GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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, 2022. 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, 2022, the Company's internal control over financial reporting was effective.

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

March 31, 2023

Edward Wang (Signed)
Chief Financial Officer

March 31, 2023

DNTW CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

GLG Life Tech Corporation

Opinion

We have audited the consolidated financial statements of GLG Life Tech Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statement of income (loss) and comprehensive income (loss), changes in shareholder's deficiency, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

We conducted our audit 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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company's current liabilities exceeded its total assets. As stated in note 3, these events or conditions, along with other matters as set forth in note 3, 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.

Key Audit Matter

The key audit matter communicated below is a matter arising from the current year audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of the key audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

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Completeness and Accuracy of Term Loans

Description of the Matter

We identified the completeness and accuracy of term loans as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole. There are potential for material misstatements in relation to term loans being recorded in an amount less than what the Company is obligated. As of the reporting date, all term loans have been in default, and lenders have the right to collect all the principals, accrued interest and late payment compensation, as well as the right to take possession of the pledged assets. If lenders take possession of the pledged assets, the Company will no longer be able to continue its operation.

Audit Response

Our primary procedures to address this key audit matter include

i) Reviewed loan agreements and any amendments;
ii) Evaluated the appropriateness of the valuation method used by management;
iii) Performed recalculation to test the reasonableness of management's balances; and
iv) Obtained confirmations from lenders.
v) As majority of the term loans are overdue and on demand, we also discussed with the Company's internal legal counsel for any risk of potential litigation against the Company.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2022.

Other Information

Management is responsible for the other information. The other information comprises:

- 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. 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 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.

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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 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.

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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 Julia Zhou.

DNTW Toronto LLP

April 3, 2023
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

GLG LIFE TECH CORPORATION

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note		December 31, 2022		December 31, 2021
ASSETS					
Current Assets					
Cash		$	244,671	$	239,345
Accounts receivable	6		2,843,125		2,212,981
Sales taxes recoverable	7		798,435		705,089
Inventory	8		2,227,032		2,873,835
Prepaid expenses	9		444,851		437,843
Net investment in sublease - current portion	13		116,533		-
Total Current Assets			6,674,647		6,469,093
Restricted cash	10		75,260		76,181
Property, plant and equipment	11		15,992,990		17,671,328
Right-of-use assets	12		129,368		337,626
Net investment in sublease	13		74,945		-
Total Assets		$	22,947,210	$	24,554,228
LIABILITIES AND DEFICIT					
Current Liabilities					
Term loans - current portion	14	$	47,728,524	$	49,164,923
Interest payable	14		71,512,554		48,664,789
Other loans payable	15		50,923,670		43,595,220
Accounts payable and accruals	16		16,549,931		16,609,628
Advance from customers	16		10,293		273,771
Due to related parties	17		15,937,777		13,546,068
Derivative liabilities	17		-		247,979
Lease liabilities - current portion	18		152,269		189,849
Total Current Liabilities			202,815,018		172,292,227
Term loans	14		490,750		-
Other long-term liabilities	13		124,826		-
Lease liabilities	18		177,089		226,010
Total Liabilities			203,607,683		172,518,237
DEFICIT					
Shareholders' Deficiency					
Share capital	20		200,544,544		200,544,544
Contributed surplus			34,018,883		34,018,883
Accumulated other comprehensive income			11,470,363		10,867,763
Accumulated deficit			(425,630,939)		(392,579,670)
Total Shareholders' Deficiency Attributable to Shareholders of GLG			(179,597,149)		(147,148,480)
Non-controlling Interest	19		(1,063,324)		(815,529)
Total Deficit			(180,660,473)		(147,964,009)
Total Liabilities and Deficit		$	22,947,210	$	24,554,228

The accompanying notes form an integral party of these consolidated financial statements.

