GLG

LEADING LIFE TECHNOLOGIES.
BETTER STEVIA, MONK FRUIT AND MORE.

GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. 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 its *Internal Control-Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2019, the Company's internal control over financial reporting was effective.

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

June 4, 2020

Eric Finnsson (Signed)
Chief Financial Officer

June 4, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GLG Life Tech Corporation

Opinion

We have audited the accompanying consolidated financial statements of GLG Life Tech Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the consolidated financial statements, which indicates that the Company incurred a net loss of $25,016,776 during the year ended December 31, 2019 and, as of that date, the Company had an accumulated deficit of $385,402,176. As stated in Note 3, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Catherine Tai.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

June 4, 2020

GLG LIFE TECH CORPORATION

Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Note		December 31, 2019		December 31, 2018
ASSETS					
Current Assets					
Cash		$	205,662	$	1,494,260
Accounts receivable	6		1,544,191		2,918,893
Sales taxes recoverable	7		476,279		573,410
Inventory	8		4,950,159		5,245,773
Prepaid expenses	9		465,616		505,862
Total Current Assets			7,641,907		10,738,198
Property, Plant and Equipment	10		28,413,758		33,204,840
Right-of-use Assets	11		596,709		-
Total Assets		$	36,652,374	$	43,943,038
LIABILITIES AND DEFICIT					
Current Liabilities					
Short-term loans	13	$	62,092,012	$	65,977,969
Interest payable	14		46,184,401		36,350,197
Accounts payable and accruals	15		23,619,472		21,314,529
Due to related parties	16		39,530,769		35,924,477
Derivative liabilities	16		521,468		401,672
Current portion of lease liabilities	17		144,178		-
Total Current Liabilities			172,092,300		159,968,844
Lease Liabilities	17		498,515		-
Total Liabilities			172,590,815		159,968,844
DEFICIT					
Shareholders' Deficiency					
Share capital	19		200,112,175		199,514,412
Contributed surplus			67,162,825		67,162,825
Accumulated other comprehensive loss			11,002,828		7,778,336
Shareholders' deficit			(385,402,176)		(366,110,690)
Total Shareholders' Deficiency Attributable to Shareholders of GLG			(107,124,348)		(91,655,117)
Non-controlling Interest	18		(28,814,093)		(24,370,689)
Total Deficit			(135,938,441)		(116,025,806)
Total Liabilities and Deficit		$	36,652,374	$	43,943,038

Going Concern (Note 3)
Commitments (Note 27)
Subsequent Events (Note 29)
See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Brian Palmieri " Director
"Sophia Leung" Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

		Year ended December 31		
		2019		2018
REVENUE	$	10,150,298	$	16,582,604
COST OF SALES (Note 20)		(8,593,390)		(14,650,020)
GROSS PROFIT		1,556,908		1,932,584
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 20)		(8,895,418)		(9,468,147)
OTHER INCOME (EXPENSES)				
Interest expense		(17,868,362)		(13,054,065)
Interest income		1,676		23,314
Property, plant and equipment impairment reversal (impairment) (Note 12)		183,119		(2,839,603)
Inventory provision (Note 8)		(675,527)		(290,909)
Foreign exchange gain (loss)		1,572,540		(2,124,605)
Other expenses		(932,411)		(641,320)
Bad debt recovery		40,699		-
		(17,678,266)		(18,927,188)
LOSS FOR THE YEAR		(25,016,776)		(26,462,751)
LOSS ATTRIBUTABLE TO:				
Shareholders of GLG		(19,291,486)		(21,584,328)
Non-controlling interest		(5,725,290)		(4,878,423)
Loss for the year	$	(25,016,776)		(26,462,751)
Item that will be reclassified subsequently to profit or loss				
Foreign currency translation adjustment		4,506,378		(1,312,447)
COMPREHENSIVE LOSS FOR THE YEAR	$	(20,510,398)	$	(27,775,198)
Total other comprehensive income (loss) attributable to:				
Shareholders of GLG		3,224,492		(1,415,728)
Non-controlling interest		1,281,886		103,281
	$	4,506,378	$	(1,312,447)
COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:				
Shareholders of GLG		(16,066,994)		(23,000,056)
Non-controlling interest		(4,443,404)		(4,775,142)
	$	(20,510,398)	$	(27,775,198)
LOSS PER SHARE (Note 22)				
Basic and diluted	$	(0.50)	$	(0.57)
Weighted Average Number of Common Shares Outstanding				
Basic and diluted		38,394,223		38,182,991

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Changes in Shareholders' Deficiency
As at December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Restricted Shares	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total GLG Shareholders' Deficiency	Non-controlling Interest	Total Shareholders' Deficiency
Balance as at December 31, 2017	37,049,487	870,849	$ 198,483,160	$ 55,282,248	$ 9,194,064	$ (344,526,362)	$ (81,566,890)	$ (7,442,442)	$ (89,009,332)
Balance, January 1, 2018	37,049,487	870,849	$ 198,483,160	$ 55,282,248	$ 9,194,064	$ (344,526,362)	$ (81,566,890)	$ (7,442,442)	$ (89,009,332)
Vested restricted shares	150,000	(150,000)	-	-	-	-	-	-	-
Share-based compensation	-	-	601,095	-	-	-	601,095	-	601,095
Options excercised	473,887	-	430,157	(180,337)	-	-	249,820	-	249,820
Reduction in investment in subsidiaries (Note 18)	-	-	-	12,060,914	-	-	12,060,914	(12,153,105)	(92,191)
Change in foreign currency translation	-	-	-	-	(1,415,728)	-	(1,415,728)	103,281	(1,312,447)
Net loss	-	-	-	-	-	(21,584,328)	(21,584,328)	(4,878,423)	(26,462,751)
Balance as at December 31, 2018	37,673,374	720,849	$ 199,514,412	$ 67,162,825	$ 7,778,336	$ (366,110,690)	$ (91,655,117)	$ (24,370,689)	$ (116,025,806)
Balance, January 1, 2019	37,673,374	720,849	$ 199,514,412	$ 67,162,825	$ 7,778,336	$ (366,110,690)	$ (91,655,117)	$ (24,370,689)	$ (116,025,806)
Share-based compensation	-	-	597,763	-	-	-	597,763	-	597,763
Change in foreign currency translation	-	-	-	-	3,224,492	-	3,224,492	1,281,886	4,506,378
Net loss	-	-	-	-	-	(19,291,486)	(19,291,486)	(5,725,290)	(25,016,776)
Balance as at December31, 2019	37,673,374	720,849	$ 200,112,175	$ 67,162,825	$ 11,002,828	$ (385,402,176)	$ (107,124,348)	$ (28,814,093)	$ (135,938,441)

