 1 to 5 years. The fair value of the restricted shares is calculated based on the share price at grant date. The Company recorded stock-based compensation in the amount of $2,079,556 (2010 - $2,818,108), of which $217,940 related to restricted shares issued during the year ended December 31, 2011 (2010 - $377,963) and $1,861,616 (2010 - $2,440,145) related to restricted shares granted in previous years.

As of December 31, 2011 there was $6,063,764 (2010 - $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 4.67 years.

15. 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, 2011. As at December 31, 2011, the Company's statutory surplus reserve, as included in accounts payable and accrued liabilities was in the amount of $881,382 (2010 - $829,660).

16. SUPPLEMENTAL CASH FLOW INFORMATION

		2011		**2010 (Adjusted-note 3(a))**
Accounts receivable	$	17,915,108	$	(26,143,102)
Taxes recoverable		(1,470,238)		(1,517,414)
Inventory		(27,425,995)		(22,793,239)
Prepaid expenses		(706,029)		4,099,710
Accounts payable and accrued liabilities		12,481,627		7,037,474
Interest payable		(169,021)		125,613
Deferred revenue		104,190		-
	$	729,642	$	(39,190,958)
(Decrease) Increase in accounts payable and accruals related to property, plant and equipment	$	(3,079,216)	$	10,888,788

(Expressed in Canadian Dollars)

17. EARNINGS PER SHARE

For the years ended December 31, 2011 and 2010, the Company has reported net losses. The assumed exercise of employee/director share options was not used to calculate the diluted weighted average number of shares outstanding as it would have an anti-dilutive effect on the calculation.

18. SEGMENTED INFORMATION

Sales to external customers:

		2011		2010
Stevia Products	$	17,138,703	$	58,927,129
Consumer Products		7,701,486		-
	$	24,840,189	$	58,927,129

The Company generates sales to external customers in the following geographical locations:

		2011		2010
China	$	15,762,253	$	23,344,721
North America		9,077,936		35,582,408
	$	24,840,189	$	58,927,129

During the year ended December 31, 2011, two customers (2010 – one customer) of the Stevia Products segment individually represented 10% or more of total consolidated revenue. The sales to these customers represented 60% (2010 – 47%) of the total consolidated revenue.

Operating (Loss) Profit:

		2011		2010
Stevia Products	$	(25,194,718)	$	2,464,986
Consumer Products		(21,838,040)		-
	$	(47,032,758)	$	2,464,986

(Expressed in Canadian Dollars)

18. SEGMENTED INFORMATION, Continued

The Company has property, plant and equipment in the following reportable segments and geographical locations:

	December 31, 2011	December 31, 2010
Stevia Products	$ 111,130,772	$ 108,324,184
Consumer Products	1,124,416	-
	$ 112,255,188	$ 108,324,184
China	$ 112,122,801	$ 108,284,130
North America	132,387	40,054
	$ 112,255,188	$ 108,324,184

19. INCOME TAXES

a) Income Taxes Expense

	2011	2010
Current tax expense		
Canada	$ -	$ 152,955
USA	10,314	13,496
China	-	510,857
Deferred income tax expense (recovery)		
Canada	(1,076,916)	398,517
China	1,507,063	(488,857)
Total	$ 440,460	$ 586,968

(Expressed in Canadian Dollars)

19. INCOME TAXES, Continued

As the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The statutory income tax rates in China ranges from 0% to 25% and 25% for the United States. The income tax expense differs from the amount that would have resulted from applying the Canada statutory income tax rates of 26.5% (2010 – 28.5%) to loss before taxes as follows:

		2011		2010
Tax recovery at statutory rates	$	(25,100,003)	$	(730,347)
Increase (decrease) resulting from:				
Permanent and other differences		3,196,625		296,230
Stock based compensation		715,459		942,794
Withholding tax		-		152,955
Change in tax rates		210,245		(41,546)
Book to tax differences		(1,392,828)		12,689
Foreign rate differences		2,048,950		(56,286)
Change in valuation allowance		20,762,011		10,479
Total	$	440,460	$	586,968

b) Deferred income taxes

		December 31, 2011		December 31, 2010
Non-capital loss carry-forwards	$	19,907,557	$	1,774,375
Pre-operating costs		24,680		117,237
Cumulative eligible costs		227,321		268,086
Net capital loss carry-forwards		1,472		-
Intangible assets		(1,539,163)		(3,067,190)
Property, plant and equipment		(175,961)		(318,055)
Share issuance costs		1,178,408		674,170
		19,624,314		(551,377)
Less: valuation allowance		(19,624,314)		(91,487)
Future income tax asset (liability)	$	-	$	(642,864)

(Expressed in Canadian Dollars)