Approved on behalf of the Board:

Brian Palmieri Director *Sophia Leung* Director *Yingchun Liu* Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note		2022		2021
REVENUE	25	$	10,921,991	$	10,876,457
COST OF SALES	21		(7,733,409)		(7,977,393)
GROSS PROFIT			3,188,582		2,899,064
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	21		(3,671,359)		(4,000,815)
OTHER INCOME (EXPENSES)					
Interest expense	14, 15, 17		(32,150,259)		(21,449,205)
Interest income			14,027		242
Inventory (provision) recovery	8		319,524		(96,217)
Foreign exchange loss			(868,951)		(830,513)
Other expenses			(139,304)		(394,017)
Bad debt (provision) recovery			(1,238)		1,360
			(32,826,201)		(22,768,350)
NET LOSS FOR THE YEAR			(33,308,978)		(23,870,101)
NET LOSS ATTRIBUTABLE TO					
Shareholders of GLG			(33,051,269)		(23,704,207)
Non-controlling interest	19		(257,709)		(165,894)
Net loss for the year		$	(33,308,978)	$	(23,870,101)
Other comprehensive income (loss)					
Foreign currency translation adjustment			612,514		(1,639,062)
COMPREHENSIVE LOSS FOR THE YEAR		$	(32,696,464)	$	(25,509,163)
Other comprehensive loss attributable to:					
Shareholders of GLG			602,600		(1,617,245)
Non-controlling interest	19		9,914		(21,817)
		$	612,514	$	(1,639,062)
COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:					
Shareholders of GLG			(32,448,669)		(25,321,452)
Non-controlling interest	19		(247,795)		(187,711)
		$	(32,696,464)	$	(25,509,163)
LOSS PER SHARE	23				
Basic and diluted		$	(0.86)	$	(0.62)
Weighted Average Number of Common Shares Outstanding					
Basic and diluted			38,394,223		38,394,223

The accompanying notes form an integral party of these consolidated financial statements.

GLG LIFE TECH CORPORATION

Consolidated Statements of Changes in Shareholders' Deficiency
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Restricted Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total GLG Shareholders' Deficiency	Non-controlling Interest	Total Deficit
Balance, January 1, 2021	37,673,374	720,849	$ 200,471,881	$ 34,018,883	$ 12,485,008	$ (368,875,463)	$ (121,899,691)	$ (627,818)	$ (122,527,509)
Restricted shares	720,849	(720,849)	72,663	-	-	-	72,663	-	72,663
Change in foreign currency translation	-	-	-	-	(1,617,245)	-	(1,617,245)	(21,817)	(1,639,062)
Net income	-	-	-	-	-	(23,704,207)	(23,704,207)	(165,894)	(23,870,101)
Balance as at December 31, 2021	38,394,223	-	$ 200,544,544	$ 34,018,883	$ 10,867,763	$ (392,579,670)	$ (147,148,480)	$ (815,529)	$ (147,964,009)
Change in foreign currency translation	-	-	-	-	602,600	-	602,600	9,914	612,514
Net loss	-	-	-	-	-	(33,051,269)	(33,051,269)	(257,709)	(33,308,978)
Balance as at December 31, 2022	38,394,223	-	$ 200,544,544	$ 34,018,883	$ 11,470,363	$ (425,630,939)	$ (179,597,149)	$ (1,063,324)	$ (180,660,473)

The accompanying notes form an integral party of these consolidated financial statements.