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Year ended December 31	
	2019	**2018**
Cash Flows From Operating Activities		
Net loss	$ (25,016,776)	$ (26,462,751)
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation (Note 19)	597,763	601,095
Depreciation of property, plant and equipment (Note 10)	2,910,088	3,332,046
Inventory impairment	675,527	290,909
Property, plant and equipment impairment (Note 12)	(183,119)	2,839,603
Interest expense - non current	113,899	-
Unrealized foreign exchange (gain) loss	(1,299,423)	2,124,205
Changes in non-cash working capital items (Note 23)	21,456,377	18,529,673
Net cash from (used in) operating activities	(745,664)	1,254,780
Cash Flows From Investing Activities		
Proceeds on disposal of property, plant and equipment	17,340	-
Purchase of property, plant and equipment	(144,750)	(655,240)
Net cash used in investing activities	(127,410)	(655,240)
Cash Flow From Financing Activities		
Issuance of short-term loans	192,300	-
Repayment of short-term loans	(163,455)	(117,660)
Lease payment	(235,844)	-
Advances from related parties	265,380	1,655,055
Repayment to related parties	(332,795)	(972,075)
Interest paid	(214,718)	(235,812)
Net cash from (used in) financing activities	(489,132)	329,508
Effect of exchange rate changes on cash	73,608	(92,161)
Net Change In Cash	(1,288,598)	836,887
Cash, beginning of the year	1,494,260	657,373
Cash, end of the year	$ 205,662	$ 1,494,260

See Accompanying Notes to the Consolidated Financial Statements

Supplemental Cash Flow Information (Note 23)

1. NATURE OF OPERATIONS

GLG Life Tech Corporation (the "Company") was incorporated under the *Business Corporation Act* (British Columbia), Canada. The registered office of the Company is located at Suite 100, 10271 Shellbridge Way, Richmond, British Columbia V6X 2W8. 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 and monk fruit extracts. The Company's business operates primarily through the manufacturing and sales of refined forms of stevia and monk fruit, and has operations in China and North America.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's products and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements have been prepared on a historical cost basis except certain for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for information related to cash flows. These consolidated financial statements are presented in Canadian dollars, except where otherwise indicated.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2019. These consolidated financial statements were approved for issuance by the Board of Directors on June 3, 2020.

3. GOING CONCERN

These consolidated financial statements have been prepared in accordance with IFRS accounting policies, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the year ended December 31, 2019, the Company incurred a loss of $25,016,776 (2018 - $26,462,751). As at December 31, 2019, the Company had an accumulated deficit of $385,402,176 (2018 - $366,110,690), working capital deficiency of $164,450,393 (2018 - $149,230,646) and cash outflow from operating activities of $745,664 (2018 – cash inflow $1,254,780).

3. GOING CONCERN, continued

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

The Company's operating assets and main manufacturing operations originate in China; the Company is therefore subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China. Changes in the political and economic policies of the People's Republic of China ("PRC") government may materially and adversely affect the Company's business, financial condition and results of operations and may result in the Company's inability to sustain growth and expansion. There is also no assurance that the Company will not be adversely affected by changes in other governmental policies or any unfavorable change in the political, economic or social conditions, laws or regulations, or the rate or method of taxation in China.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on the Company. The financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to the Company. In addition, the PRC government has in the past implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for the Company's products and consequently could have a material adverse effect on its business, financial condition and results of operations.

There are also uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. As noted above, most of the Company's manufacturing operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. The Company's subsidiaries in China are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted

3. GOING CONCERN, continued

laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may be given retroactive effect. As a result, the Company may not be aware of a violation of these policies and rules until after the occurrence of the violation.

Furthermore, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection typically experienced in more developed legal systems. These uncertainties may impede the Company's ability to enforce the contracts it has entered into and could materially and adversely affect the Company's business, financial condition and results of operations.

Regarding risk associated with financial instruments generally, as of December 31, 2019 and 2018, substantially all bank loans were held by a state-owned capital management company ("SOCMC") and a Chinese bank. The Company has provided its SOCMC and bank guarantees and collateral agreements which could enable the SOCMC to exercise its rights against the Company's assets, because the Company has not made its principal or interest payments to the SOCMC on time. Should the SOCMC exercise its rights, it could have a significant impact on the Company's ownership of its assets, and ultimately, its operations. The Company has provided collateral and guarantor agreements in multiple provinces in China, of which each is subject to local provincial rules. There is additional risk that the Company may be assessed additional interest and penalties. To the best of the Company's knowledge, neither the SOCMC or the bank have taken any action on the Company's pledged assets to date. Subsequent to December 31, 2019, the Company entered into debt restructuring agreements with the SOCMC (see Note 29).

The Company also relies heavily on related parties for funding and continued operations of the Company. Should the related parties not act in good faith, or decide to no longer fund the operations of the Company, there is a high risk that the operations of the Company could be significantly impacted adversely.

Finally, in the ordinary course of business, the Company is from time to time involved in legal proceedings and litigation. Presently, there are no legal proceedings and litigations that recently have had, or to the Company's knowledge, are reasonably possible to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any loss contingencies in this respect as of December 31, 2019 and 2018, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

The above matters indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency

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

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

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

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c) Basis of consolidation

These consolidated financial statements include the following subsidiaries:

	Jurisdiction of Incorporation	Ownership Interest 2019	Ownership Interest 2018	Functional Currency
Subsidiaries				
Agricultural High Tech Developments Limited	Marshall Islands	100%	100%	HKD
Anhui Runhai Biotechnology Joint Stock Co., Ltd.	China	67.08%	67.08%	RMB
GLG Life Tech US, Inc.	USA	100%	100%	USD
Intercontinental Cannabis Corporation	Canada	100%	100%	CAD

On July 20, 2016, ownership of three of the Company's Chinese wholly-owned foreign enterprises was transferred to Anhui Runhai Biotechnology Joint Stock Co., Ltd. ("Runhai"). During 2017 Runhai was approved by Chinese authorities to become a Joint Stock Company under Chinese law.

On June 1, 2018, the Company transferred its 100% ownership interest in its subsidiary Qingdao Runde Biotechnology Company, Ltd. ("Runde") to Runhai . As the Company has a 67.08% interest in Runhai, with 32.92% held by a non-controlling interest, the effect of this transfer was a disposition of 32.92% of its ownership interest in Runde. The reduction in the Company's ownership interest in Runde did not result in a loss of control and was recorded as an equity transaction. As a result of this transaction, Runhai has sole ownership of all other Chinese subsidiaries and the Company continues to own 67.08% of Runhai.

The four subsidiaries consolidated into Runhai are:

Anhui Bengbu HN Stevia High Tech Development Company Limited
Qingdao Runhao Stevia High Tech Company Limited
Dongtai Runyang Stevia High Tech Company Limited
Qingdao Runde Biotechnology Company Limited.