19. INCOME TAXES, Continued

c) Non-capital losses carry-forwards

As at December 31, 2011, 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	China	2011
2014	$ -	$ 2,419,582	$ 2,419,582
2015	-	1,619,461	1,619,461
2016	-	61,691,769	61,691,769
2028	1,255,039	-	1,255,039
2029	174,885	-	174,885
2030	41,917	-	41,917
2031	12,493,173	-	12,493,173
Total	$ 13,965,014	$ 65,730,812	$ 79,695,826

d) Uncertain tax positions

The Company believes there are no significant unrecognized tax benefits to be recorded. The Company has accrued $164,532 (2010 - $nil) interest and penalties related to income taxes in the statements 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 estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include, but are not limited to, change in tax laws and 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.

20. FINANCIAL INSTRUMENTS

(a) Categories of financial assets and liabilities

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, amounts due to related parties and short term loans.

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices). Level 3 inputs are unobservable (supported by little or no market activity), such as non-corroborative indicative prices for particular instruments provided by a third party.

The fair values of accounts receivable, accounts payable and accrued liabilities, amounts due to related parties, interest payable, advances from customers and short term loans approximate carrying values because of the short-term nature of these instruments. Cash and cash equivalents are stated at fair value and are classified within Level 2. There were no transfers between Level 1 and 2 or any transfers into or out of Level 3 during the year.

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and other financial liabilities.

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

Category	Carrying value		2011		2010
Financial assets					
Held-for-trading	Fair value	$	4,486,838	$	23,817,215
Loans and receivables	Amortized cost		5,512,408		31,562,296
Financial liabilities					
Other financial liabilities	Amortized cost		104,223,003		128,656,219

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS, Continued

(b) Items of income, expense, gains or losses

Interest income, gains and losses from held-for-trading, loans and receivables and other financial liabilities are recognized in other income (expense). During the year ended December 31, 2011, interest expense in the amount of $5,721,191 (2010 - $4,337,649) from other financial liabilities was recognized in other expense.

Interest income and expense from held-for-trading and other financial liabilities were determined using the effective interest method.

		2011		2010
Interest income from held-for-trading	$	183,494	$	170,212
Interest expense from other financial liabilities		5,721,191		4,337,649

(c) Fair value

As at December 31, 2011 and 2010, the recorded amounts for cash and cash equivalents are at fair value.

As at December 31, 2011 and 2010, 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.

(d) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's primary credit risk is on its cash and cash equivalents and accounts receivable.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with various financial institutions. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS, Continued

The following tables provide information regarding the aging of financial assets that were past due but which were not impaired as at December 31, 2011 and 2010.

December 31, 2011	0-30 days	31-90 days	over 90 days	Total
Dollar amount	$7,124,709	-	-	$7,124,709
% of Total accounts receivable	100%	0%	0%	100%

December 31, 2010	0-30 days	31-90 days	over 90 days	Total
Dollar amount	$31,402,640	145,222	$14,434	$31,562,296
% of Total accounts receivable	99%	0%	0%	100%

The Company has a high concentration of credit risk as the accounts receivable were owed by fewer than ten customers. As at December 31, 2011, the balance of one customer (2010 – three customers) represented 86% (2010 – 66%) of the total accounts receivable balance. However, the Company believes that it does not require collateral to support the carrying value of these financial instruments. The carrying amount of financial assets represents the maximum credit exposure. The Company reviews financial assets, including past due accounts, on an ongoing basis with the objective of identifying potential events or circumstances which could delay or prevent the collection of funds on a timely basis. Based on default rates on customers with receivable balances at December 31, 2011, the Company believes that proper provisions were made to reflect the collectability of these balances.

Allowance account for credit losses

		December 31, 2011		December 31, 2010
Balance - beginning of year	$	33,325	$	58,358
Increase (decrease) in allowance of doubtful debts		6,371,899		(25,033)
Balance - end of year	$	6,405,224	$	33,325

20. FINANCIAL INSTRUMENTS, Continued

(e) 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, 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 PRC 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.

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, 2011			December 31, 2010	
	RMB balance	HK balance	US balance	RMB balance	HK$ balance
Total assets	1,404,708,765	5,679	852,693	1,457,070,820	5,679
Total liabilities	641,894,435	-	20,979,487	611,148,070	-
Net foreign exchange risk exposure	**2,046,603,199**	**5,679**	**21,832,180**	**845,922,750**	**5,679**

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS, Continued

As of December 31, 2011, 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 $3,331,873 (2010 - $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, 2011	December 31, 2010
	US$	US$
Financial assets		
Cash and cash equivalents	1,322,808	348,199
Accounts receivable	2,674,971	8,775,010
Financial liabilities		
Accounts payable and accrued liabilities	-	404,956
Short-term borrowing		540,000
Interest payable	1,910	194,692
Due to related party	-	6,266,855
Net foreign exchange risk exposure	**3,995,869**	**1,716,706**

As of December 31, 2011, 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 $41,512 (2010 - $17,074).