GLG LIFE TECH CORPORATION

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note	2022	2021
Cash Flows From Operating Activities			
Net Loss		$ (33,308,978)	$ (23,870,101)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	11, 12	1,395,248	1,452,417
Loss on disposal of property, plant and equipment	11	9,045	-
Other expense (income)		(303,517)	72,663
Inventory provision (recovery)		(319,524)	96,217
Bad debt provision (recovery)		1,238	(1,360)
Interest expense on lease liabilities, net of finance income from sublease	13, 18	44,158	77,030
Unrealized foreign exchange loss		(101,859)	483,871
Changes in non-cash working capital items		32,329,491	21,908,952
Net cash (used in) provided by operating activities		(254,698)	219,689
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	11	(12,665)	(126,889)
Net cash used in investing activities		(12,665)	(126,889)
Cash Flows From Financing Activities			
Repayment of term loans	14	(154,880)	(116,580)
Proceeds from other loans	15	448,871	485,750
Repayment of other loans	15	(631,015)	(299,200)
Repayment to related parties	17	-	(100,000)
Restricted cash		(215)	(76,181)
Repayment of lease liabilities, net of proceeds from sublease	13, 18	(76,696)	(237,051)
Interest paid		(201,369)	(196,189)
Net cash used in financing activities		(615,304)	(539,451)
Effect of changes in exchange rate		887,993	130,033
Increase (decrease) in cash		5,326	(316,618)
Cash, beginning of the year		239,345	555,963
Cash, end of the year		$ 244,671	$ 239,345

The accompanying notes form an integral party of these consolidated financial statements.

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 280, 13071 Vanier Place, Richmond, British Columbia V6V 2J1. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "GLG".

The Company is a 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.

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 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, 2022. These consolidated financial statements were approved for issuance by the Board of Directors on April 3, 2023.

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, 2022, the Company realized a net loss of $33,308,978 (2021 - $23,870,101). As at December 31, 2022, the Company had an accumulated deficit of $425,630,939 (2021 - $392,579,670) and a working capital deficiency of $196,140,371 (2021 - $165,823,134).

3. GOING CONCERN, continued

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 four 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 four 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 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

3. GOING CONCERN, continued

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, 2022 and 2021, substantially all loans were held by the state-owned capital management companies (“SOCMC”) and a local bank. The SOCMC include China Cinda Assets Management Anhui Branch (“Cinda”) and Jingsu Xinbao Assets Management Co. (“Xinbao”). The Company has provided its SOCMC 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 the additional risk that the Company could be assessed additional interest, compensation for breach of a settlement agreement and penalties. During fiscal year 2021, the Company entered into a debt settlement agreement with the SOCMC for debt held by the Company’s subsidiary, Qingdao Runde Biotechnology Company, Ltd. (“Runde”) and a late payment compensation has been assessed for breach of the settlement agreement (Note 14). To the best of the Company’s knowledge, neither the SOCMC nor the bank have taken any action on the Company’s pledged assets to date.

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.

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. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Functional currency and foreign currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The Company considers the functional currency for its Canadian operations to be USD. Management reviewed the primary and secondary indicators in IAS 21, and determined the functional currency of its foreign subsidiaries is their local currency, except Agricultural High Tech Developments Limited, which was incorporate in Marshall Islands with the function currency as Hong Kong dollars.

Foreign currency translations

When the Company translates the financial statements of subsidiaries from their functional currency to presentation currency, assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Share capital, contributed surplus, other comprehensive (loss) income, and accumulated deficits are translated into Canadian dollars at historical exchange rates. Revenues and expenses are translated into Canadian dollars at the average exchange rate for the year. Foreign exchange gains and losses on translation are included in other comprehensive (loss) income.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of each subsidiary at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

b) Basis of consolidation

These consolidated financial statements include the following subsidiaries:

	Jusridiction of Incorporation	Ownership Interet	Functional Currency
Agricultural High Tech Developments Limited	Marshall Islands	100%	HKD
Anhui Runhai Biotechnology Joint Stock Co., Ltd. ("Runhai")	China	98.85%	RMB
Anhui Bengbu HN Stevia High Tech Development Company Limited ("Benbu")	China	98.85%	RMB
Dongtai Runyang Stevia High Tech Company Limited ("Runyang")	China	98.85%	RMB
Qingdao Runde Biotechnology Company Limited ("Runde")	China	98.85%	RMB
GLG Life Tech US, Inc.	USA	100%	USD
Intercontinental Cannabis Corporation	Canada	100%	CAD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c) Basis of consolidation, continued

The Company holds 98.85% of the issued share capital of Runhai, which in turn holds 100% of the issued share capital of Benbu, Runyang and Runde.