On September 18, 2018, Intercontinental Cannabis Corporation was incorporated under the Business Corporations Act (British Columbia). This company has been inactive from its date of incorporation to December 31, 2019

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. Control is achieved when the Company is exposed to or has rights to variable returns from its involvement with these subsidiaries, and has the ability to use its control to affect the amount of these returns. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

All intercompany transactions and balances are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

Fair value measurement

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's derivatives liabilities are measured based on level 2 inputs of the fair value hierarchy. The Company's financial instruments include cash, accounts receivable, sales tax recoverable, short term loans, accounts payable, interest payable and due to related parties. The carrying value of these financial instruments approximate their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal or the current replacement cost method which is a valuation technique that reflects the amounts that could be required to replace the service capacity of the assets. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For assets that generate largely independent cash inflows, which includes intangible assets of the Company, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Cash

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

g) Accounts receivable

Accounts receivable are initially recognized on the date they originate and are measured at fair value. Accounts receivable are subsequently measured at amortized cost with changes recorded in profit or loss. Impairment loss for accounts receivables are measured as the excess of the carrying amounts over the present value of future cash flows expected to derive from the accounts receivable, if any. The excess is allocated to an allowance for doubtful accounts and recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

h) Inventory

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

The cost of raw materials is comprised of 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.

i) Property, plant and equipment

Recognition and measurement

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

Land use rights have been accounted for as an asset in the consolidated financial statements. However, all land in China is owned by the Chinese government (the “Government”). In accordance with the terms as established by Chinese law, the Government may sell the right to use a plot of 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 land is used for purposes outside the scope of the purpose for which the land use rights were granted, the Government could revoke such rights. Land use rights are recorded at cost less accumulated amortization and are amortized over the life of the respective land use rights agreements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

j) Property, plant and equipment, continued

Subsequent costs

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

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

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

Gains and losses

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

Depreciation and amortization

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

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

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

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

Land use rights are amortized over the life of the respective land use rights agreements being 50 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

l) 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.

m) Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions may iclude obligations associated with the retirement or reclamation of long-lived assets. Provisions are not recognized for future operating losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) Share-based payments

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

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

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

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

o) Comprehensive income (loss)

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

p) Earnings per share

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

p) Earnings per share, continued

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

q) Income taxes

Deferred taxes result from differences between the financial statement and tax bases of the Company's 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 the 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 a deferred tax asset is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. All available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies will be considered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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.

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) New standards, amendments and interpretations adopted

IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 – *Leases* ("IFRS 16") which replaced IAS 17 – *Leases* and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases as applied under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (leases of 12 months or less) or leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, comparative financial information has not been restated and will continue to be reported under the accounting standards in effect for those periods. The Company has recognized lease liabilities related to its lease commitments for its office lease, land and production equipment. The lease liabilities were measured at the present value of the remaining minimum lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets are measured at the lease liabilities amount, plus any prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company does not apply any grandfathering practical expedients.

As at January 1, 2019, the Company recognized $764,639 in lease liabilities and right-of-use assets as summarized below.

	Office	Land	Production equipment	Total
Remaining minimum lease payments as at December 31, 2018	$ 732,350	$ 134,786	$ 297,448	$ 1,164,584
Less effect of discounting at incremental borrowing rate	(240,584)	(90,458)	(68,903)	(399,945)
Lease liabilities recognized as at January 1, 2019 (note 17)	$ 491,766	$ 44,328	$ 228,545	$ 764,639
Incremental borrowing rate applied	15%	18%	18%	16%
Right-of-use assets recognized as at January 1, 2019 (note 11)	$ 491,766	$ 44,328	$ 228,545	$ 764,639

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) New standards, amendments and interpretations adopted, continued

Accounting policy adopted for leases under IFRS 16 as at January 1, 2019

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

r) New standards, amendments and interpretations adopted, continued

Accounting policy adopted for leases under IFRS 16 as at January 1, 2019, continued

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

s) New standards, amendments and interpretations not yet effective

A number of new and amended standards are effective for annual periods beginning on or after January 1, 2020. The Company has not yet adopted any of these new and amended standards or interpretations. Of those standards that are not yet effective, the Company does not expect the adoption of these standards and amendments to have a material impact on the Company's financial statements in the period of initial application.

- IFRS 9/ IAS 39 and IFRS 7 relate to interest benchmark reform and has amendments that provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by interbank offer rate (IBOR) reform and that require certain disclosures;
- IAS 1 and IAS 8 redefined materiality;
- IFRS 3 was amended to revise the definition of a business;
- Conceptual Framework replaces the conceptual framework for financial reporting issued by IASB in September 2010.

These standards are effective for periods beginning on or after January 1, 2020.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern assumption of the Company as previously discussed in Note 3.

Functional currency determination

The preparation of the consolidated financial statements requires management to make judgments regarding the functional currencies of the Company and its subsidiaries. As discussed in Note 4(b), the functional currency of the Company has been determined to be the CAD, while the functional currencies of its subsidiaries are as listed in Note 4(c).

Recognition of deferred tax assets

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

Determination of Stevia Cash Generating Unit

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

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the stevia products for secondary processing plants, which then translates into production forecasts for secondary processing plants. The production forecasts for secondary processing plants then define how much products will be required from the primary processing plants. The design of the integrated supply chain makes the cash flows for each component of the supply not sufficiently independent of all the components in order to break down the cash flows any lower than the stevia business level. Therefore, management has treated the four stevia processing plants, the agricultural unit as well as the North American offices as included in a single CGU ("Stevia CGU").

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments, continued

Determination of Monk Fruit Cash Generating Unit

The Monk Fruit operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The Monk Fruit operations include certain processing plants in China.

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the Monk Fruit products for processing plants.

The management has treated the Monk Fruit processing plants, as included in a single CGU ("Monk Fruit CGU").

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets as well as when circumstances indicate that there may be impairment for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on the long-lived assets. See Note 12 for further details.

b) Uncertainty estimation

Inventories

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

Depreciation

The Company's property, plant and equipment and right-of-use assets are depreciated on a straight-line basis, taking into account the estimated useful lives of the assets and residual values and lease terms. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings (loss), and comprehensive income (loss) in future periods.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation, continued

Income tax estimates

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

Sales tax recoverable

The Company makes allowances for sales tax recoverable based on its expected future profits and its best estimate of the realization of the sales tax recoverable.

Allowance for doubtful accounts

The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

Share-based compensation

Estimating fair value for granted stock options and restricted shares requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the year along with the assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in Note 19.

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE

		December 31, 2019		December 31, 2018
Current				
Accounts receivable	$	5,059,351	$	6,640,939
Allowance for doubtful accounts		(3,515,160)		(3,722,046)
	$	1,544,191	$	2,918,893

		Total
Allowance for doubtful accounts ("AFDA")		
As at December 31, 2017	$	3,603,007
Increase in AFDA	$	29,240
Foreign exchange		89,799
As at December 31, 2018		3,722,046
Decrease in AFDA		(12,496)
Foreign exchange		(194,390)
As at December 31, 2019		3,515,160

The aging analysis of trade receivables is as follows:

					Past due but not impaired				
		Total		Neither past due nor impaired		<90 days		91-180 days		>180 days
December 31, 2019	$	1,544,191	$	727,741	$	805,777	$	5,582	$	5,091
December 31, 2018	$	2,918,893	$	2,915,046	$	3,847	$	-	$	-

As of December 31, 2019, non-impaired trade receivable balances have no aging over twelve months. No accounts receivable has been pledged as general collateral for the credit facilities available to the Chinese subsidiaries.