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS, Continued

(f) Liquidity risk

The following tables provide due date information for the Company's significant financial liabilities as at December 31, 2011 and 2010. Additional information regarding liquidity risk is disclosed in Note 1.

Financial liabilities at December 31, 2011	**0 to 12 months**	**12 to 24 months**
Accounts payable and accruals	$ 31,651,425	$ -
Short term loans	70,574,229	-
Interest payable	215,554	-
Advance from a customer	825,120	-
	$ **103,266,328**	**$ -**

Financial liabilities at December 31, 2010	**0 to 12 months**	**12 to 24 months**
Accounts payable and accruals	$ 21,929,861	$ -
Short term loans	100,131,084	-
Interest payable	384,761	-
Advance from a customer	76,959	-
Due to related party	99,460	6,133,554
	$ **122,622,125**	**$ 6,133,554**

(g) 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, 2011. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2011, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of approximately $660,874 (2010 - $825,468) on net (loss) income.

(Expressed in Canadian Dollars)

21. 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. The Company considers items included in shareholders' equity, cash and cash equivalents and debt to be capital. Debt is calculated as the total of short term loans and bank loans.

	December 31, 2011	December 31, 2010
Cash and cash equivalents	$ 4,486,838	$ 23,817,215
Debt	70,574,229	100,131,084
Net Debt	66,087,391	76,313,869
Shareholder's equity	128,227,542	152,004,364

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.

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 (Note 15). 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, 2011. The Company is not subject to any external covenant.

22. COMMITMENTS

(a) 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 $162,000 (RMB 1,000,000).

(b) 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 $128,000 (RMB 790,000) is paid every 10 years.

(Expressed in Canadian Dollars)

22. COMMITMENTS, Continued

(c) The Company entered into a five year agreement for office premises located in Vancouver, Canada beginning June 1, 2011. The annual minimum lease payments are approximately $142,000.

(d) The Company entered into a two year agreement for office premises beginning April 2011, located in the Anhui Province of China. The annual minimum lease payments are approximately $188,000 (RMB 1,163,216) per year.

(e) The Company entered into various one year lease agreements for regional sales offices throughout China. The annual minimum lease payments are approximately $96,000 (RMB 593,978) per year.

(f) 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, 2011 is $201,000 (RMB 1,248,000).

(g) 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 region 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, 2011, the Company has not made any investment in the region.

The minimum operating lease cash payments related to the above are summarized as follows:

2012	$	720,689
2013		420,615
2014		308,917
2015		310,293
2016		223,789
Thereafter		256,000
Total	$	2,240,303

23. 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. The Company anticipates that these two complaints will be consolidated into a single case. The Company has reviewed the allegations in the complaints -- 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 this matter. An estimate of the possible loss or range of loss cannot be made at the date of release of the financial statements.

24. SEASONALITY

GLG's stevia business is affected by seasonality. The harvest of the stevia leaves typically start at the end of July and continue through to the fall of each year. GLG's operations in China are also impacted by Chinese New Year celebrations during the month of January or February each year, during which many businesses close down operations for approximately two weeks. GLG's production year runs from October to September each year whereby raw materials are converted into WIP and finished goods.

25. SUBSEQUENT EVENTS

During the quarter ended June 30, 2012, the Company obtained loans totaling $3,666,876 from the Company's Chief Executive Officer (Lender). The loans bore interest at the US 10-year benchmark government bond rate plus 11% per annum for USD denominated loans or based on China 10-year benchmark government bond rate plus 11% per annum for RMB denominated loans. The Company used the loan proceeds for corporate working capital purposes and to fund the operations of the company in Canada and China.

During the quarter ended June 30, 2012, the Company repaid short term bank loans of $2,541,976 (RMB 15,730,000) with CITIC Bank.

As of May 16, 2012, a general cease trade order ("CTO") has been issued by the BC Securities Commission ("BCSC") against the Company for failure to file its annual financial statements, its management discussion and analysis relating to its annual financial statements, its Annual Information Form (and related Form 40-F in the United States) and the CEO and CFO certifications (collectively, the "Required Documents") for the period ended December 31, 2011, beyond the prescribed deadline of March 30, 2012. If the Company fails to make the required documents, or the financial statements etc. for Q1 and Q2 of the fiscal year ending December 31, 2012 the BCSC will not rescind the CTO, which will make it impossible for shareholders to negotiate the sale of their Shares.