Intercontinental Cannabis Corporation was incorporated under the Business Corporations Act (British Columbia) on September 18, 2018. This company has been inactive from its date of incorporation to December 31, 2022.

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.

c) 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. The Company classifies its cash, accounts receivable, net investment in sublease, term loans, accounts payable and accruals, interest payable, other loans payable, advance from customers, lease liabilities, and due to related parties as financial instruments measured at amortized cost. The Company classifies its derivative liabilities as FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

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 at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities at FVTOCI

For equity securities that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income ("OCI"). This election is available for each separate investment. Under this FVTOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment, the cumulative fair value change remains in OCI and is not recycled to net earnings or loss.

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

c) 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.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired.

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 3 inputs of the fair value hierarchy. The Company's financial instruments include cash, accounts receivable, net investment in sublease, term loans, accounts payable and accruals, interest payable, other loans payable, advance from customers, lease liabilities, 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

d) Impairment of 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 include 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.

e) 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.

f) Inventory

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

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 production. The cost of production includes costs directly related to the units of production, such as direct labor, and fixed and variable production overheads, based on normal operating capacity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f) Inventory, continued

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.

g) 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

g) Property, plant and equipment, continued

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.

h) Lease and right-of-use assets

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

h) Lease and right-of-use assets, continued

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.

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.

Subleases

In classifying a sublease, the Company classifies the sublease as a finance lease, or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease.
- Otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

When the sublease is classified as a finance lease, the lessor derecognizes the right-of-use asset pertaining to the head lease that it transfers to the sublessee, at the commencement date, but continues to account for the original lease liability. The sublessor recognizes a net investment in sublease and evaluates it for impairment and use the discount rate in the head lease to measure the net investment in sublease. The Company recognizes finance income on the net investment in sublease, and also records income relating to variable lease payments not included in the measurement of the net investment in the lease.

i) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

j) Revenue recognition

The Company evaluates whether the contracts it enters meet the definition of a contract with a customer at contract inception and recognizes revenue when control of the goods or services has been transferred. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for transferring goods to a customer. The Company has determined that no significant financing component exists between the date a promised good is transferred to a customer and the date the customer pays for that good, when the period is one year or less. The Company records revenue at a point in time, unless otherwise indicated. Customer prepayments are recorded as advance from customers and revenue is not recognized until the shipment of goods occurs.

k) 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 include obligations associated with the retirement or reclamation of long-lived assets. Provisions are not recognized for future operating losses.

l) 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 the Company’s and its subsidiaries’ functional currencies to the Company’s presentation currency.

m) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The diluted loss per share is the same as basic loss per share due to anti-dilution for the loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax liabilities or assets are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized

Deferred taxes result from differences between the financial statements 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.

o) Operating segments

An operating segment is a component of the Company that engages in business activities. An operating segment may earn revenues and incur expenses. An operating segment has discrete financial information available which is regularly reviewed by the Company’s Operating Decision Maker to assess performance or make resource allocation decisions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

p) Recent Accounting Pronouncements

Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)", which provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendment clarified that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Only rights to defer settlement by at least twelve months, which are in place at the end of the reporting period, affect the classification of a liability. Classification is unaffected by an entities' expectation to exercise its right to defer settlement of a liability. The amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2023. The Company expects to apply the amendment to the classification of liabilities on January 1, 2023, and adopting this amendment is not expected to have a significant impact on the Company's financial statements.

Clarifying amendment to account for deferred tax on leases and decommissioning obligations

In May 2021, the IASB amended IAS 12 – "Income Taxes" to clarify that the initial recognition exemption does not apply to leases and decommissioning obligations. As a result, companies are required to recognize deferred tax on such transactions. The amendment is effective January 1, 2023, and earlier application is permitted. The Company expects to apply the amendment on January 1, 2023, and adopting this amendment is not expected to have a significant impact on the Company's financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Judgments

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(a), the functional currency of the Company has been determined to be the USD, while the functional currencies of its subsidiaries are as listed in Note 4(b).