7. SALES TAXES RECOVERABLE

Sales tax recoverable includes value-added taxes ("VAT") paid on purchases in China and Goods and Services Tax ("GST") paid in Canada. These taxes are recoverable from the respective authorities upon filing the prescribed returns.

(Expressed in Canadian Dollars)

8. INVENTORY

		December 31, 2019		December 31, 2018
Raw materials	$	775,393	$	1,014,446
Work in progress		1,979,585		1,365,129
Finished goods		2,195,180		2,866,198
	$	4,950,159	$	5,245,773

For the year ended December 31, 2019, the Company recorded an inventory provision of $675,527 (2018 - $290,909). In 2019, changes in raw materials, work in progress and finished goods included in cost of sales amounted to $5,482,398 (2018 - $9,854,984).

The carrying amounts of inventory have been pledged as general collateral for the loans from SOCMCs and a bank (Note 13).

9. PREPAID EXPENSES

		December 31, 2019		December 31, 2018
Prepayments for trade suppliers	$	212,753	$	378,937
Prepayments for fixed assets		86,692		35,369
Rent and deposits		61,731		18,903
Other		104,440		72,653
	$	465,616	$	505,862

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Ion exchange resin equipment	Manufacturing equipment	Buildings & construction in progress	Leasehold & land use rights	Computer equipment & software	Motor vehicles & furniture and fixtures	Bearer plants	Total
Costs								
As at December 31, 2017	$ 2,210,099	$ 25,540,604	$ 43,596,736	$ 4,646,234	$ 487,520	$ 622,695	$ 249,752	$ 77,353,640
Additions	-	144,281	1,694	59,029	4,262	-	-	209,266
Disposal	-	(243,205)	(13,096)	-	-	-	-	(256,301)
Impairment	-	(9,919,820)	(615,202.00)	-	(251,090)	(158,515)	-	(10,944,627)
Foreign currency adjustments	221,853	1,219,896	1,869,644	91,947	13,901	15,877	7,125	3,440,243
As at December 31, 2018	2,431,952	16,741,756	44,839,776	4,797,210	254,593	480,057	256,877	69,802,221
Additions	-	150,698	579,881	-	-	-	-	730,579
Disposal	-	(789)	(157,192)	-	(3,507)	-	-	(161,488)
Impairment reversal	-	182,011	-	-	1,108	-	-	183,119
Foreign currency adjustments	(475,976)	(1,572,864)	(3,983,690)	(209,450)	(11,483)	(24,630)	(15,286)	(6,293,379)
As at December 31, 2019	1,955,976	15,500,812	41,278,775	4,587,760	240,711	455,427	241,591	64,261,052
Accumulated depreciation								
As at December 31, 2017	$ 1,781,921	$ 19,123,882	$ 16,851,418	$ 864,555	$ 394,788	$ 511,912	$ 175,889	$ 39,704,365
Depreciation	227,005	1,472,355	1,498,865	98,048	19,635	19,372	50,779	3,386,059
Disposal	-	(213,460)	(2,386)	-	-	-	-	(215,846)
Impairment	-	(7,759,349)	-	-	(205,217)	(140,457)	-	(8,105,023)
Foreign currency adjustments	130,704	891,247	777,943	25,521	10,253	13,324	(21,166)	1,827,826
As at December 31, 2018	2,139,630	13,514,675	19,125,840	988,124	219,459	404,151	205,502	36,597,381
Depreciation	255,160	463,608	1,850,308	97,606	10,698	14,983	49,795	2,742,158
Disposal	-	(675)	(140,316)	-	(3,157)	-	-	(144,148)
Foreign currency adjustments	(466,148)	(1,222,453)	(1,590,234)	(24,222)	(10,297)	(21,037)	(13,706)	(3,348,097)
As at December 31, 2019	1,928,642	12,755,155	19,245,598	1,061,508	216,703	398,097	241,591	35,847,294
Net book value								
As at December 31, 2018	$ 292,322	$ 3,227,081	$ 25,713,936	$ 3,809,086	$ 35,134	$ 75,906	$ 51,375	$ 33,204,840
As at December 31, 2019	$ 27,334	$ 2,745,657	$ 22,033,177	$ 3,526,252	$ 24,008	$ 57,330	$ -	$ 28,413,758

The carrying amounts of Property, plant and equipment have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries (Note 13).

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 39.25 to 39.5 years.

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

	Year ended December 31	
	2019	**2018**
Cost of sales	$ 957,556	$ 1,865,950
Selling, general and administrative expenses	1,800,532	1,466,096
	$ 2,758,088	$ 3,332,046

Depreciation expense for the year ended December 31, 2019 consists of $2,742,158 (2018 - $3,386,060) relating to current year depreciation on property, plant and equipment and $38,084 (2018 - $54,014) relating to depreciation capitalized to inventory.

(Expressed in Canadian Dollars)

11. RIGHT-OF-USE ASSETS

	Office	Land	Production equipment	Total
Cost				
December 31, 2018	$ -	$ -	$ -	$ -
Recognized on initial adoption of IFRS 16	491,766	44,328	228,545	764,639
As at January 1, 2019 and December 31, 2019	$ 491,766	$ 44,328	$ 228,545	$ 764,639
Accumulated depreciation				
December 31, 2018	$ -	$ -	$ -	$ -
Depreciation expense	88,078	3,670	76,182	167,930
December 31, 2019	$ 88,078	$ 3,670	$ 76,182	$ 167,930
Net book value - December 31, 2019	$ 403,688	$ 40,658	$ 152,363	$ 596,709

12. IMPAIRMENT OF FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS

During 2018, the Company recorded an impairment loss of $2,224,401 in respect of manufacturing equipment, motor vehicles and furniture and fixtures that are not in use and are not generating cash inflows. In addition, an impairment loss of $615,202 was recorded in respect of unusable construction materials.

During the year ended December 31, 2019, a partial reversal of impairment totaling $183,119 (2018 - $nil) was recognized relating to a previous impairment for the Company’s equipment and engineering materials.

As at December 31, 2019, the Company performed an assessment of possible indicators of impairment or impairment reversal on the Company’s CGU’s; however, no impairment indicators were identified. Consequently the Company did not perform an impairment test as at December 31, 2019.