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.

Impairment and/or impairment reversal of long-lived assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's long-lived assets are impaired and whether previously recorded impairments should be reversed. 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation

Inventories

The Company estimates the net realizable values of inventories taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by 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.

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.

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.

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE

		December 31, 2022		December 31, 2021
Accounts receivable	$	4,115,032	$	3,467,702
Expected credit loss		(1,271,907)		(1,254,721)
	$	**2,843,125**	**$**	**2,212,981**

		Total
Allowance for doubtful accounts ("AFDA")		
As at December 31, 2020	$	1,238,840
Changes in AFDA		(1,397)
Foreign exchange		17,278
As at December 31, 2021	$	1,254,721
Changes in AFDA		1,231
Foreign exchange		15,955
As at December 31, 2022	$	1,271,907

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, 2022		December 31, 2021
Raw materials	$	715,320	$	768,365
Work in progress		547,887		587,925
Finished goods		963,825		1,517,545
	$	2,227,032	$	2,873,835

For the year ended December 31, 2022, the Company recovered inventory impairment of $319,524 (2021 - $96,217 impairment expenses). In 2022, inventory expensed in cost of sales amounted to $6,632,015 (2021 - $6,588,675).

The carrying amounts of inventory have been pledged as general collateral for the loans from SOCMCs and a bank (Note 14).

9. PREPAID EXPENSES

		December 31, 2022		December 31, 2021
Prepayments for trade suppliers	$	188,559	$	283,180
Prepayments for fixed assets		60,232		29,945
Rent and deposits		65,267		56,717
Other		130,793		68,001
	$	444,851	$	437,843

10. RESTRICTED CASH

For the year ended December 31, 2022, the Company has $75,260 or RMB 383,391 (2021 – $76,181 or RMB 381,862) in restricted cash that is held as by the SOCMC due to non payment on its term loans and breach of the debt settlement agreement (Note 14).

(Expressed in Canadian Dollars)

11. PROPERTY, PLANT AND EQUIPMENT

	Ion exchange resin equipment	Manufacturing equipment	Buildings & CIP	Leasehold & land use rights	Computer equipment & software	Motor vehicles & furniture and fixture	Bearer plants	Total
Costs								
As at December 31, 2020	$ 2,294,807	$ 16,502,619	$ 21,161,928	$ 1,592,965	$ 251,224	$ 403,321	$ 252,472	$ 42,459,336
Additions	-	18,216	31,962	-	6,826	2,991	-	59,995
Disposal	-	-	-	-	-	-	(251,695)	(251,695)
Foreign currency adjustments	185,550	567,779	1,078,223	36,665	4,686	7,958	(777)	1,880,084
As at December 31, 2021	$ 2,480,357	$ 17,088,614	$ 22,272,113	$ 1,629,630	$ 262,736	$ 414,270	$ -	$ 44,147,720
Additions	-	5,157	-	-	7,508	-	-	12,665
Disposal	-	-	-	(39,470)	-	-	-	(39,470)
Transfer	-	35,134	(35,134)	-	-	-	-	-
Foreign currency adjustments	(129,079)	(394,354)	(750,926)	(25,506)	(3,245)	(5,536)	-	(1,308,646)
As at December 31, 2022	$ 2,351,278	$ 16,734,551	$ 21,486,053	$ 1,564,654	$ 266,999	$ 408,734	$ -	$ 42,812,269
Accumulated depreciation								
As at December 31, 2020	$ 2,294,807	$ 13,871,620	$ 6,740,405	$ 405,357	$ 231,838	$ 363,475	$ 252,472	$ 24,159,974
Depreciation	-	216,831	1,021,062	36,219	3,573	6,212	-	1,283,897
Disposal	-	-	-	-	-	-	(251,695)	(251,695)
Foreign currency adjustments	185,550	488,151	590,091	9,861	4,163	7,177	(777)	1,284,216
As at December 31, 2021	$ 2,480,357	$ 14,576,602	$ 8,351,558	$ 451,437	$ 239,574	$ 376,864	$ -	$ 26,476,392
Depreciation	-	202,237	1,012,602	33,623	3,007	598	-	1,252,067
Disposal	-	-	-	(30,425)	-	-	-	(30,425)
Foreign currency adjustments	(129,079)	(336,013)	(399,479)	(6,343)	(2,860)	(4,981)	-	(878,755)
As at December 31, 2022	$ 2,351,278	$ 14,442,826	$ 8,964,681	$ 448,292	$ 239,721	$ 372,481	$ -	$ 26,819,279
Net book value								
As at December 31, 2021	$ -	$ 2,512,012	$ 13,920,555	$ 1,178,193	$ 23,162	$ 37,406	$ -	$ 17,671,328
As at December 31, 2022	$ -	$ 2,291,725	$ 12,521,372	$ 1,116,362	$ 27,278	$ 36,253	$ -	$ 15,992,990

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

(Expressed in Canadian Dollars)

11. PROPERTY, PLANT AND EQUIPMENT, continued

There were no impairment losses during the years ended December 31, 2022 and 2021.

Land use rights in China have remaining terms ranging from 36.2 to 36.3 years. Due to late payment on the term loans outlined in Note 14, a restriction was imposed on certain of the Company's land use rights. Under this restriction, the proceeds upon sale of the land use rights will be used to pay the creditors first.

Depreciation expense is included in the consolidated statement of income (loss) under the following categories:

	Twelve months ended December 31	
	2022	2021
Cost of sales	$ 829,428	$ 849,737
Selling, general and administrative expenses	402,399	412,707
	$ 1,231,827	$ 1,262,444

Depreciation expense for the year ended December 31, 2022, consists of $1,252,067 (2021 - $1,283,897) relating to property, plant and equipment and $20,240 (2021 - $21,453 capitalized to inventory) relating to depreciation included in inventory.

(Expressed in Canadian Dollars)

12. RIGHT-OF-USE ASSETS

The Company leases various office, land, production equipment.

The following table presents the right-of-use assets related to these lease agreements.

	Office	Land	Production equipment	Total
Cost				
As at December 31, 2020	491,766	44,328	228,545	764,639
Additions	-	-	77,365	77,365
As at December 31, 2021	491,766	44,328	305,910	842,004
Additions	118,418	-	-	118,418
Decrease	(491,766)	-	-	(491,766)
As at December 31, 2022	118,418	44,328	305,910	468,656
Accumulated depreciation				
As at December 31, 2020	176,155	7,340	152,363	335,858
Depreciation expense	88,077	3,670	76,773	168,520
As at December 31, 2021	264,232	11,010	229,136	504,378
Depreciation expense	62,737	3,670	76,774	143,181
Decrease	(308,271)	-	-	(308,271)
As at December 31, 2022	18,698	14,680	305,910	339,288
Net book value - December 31, 2020	315,611	36,988	76,182	428,781
Net book value - December 31, 2021	227,534	33,318	76,774	337,626
Net book value - December 31, 2022	$ 99,720	$ 29,648	$ -	$ 129,368

(Expressed in Canadian Dollars)

13. NET INVESTMENT IN SUBLEASE

The Company entered into a sublease agreement with a third party with respect to its office premise in Vancouver British Columbia. The Company has classified the sublease as a finance lease as the sublease covers the remaining term of the office premise. The net investment in the sublease was measured at the present value of the remaining lease payments, discounted using the estimated incremental borrowing rate of 15% per annum over the life of the sublease. The sublease resulted in derecognition of the right-of-use asset relating to the head lease at an amount of $183,495 and a gain on the derecognition at an amount of $15,910.