(Expressed in Canadian Dollars)

13. SHORT-TERM LOANS

The Company's short-term loans of $62,092,012 (2018- $65,977,969) consist of borrowings from a SOCMC and a bank in China of $60,952,961 (2018 - $64,928,482) and loans from private lenders of $1,139,051 (2018 - $1,049,487) as follows:

Bank loans as at December 31, 2019:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$ 559,500	3,000,000	On Demand	9.26%	China Cinda Assets Management Anhui Branch
5,222,000	28,000,000	On Demand	9.26%	China Cinda Assets Management Anhui Branch
1,865,000	10,000,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
1,823,970	9,780,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
9,618,121	51,571,696	On Demand	7.78%	China Cinda Assets Management Anhui Branch
14,920,000	80,000,000	On Demand	7.78%	China Cinda Assets Management Anhui Branch
14,767,967	79,184,808	On Demand	11.97%	China Cinda Assets Management Anhui Branch
3,255,819	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
7,931	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
988,450	5,300,000	July 31, 2020	5.82%	Huishang Bank
5,595,000	30,000,000	On Demand	9.10%	China Cinda Assets Management Jiangsu Branch
2,329,203	12,489,025	On Demand	9.10%	China Cinda Assets Management Jiangsu Branch
$ 60,952,961	326,825,529			

Bank loans as at December 31, 2018:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
594,900	3,000,000	On Demand	9.57%	China Cinda Assets Management Anhui Branch
5,552,400	28,000,000	On Demand	9.57%	China Cinda Assets Management Anhui Branch
1,983,000	10,000,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
1,939,374	9,780,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
10,226,667	51,571,696	On Demand	7.77%	China Cinda Assets Management Anhui Branch
15,864,000	80,000,000	On Demand	7.77%	China Cinda Assets Management Anhui Branch
15,702,347	79,184,808	On Demand	11.97%	China Cinda Assets Management Anhui Branch
3,461,818	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
8,432	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
1,169,970	5,900,000	On Demand	5.82%	Huishang Bank
5,949,000	30,000,000	On Demand	12.12%	China Cinda Assets Management Jiangsu Branch
2,476,574	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
$ 64,928,482	327,425,529			

The Company has been working with its Chinese banks and SOCMC's on restructuring its debt during the years ended 2019 and 2018 (see Note 29).

13. SHORT-TERM LOANS, continued

The assets of the Company's subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these loans. (see Notes 8 and 10).

Short-term borrowing from private lenders:

As at December 31, 2018, short-term borrowing from private lenders consisted of one US dollar denominated loan. During the year ended December 31, 2019 an additional loan was received which is denominated in Chinese renminbi ("RMB").

December 31, 2017	$	965,096
Additions		-
Foreign currency translation		84,391
December 31, 2018	$	1,049,487
Additions		139,875
Foreign currency translation		(50,311)
December 31, 2019	$	1,139,051

The US dollar loan is unsecured and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand. The RMB denominated loan is unsecured, bears interest at 5.82% per annum and is due on August 8, 2020.

14. INTEREST PAYABLE

Interest payable is comprised of amounts due to a SOCMC ,a bank and a private lender on short-term loans (Note 13).

(Expressed in Canadian Dollars)

15. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2019	December 31, 2018
Accounts payable	$ 7,506,736	$ 7,523,777
Accrued liabilities	4,784,435	3,981,064
Other payables	4,990,185	3,827,256
Payroll liabilities	519,142	391,332
Advances from customers	49,282	79,251
Plant construction liabilities	5,769,692	5,511,849
	$ 23,619,472	$ 21,314,529

Other payables includes an amount of $2,442,578 (2018-$1,010,262) from a customer to purchase raw materials for use in manufacturing finished goods to be sold to that customer.

16. RELATED PARTY BALANCES AND TRANSACTIONS

a) Amount due to related parties

Amounts due to related parties are summarized as follows:

	Note		December 31, 2019		December 31, 2018
Loans from Chief Executive officer ("CEO")		$	7,547,163	$	6,965,868
Loans from direct family member of CEO			27,809,675		25,186,344
	i)		35,356,838		32,152,212
Consulting fees payable to CEO	ii)		3,136,431		2,734,457
Loan from Director of the Company	iii)		1,037,500		1,037,808
		$	39,530,769	$	35,924,477

(Expressed in Canadian Dollars)

16. RELATED PARTY BALANCES AND TRANSACTIONS, continued

a) Amount due to related parties, continued

The loans from the CEO and close family member are summarized as follows:

Loan balance as of December 31, 2019

		Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	$	649,465	April 27, 2012	On demand	Unsecured	Category 1	Chairman and CEO
		1,298,800	October 11, 2012	On demand	Unsecured	Category 1	Chairman and CEO
		649,400	May 30, 2013	On demand	Unsecured	Category 1	Chairman and CEO
		324,700	November 15, 2013	On demand	Unsecured	Category 1	Chairman and CEO
		896,172	October 20, 2014	On demand	Unsecured	Category 2	Direct family member of CEO
		188,326	May 23, 2017	On demand	Unsecured	Category 2	Direct family member of CEO
		1,430,175	August 28, 2017	On demand	Unsecured	Category 3	Direct family member of CEO
		2,415,768	August 7, 2018	On demand	Unsecured	Category 3	Direct family member of CEO
		649,400	November 27, 2018	On demand	Unsecured	Category 4	Direct family member of CEO
Principal	**$**	**8,502,206**					
Accrued interest		**26,854,632**					
	$	**35,356,838**					

Category 1: US 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in USD or
China 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, compounding quarterly
Category 2: 20% annual interest rate, compounding quarterly
Category 3: 18% annual interest rate, compounding quarterly
Category 4: 20% simple interest

Loan balance as of December 31, 2018

		Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	$	682,168	April 27, 2012	On demand	Unsecured	Category 1	Chairman and CEO
		1,364,200	October 11, 2012	On demand	Unsecured	Category 1	Chairman and CEO
		682,100	May 30, 2013	On demand	Unsecured	Category 1	Chairman and CEO
		341,050	November 15, 2013	On demand	Unsecured	Category 1	Chairman and CEO
		941,298	October 20, 2014	On demand	Unsecured	Category 2	Direct family member of CEO
		197,809	May 23, 2017	On demand	Unsecured	Category 2	Direct family member of CEO
		1,864,534	August 28, 2017	On demand	Unsecured	Category 3	Direct family member of CEO
		2,537,412	August 7, 2018	August 7, 2019	Unsecured	Category 3	Direct family member of CEO
		409,260	November 27, 2018	November 27, 2019	Unsecured	Category 4	Direct family member of CEO
Principal	**$**	**9,019,831**					
Accrued interest		**23,132,381**					
	$	**32,152,212**					

Category 1: US 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in USD or
China 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, compounding quarterly
Category 2: 20% annual interest rate, compounding quarterly
Category 3: 18% annual interest rate, compounding quarterly
Category 4: 20% simple interest

(Expressed in Canadian Dollars)

16. RELATED PARTIES BALANCES AND TRANSACTIONS, continued

a) Amount due to related parties, continued

i. The Company obtained loans under numerous credit facility agreements from the Company's Chairman and Chief Executive Officer ("CEO"). As at December 31, 2019, the total amount owed to the CEO under these facilities, including principal and accumulated interest is $ 7,547,163 (2018 - $6,965,868). As at December 31, 2019, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The Company also obtained loans under numerous credit facility agreements from a direct family member of the CEO. As at December 31, 2019, the total amount owed under these facilities, including principal and accumulated interest is $27,809,675 (2018 - $25,186,344). As at December 31, 2019, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The combined total of the above loans, including accrued interest, is $35,356,838 (2018 - $32,152,212). These loans will be repaid by either GLG or its Chinese subsidiaries to the lender in the currency the loans were originally borrowed (either USD or RMB), or, at the lender's discretion, in the either USD or RMB , depending on the terms of the specific credit facility. The terms of each individual loan are disclosed in the table below.