The following is a continuity schedule of the Company's net investment in the sublease:

As at December 31, 2021	$	-
Recognized in 2022		239,033
Sublease received		(61,353)
Interest income on lease receivable		13,798
As at December 31, 2022		191,478
Less: current portion		(116,533)
Non-current portion as at December 31, 2022	$	74,945

Other long-term liabilities

The Company received six months' gross rent at the commencement of sublease agreement. Four months' gross rent received in advance will apply to the last four months' rent while two months' gross rent will be held as a security deposit.

(Expressed in Canadian Dollars)

14. TERM LOANS

The Company's term loans consist of borrowings from Cinda, Xinbao and a local bank.

The following table presents the principal amount of each term loan.

	RD-Cinda (i)	RH-Cinda (ii)	RY-Xinbao (iii)	RH-Bank (iv)	TOTAL
Balance, December 31, 2020	**35,540,346**	**3,410,750**	**8,281,111**	**916,030**	**48,148,237**
Repayment	-	-	-	(116,580)	(116,580)
FX impact	838,817	80,500	195,449	18,500	1,133,266
Balance, December 31, 2021	**36,379,163**	**3,491,250**	**8,476,560**	**817,950**	**49,164,923**
Repayment	-	-	-	(154,880)	(154,880)
FX impact	(583,525)	(56,000)	(135,964)	(15,280)	(790,769)
Balance, December 31, 2022	**35,795,638**	**3,435,250**	**8,340,596**	**647,790**	**48,219,274**
Long term				**490,750**	**490,750**
Current	**35,795,638**	**3,435,250**	**8,340,596**	**157,040**	**47,728,524**

The following table presents the interest expenses and late payment compensation of each term loan.

	RD-Cinda (i)	RH-Cinda (ii)	RY-Xinbao (iii)	RH-Bank (iv)	TOTAL
Balance, December 31, 2020	**17,774,048**	**5,534,190**	**10,260,914**	**1,777**	**33,570,929**
Interest accrued	5,267,772	978,620	1,725,677	49,436	8,021,505
Late payment compensation	5,842,676	55,553	58,679	-	5,956,908
Interest paid	-	-	-	(49,662)	(49,662)
FX impact	716,847	158,295	289,931	36	1,165,109
Balance, December 31, 2021	**29,601,343**	**6,726,658**	**12,335,201**	**1,587**	**48,664,789**
Interest accrued	6,202,166	1,130,685	4,715,236	41,997	12,090,084
Late payment compensation	5,307,138	830,001	5,108,477	-	11,245,616
Interest paid	-	-	-	(32,341)	(32,341)
FX impact	(314,296)	(80,553)	(60,854)	109	(455,594)
Balance, December 31, 2022	**40,796,351**	**8,606,791**	**22,098,060**	**11,352**	**71,512,554**

14. TERM LOANS, continued

i. The Company's subsidiary Runde has numerous loans with Cinda. $9,968,114 (RMB 50,780,000) of loans bear interest at 11.57% per annum and $25,827,524 (RMB 131,571,696) of loans bear interest at 10.22% per annum. As at December 31, 2022, the RD-Cinda loans are due on demand.

   During the year ended December 31, 2021, the Company entered into a settlement agreement with Cinda for the RD-Cinda loans. The Company was assessed a late payment compensation due to the breach of the debt restructuring agreement with Cinda. This amount was included in interest expense and interest payable.

ii. The Company's subsidiary Runhai has numerous loans with Cinda. $3,435,250 (RMB 17,500,000) of loans are due on demand and bear interest at 10.82% per annum.

iii. The Company's subsidiary Runyang has numerous loans with Cinda in the amount of $8,340,595 (RMB 42,489,025). During the year ended December 31, 2021, these loans have been transferred to Xinbao. The Company was assessed a late payment compensation due to the breach of the debt restructuring agreement with Cinda. This amount was included in interest expense and interest payable.

iv. During the year ended December 31, 2021, Runhai borrowed a loan of $817,950 (RMB 4,100,000) from a local bank. During the year ended December 31, 2022, Runhai restructured the loan with a repayment schedule over three years. The loan bears interest at 5.82% per annum and is due between February 2023 to August 2025. Due to restructuring of the loan, the Company repaid $154,880 (RMB 800,000) in 2022.