These loans provide a repayment option to the lenders in either RMB or USD using a fixed foreign exchange rate specified in each credit facility. This option results in a liability of $521,468 (2018 - $401,672), which is comprised of a derivative liability and an unrealized foreign exchange loss. The fair value of the derivative liability was calculated using the Black-Scholes model with the following assumptions:

	2019	2018
Risk free interest	2.02%	2.35%
Expected life of the loan	1 year	1 year
Expected foreign currency volatility	3.27%	3.20%

ii. As of December 31, 2019, the Company has accrued $3,136,431 (2017 - $2,734,457), including 3% interest per annum compounding quarterly, in consulting fees to the Company's Chairman and Chief Executive Officer.

(Expressed in Canadian Dollars)

16. RELATED PARTIES BALANCES AND TRANSACTIONS, continued

a) Amount due to related parties, continued

iii. As of September 30, 2019, the Company had renewed a loan of $1,000,000 (2018 - $1,000,000) from a Director of the Company originally borrowed to provide working capital required for Monk Fruit extracts. The loan is secured by expected proceeds from monk fruit sales, bearing interest at 15% per annum and repayable in full within twelve months. As of December 31, 2019, the total amount due to this related party including interest was $1,037,500 (2018 - $1,037,808).

b) Transactions with Key Management Personnel

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

Remuneration of Key Management Personnel of the Company is comprised of the following:

		2019		2018
Short-term employee benefits (including salaries, bonuses, fees and social security benefits)	$	1,304,096	$	998,771
Share-based benefits	$	597,763	$	590,374
Total remuneration	$	1,901,859	$	1,589,145

Certain executive officers are subject to termination benefits. Upon resignation at the Company's request or in the event of a change in control, they are entitled to termination benefits equal to 36 months of gross salary, totaling approximately $1,794,000.

Key Management Personnel exercised no stock options granted under the Company's stock option plan during fiscal 2019 (2018 – 408,717).

(Expressed in Canadian Dollars)

17. LEASE LIABILITIES

		Office		Land		Production equipment		Total
Recognized as at January 1, 2019	$	491,766	$	44,328	$	228,545	$	764,639
Lease payments made		(128,040)		(8,655)	$	(99,149)		(235,844)
Interest expense on lease liabilities		69,873		7,920	$	36,105		113,898
	$	433,599	$	43,593	$	165,501	$	642,693
Less: current portion		(67,517)		(1,284)	$	(75,377)		(144,178)
Non-current portion as at December 31, 2019	$	366,082	$	42,309	$	90,124	$	498,515

18. NON-CONTROLLING INTEREST

During the year ended December 31, 2017, the Company disposed of 32.92% of its ownership in Runhai to certain related parties and a private lender in order to settle $15,971,767 (RMB 80,584,090) in related party loans and short-term loans. Accordingly, the Company de-recognized the derivative liabilities related to this portion of the loans totaling $274,538. The reduction in the Company's ownership interest in Runhai did not result in a loss of control and was recorded as an equity transaction. In connection with the recognition of non-controlling interest, the proportionate share of the cumulative amount of foreign exchange translation differences recognized in other comprehensive income totaling $3,649,111 was re-attributed to the non-controlling interest in Runhai. In addition, the Company incurred transaction costs totaling $563,154 and this amount was deducted from equity.

On June 1, 2018, the Company transferred its 100% ownership interest in its subsidiary Qingdao Runde Biotechnology Company, Ltd. ("Runde") to Runhai. As the Company has a 67.08% interest in Runhai, the effect of this transfer was a disposition of 32.92% of its ownership interest in Runde. The reduction in the Company's ownership interest in Runhai did not result in a loss of control and was recorded as an equity transaction. As a result of this transaction, Runhai has sole ownership of all other China subsidiaries and the Company continues to own 67.08% of Runhai. The carrying amount of non-controlling interests was adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustments to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to shareholders of the Company.

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTEREST, continued

The following table represents the share of equity attributable to the non-controlling interest:

		December 31, 2019
December 31, 2018	$	(24,370,689)
Ownership interest transferred to non-controlling interest		-
Non-controlling interest's share of loss		(5,725,290)
Non-controlling interest's share of other comprehensive loss		1,281,886
December 31, 2019	$	(28,814,093)

		December 31, 2018
January 1, 2018	$	(7,442,442)
Ownership interest transferred to non-controlling interest		(12,153,105)
Non-controlling interest's share of loss		(4,878,423)
Non-controlling interest's share of other comprehensive loss		103,281
December 31, 2018	$	(24,370,689)

The following table summarizes the consolidated assets and liabilities of Runhai and the share of the net liabilities which are attributable to the non-controlling interest as at December 31, 2019 and 2018:

		December 31, 2019		December 31, 2018
ASSETS				
Current	$	5,433,912	$	6,206,823
Non-current		28,379,295		33,155,034
	$	33,813,207	$	39,361,857
LIABILITIES				
Current	$	121,340,827	$	113,391,895
	$	121,340,827	$	113,391,895
Net liabilities	$	(87,527,620)	$	(74,030,038)
Non-controlling interest percentage		32.92%		32.92%
Non-controlling interest in net liabilities	$	(28,814,093)	$	(24,370,689)

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTEREST, continued

The following table presents the loss and comprehensive income attributable to the non-controlling interest for the years ended December 31, 2019 and 2018:

		Year ended December 31, 2019		Year ended December 31, 2018
Loss for the year - NCI	$	(5,725,290)	$	(4,878,423)
Foreign exchange translation adjustment		1,281,886		103,281
Comprehensive loss for the year	$	(4,443,404)	$	(4,775,142)

19. SHARE CAPITAL

a) Common shares

An unlimited number of common shares are authorized with no par value. The holders of common shares are entitled to one vote per share. As at December 31, 2019, there are 38,394,223 common and restricted shares issued and outstanding with no par value. During 2018, share capital increased by $430,157 as a result of the exercise of 473,887 stock options.

b) Warrants

The Company had no warrants outstanding as at December 31, 2019 and 2018.

c) Share-based payments

i) Share-based compensation

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

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

(Expressed in Canadian Dollars)

19. SHARE CAPITAL, continued

c) Share-based payments, continued

ii) 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 shares 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 and have a vesting period from 1 to 3 years.

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

The continuity of stock options is as follows:

	Stock Options	Weighted Average Exercise Price
Balance as at December 31, 2017	3,060,222	$ 0.65
Granted	-	-
Exercised	(473,887)	0.53
Expired/cancelled/forfeited	(1,558,935)	0.82
Balance as at December 31, 2018	1,027,400	$ 0.43
Granted	-	-
Expired/cancelled/forfeited	(405,400)	0.50
Balance as at December 31, 2019	622,000	$ 0.38

(Expressed in Canadian Dollars)

19. SHARE CAPITAL, continued

c) Share-based payments, continued

ii) Stock options, continued

The following summarizes information about the stock options outstanding and exercisable at December 31, 2019:

Exercise price	Number outstanding at December 31, 2019	Number exercisable at December 31, 2019	Remaining contractual life (years)	Expiry Date
$0.38	622,000	622,000	0.18	March 6, 2020 *

* Expired unexercised after year end.

iii) Restricted shares

The Company recorded share-based payments in the amount of $597,763 (2018 - $601,095), which related to restricted shares granted in previous years. Those were valued using the stock price at the date of issue, recognized over the vesting period of the restricted shares.

The continuity of restricted shares is as follows:

	Restricted Shares
Balance as at December 31, 2017	870,849
Granted	-
Exercised	-
Vested	(150,000)
Expired/cancelled/forfeited	-
Balance as at December 31, 2018	720,849
Granted	-
Exercised	-
Vested	-
Expired/cancelled/forfeited	-
Balance as at December 31, 2019	720,849

(Expressed in Canadian Dollars)

19. SHARE CAPITAL, continued

d) Share-based payments, continued

iii) Restricted shares, continued

The vesting periods for restricted shares into unrestricted common shares as at December 31, 2019, are as follows:

Number of restricted shares as at December 31, 2019	Vesting period (years)	Performance based
520,849	0.44	Yes
200,000	1.40	Yes
720,849	0.68	

20. COST OF SALES AND EXPENSES

	Year ended December 31	
	2019	**2018**
Cost of sales		
Direct cost of sales	$ 7,443,520	$ 12,182,984
Depreciation and amortization	957,556	1,865,950
Freight & others	192,314	601,086
Total	$ 8,593,390	$ 14,650,020
Selling, general and administrative (SG&A) expenses		
Direct SG&A expenses	$ 6,964,070	$ 8,002,051
Depreciation and amortization	1,931,348	1,466,096
Total	$ 8,895,418	$ 9,468,147
Supplementary information:		
Salaries and wages	$ 2,476,170	$ 2,593,272

(Expressed in Canadian Dollars)

21. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2019		2018
Loss for the year	$	(25,016,776)	$	(26,462,751)
Expected income tax recovery	$	(6,755,000)	$	(7,145,000)
Change in statutory, foreign tax, foreign exchange rates and other		399,000		5,540,000
Permanent differences		3,891,000		4,653,000
Adjustment to prior years provision versus statutory tax returns		2,991,000		5,272,000
Expiry of non-capital losses		2,722,000		455,000
Change in unrecognized deductible temporary differences		(3,248,000)		(8,775,000)
	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statement of financial position are as follows:

		2019	Expiry Date Range		2018	Expiry Date Range
Temporary differences						
Property, plant and equipment	$	25,733,000	No expiry date	$	30,431,000	No expiry date
Prepaid expenses		14,172,000	No expiry date		7,204,000	No expiry date
Allowable capital losses		15,732,000	No expiry date		15,732,000	No expiry date
Non-capital losses available for future periods		75,174,000	2020 to 2039		76,023,000	2019 to 2038
Canada		28,390,000	2032 to 2039		26,188,000	2031 to 2038
USA		1,492,000	2035 onwards		690,000	2034 onwards
China		45,292,000	2020 to 2024		49,145,000	2019 to 2023

(Expressed in Canadian Dollars)

22. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the years ended December 31, 2019, and 2018 is summarized as follows:

	2019	2018
Numerator:		
Loss for the year	$ (19,291,486)	$ (21,584,328)
Denominator:		
Weighted average number of shares outstanding - basic	38,394,223	38,182,991
Weighted average number of shares outstanding - diluted	38,394,223	38,182,991
Loss per share - basic	$ (0.50)	$ (0.57)
Loss per share - diluted	$ (0.50)	$ (0.57)

The total number of anti-dilutive options excluded from the calculation for the year ended December 31, 2019 was 622,000 (2018 – 1,027,400).

23. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

	2019	2018
Accounts receivable	$ 1,364,897	$ (2,023,918)
Taxes recoverable	60,466	126,773
Inventory	(602,955)	3,226,284
Prepaid expenses	39,505	(77,642)
Interest payable	12,326,127	8,485,218
Accounts payable and accruals	3,080,380	4,144,421
Due to related parties	5,187,957	4,648,537
Changes in non-cash working capital items	$ 21,456,377	$ 18,529,673
Interest paid	$ 214,718	$ 235,812

As at December 31, 2019, $5,769,692 (2018 - $5,511,849) of property, plant and equipment is included in accounts payable and accruals (Note 15).

(Expressed in Canadian Dollars)

23. SUPPLEMENTARY INFORMATION, continued

During the year ended December 31, 2019, employees of the Company did not exercise any stock options. During the year ended December 31, 2018, employees of the Company exercised 473,887 stock options. In lieu of consideration in cash for the shares issued, the Company reduced accrued vacation pay due to the employees in an amount of $249,820.

The Company's significant financial transactions are as follows:

	December 31, 2018	New loans (Repayment)	Accrued Interest	Foreign exchange movment	December 31, 2019
Short-term loans	$ 65,977,969	$ 28,845	$ -	$ (3,914,802)	$ 62,092,012
Due to related parties	35,924,477	(217,106)	5,187,957	(1,364,559)	39,530,769
Total	$ 101,902,446	$ (188,261)	$ 5,187,957	$ (5,279,361)	$ 101,622,781

	January 1, 2018	New loans (Repayment)	Accrued Interest	Foreign exchange movment	December 31, 2018
Short-term loans	$ 64,208,418	$ (117,600)	$ -	$ 1,887,151	$ 65,977,969
Due to related parties	28,961,281	682,980	4,648,537	1,631,679	35,924,477
Total	$ 93,169,699	$ 565,380	$ 4,648,537	$ 3,518,830	$ 101,902,446

(Expressed in Canadian Dollars)

24. SEGMENTED INFORMATION

The Company's business operates primarily through the Natural Sweeteners Products segment.

The Natural Sweeteners Products segment is the manufacturing and sales of a refined form of stevia and monk fruit, which has operations in China and North America.

The Company's chief operating decision makers are the CEO, the President, the Chief Operating Officer and the Chief Financial Officer. They review the operations and performance of the Company.

Non-current assets by geographical locations are as follows:

	2019	2018
China	$ 28,572,315	$ 33,155,033
North America	438,152	49,807
	$ 29,010,467	$ 33,204,840

Revenue to external customers by geographical locations is as follows:

	2019	2018
China	$ 1,156,867	$ 1,211,153
North America	8,993,431	15,371,451
	$ 10,150,298	$ 16,582,604

During 2019, two, customers of the Natural Sweeteners CGU represented 63% of total consolidated revenue (2018 – one customer, 59%).

(Expressed in Canadian Dollars)

25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

a) Credit risk

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

The Company's primary credit risk is on its cash and accounts receivable. The Company has a high concentration of credit risk as two major customers made up 77% of the total accounts receivable as at December 31, 2019. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts. Significant management estimates are used to determine the allowance for doubtful accounts. The Company considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor's ability to pay based on information that is available each reporting period; monitoring past due accounts and other external factors. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. The Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

		December 31, 2019		December 31, 2018
Current				
Accounts receivable	$	5,059,351	$	6,640,939
Allowance for doubtful accounts		(3,515,160)		(3,722,046)
	$	1,544,191	$	2,918,893

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 26. It also manages liquidity risk by continually monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

b) Liquidity risk, continued

The following are the undiscounted contractual maturities of the Company's financial liabilities with the exception of the derivative liabilities as at December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
Financial liabilities	**0 to 12 months**	**12 to 24 months**	**0 to 12 months**	**12 to 24 months**
Short-term loans	$ 62,092,012	-	$ 65,977,969	-
Interest payable	46,184,401	-	36,350,197	-
Accounts payable and accruals	23,619,472	-	21,314,529	-
Due to related parties	39,530,769	-	35,924,477	-
	$ 171,426,654	$ -	$ 159,567,172	$ -

c) Market risk

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

i) Interest rate risk

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

The Company is exposed to interest rate risk on its short-term loans and amounts due to related parties at December 31, 2019. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2019, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of $1,014,171 (December 31, 2018 - $998,535) on profit or loss.

ii) Foreign exchange risk

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

(Expressed in Canadian Dollars)

25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

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

The Company cannot give any assurance that any future movements in the exchange rates of RMB against the Canadian dollar and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Information on the net foreign exchange risk exposure on translating the functional currency of the consolidated entities to the presentation currency with an impact on the other comprehensive income (loss) is provided in the following table:

		December 31, 2019				
		RMB balance	HK balance		US balance	
Total financial assets	¥	1,382,348	HK$	1	$	27,581
Total financial liabilities		(657,321,831)		-		(24,250)
Net foreign exchange risk exposure	¥	(655,939,483)	HK$	1	$	3,331

		December 31, 2018				
		RMB balance	HK balance		US balance	
Total financial assets	¥	7,707,932	HK$	1	$	192,438
Total financial liabilities		(580,541,107)		-		(1,031,532)
Net foreign exchange risk exposure	¥	(572,833,175)	HK$	1	$	(839,094)

(Expressed in Canadian Dollars)

25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

As of December 31, 2019, 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 (loss) approximately of $ 1,223,000 (2018 - $1,147,000).

The Company's U.S. operations, which are integrated operations, and Canadian operations are 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 which could have an impact on the loss for the year:

		December 31, 2019		December 31, 2018
		US$		US$
Financial assets				
Cash	$	54,303	$	48,733
Accounts receivable		1,428,493		2,382,282
Financial liabilities				
Short-term loans	$	(769,307)	$	(769,307)
Interest payable		(1,494,540)		(1,198,821)
Accounts payable and accruals		(201,710)		(150,949)
Due to related parties		(29,637,564)		(23,262,958)
Net foreign exchange risk exposure	$	(30,620,325)	$	(22,951,020)

As at December 31, 2019, 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 $417,000 (2018 - $315,000).

(Expressed in Canadian Dollars)

26. 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 defines capital as comprising all components of shareholders' deficiency.

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

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

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged for the year ended December 31, 2019.

27. COMMITMENTS

Operating leases

Future minimum lease payments for the lease of right-of-use assets as described in Notes 4 r), 11 and 17 are as follows:

	Amount
2020	$236,223
2021	238,749
2022	143,267
2023	143,267
2024 and thereafter	167,233
Total	$928,739

(Expressed in Canadian Dollars)

28. STATUTORY SURPLUS RESERVE

The Company's subsidiaries in China are required to make appropriations to a statutory surplus reserve in the amount of 10% of the after-tax net income as determined under Chinese Accounting Standards until the statutory surplus reserve is equal to 50% of each entity's registered capital. The statutory surplus reserve is established for the purpose of offsetting accumulated losses, expanding production or increasing share capital. No appropriation was made to the statutory surplus reserve for the year ended December 31, 2019. As at December 31, 2019 and 2018, the Company's statutory surplus reserve was nil.

29. SUBSEQUENT EVENTS

a) On March 23, 2020, the Company's subsidiary, Anhui Runhai Biotechnology Joint Stock Co. Ltd. ("Runhai") signed an agreement with a Chinese company to sell 100% of Runhai's ownership interest in its wholly owned subsidiary, Qingdao Runhao Stevia High Tech Company Ltd. ("Runhao") for gross proceeds of RMB 222,000,000 (Approximately CAD 42.8 million as at June 3, 2020). The transaction would result in Runhai retaining all of the assets, liabilities and obligations of Runhao with the exception of the land use rights and buildings currently owned by Runhao. As at December 31, 2019, the carrying amount of the land use rights and buildings owned by Runhao is approximately $10,377,000. The terms of the agreement anticipate that the transaction would be completed during 2020.

b) The buildings and land use rights owned by Runhao are pledged against its SOCMC loans (see Note 13) and prior to 2018 a lien was registered against these fixed assets by a construction contractor. In connection with the sale of Runhao, the Company has entered into a number of restructuring agreements with the SOCMC whereby an amount of RMB 102,275,300 of the total proceeds received to date was applied towards outstanding loan principal and interest. Of the remaining proceeds, RMB 12,900,000 was paid in settlement of outstanding property and land use rights taxes and RMB 4,000,000 was repaid to the construction contractor and a vendor.

c) In addition to the Runhao sale agreement described above, during April 2020, the Company has entered into a number of restructuring agreements with its SOCMC lender. The agreements set out outstanding principal and interest of RMB 442,124,670 owed by the Company as of February 29, 2020. The agreements state that the SOCMC will forgive principal and interest of RMB 155,854,770 provided that the following payments are made in accordance with the restructuring agreements:

Repayment date	Amount (RMB)
April 30, 2020 (paid)	102,275,300
September 30, 2020	35,000,000
December 20, 2020	35,000,000
June 20, 2021	113,994,600
Total	286,269,900

29. SUBSEQUENT EVENTS, continued

d) On May 6, 2020, the Company received a $1 million revolving loan facility from a direct family member of the Company's CEO. The term of the facility extends to June 30, 2021. Prior to June 1, 2021, the Company may request and receive disbursements, as well as make repayments of principal. During the final month of the term, from June 1, 2021, to June 30, 2021, the Company is not entitled to request disbursements, and the Company shall complete repayment of any outstanding principal balance no later than June 30, 2021. The loan bears interest at 20% per annum.