The assets of the Company's subsidiaries including inventory, restricted cash and property, plant and equipment have been pledged as collateral for these loans. (Notes 8, 10 and 11). As of the reporting date, all term loans have been in default, and Cinda and Xinbao have the right to collect all the principals, accrued interest and late payment compensation, as well as the right to take possession of the pledged assets. If lenders take possession of the pledged assets, the Company will no longer be able to continue its operation. The Company has been negotiating with Cinda and Xinbao to arrange for debt repayment plans, and no consensus has been arrived yet as of the reporting date.

(Expressed in Canadian Dollars)

15. OTHER LOANS PAYABLE

The following table presents the other loans payable.

	Ms. Yuen (i)	Others (ii)	Total
Balance, December 31, 2020	**32,584,981**	**4,006,486**	**36,591,467**
Additions	123,630	366,195	489,825
Interest expense	5,530,128	554,434	6,084,562
Payments	(235,656)	(66,396)	(302,052)
FX impact	687,220	44,198	731,418
Balance, December 31, 2021	**38,690,303**	**4,904,917**	**43,595,220**
Additions	448,871	-	448,871
Interest expense	6,454,219	652,465	7,106,684
Payments	(330,291)	(300,724)	(631,015)
FX impact	272,260	131,650	403,910
Balance, December 31, 2022	**45,535,362**	**5,388,308**	**50,923,670**

The Company obtained loans under numerous credit facility agreements from a private lender, Ms. Yuen, in USD and RMB. As at December 31, 2022, the loans from Ms. Yuen are unsecured and due on demand. $3,255,151 of loans bear interest at 20% or 18% per annum, compounding quarterly. $1,547,956 of loans bear annual interest between 15% to 20%. The maturity dates for loans from Ms. Yuen were from June 2021 to March 2023. During the three months ended March 31, 2023, $964,333 loans from Ms. Yuen have been repaid to the previous loans from Ms. Yuen (Note 29). As of the reporting date, the remaining $49,959,337 loans from Ms. Yuen have been in default. If Mrs. Yuen recalls the loans, the Company will no longer be able to continue its operation.

The Company obtained numerous loans from other private lenders in USD and RMB. As at December 31, 2022, the loans from other private lenders are unsecured and due on demand with interest at 11.50% per annum, compounding quarterly. During the year ended December 31, 2022, the Company repaid $294,120 (RMB 1,520,000) to other private lenders. As of December 31, 2022, the outstanding principal of these loans was $1,041,949 (2021 – $1,278,567).

(Expressed in Canadian Dollars)

15. ACCOUNTS PAYABLE AND ACCRUALS

The following table presents each category of accounts payable and accrual.

		December 31, 2022		December 31, 2021
Accounts payable	$	4,520,668	$	4,732,348
Accrued liabilities	$	3,601,349		3,155,152
Other payables	$	1,655,708		1,777,389
Payroll liabilities	$	398,479		456,150
Plant construction liabilities	$	6,373,727		6,488,589
	$	16,549,931	$	16,609,628

Advance from customers

Advance from customers includes the customer prepayments that will be recognized as revenue when the shipment of goods occurs.

16. RELATED PARTY BALANCES AND TRANSACTIONS

Amounts due to related parties

Amounts due to related parties are summarized as follows:

	Loan from CEO (i)	Loan from Director (ii)	Consulting fee payable to CEO (iii)	Total
Balance, December 31, 2020	**8,318,128**	**1,037,500**	**3,167,892**	**12,523,520**
Additions - Cash				-
Additions - Non cash			426,449	426,449
Interest expense	1,066,941	143,055	94,572	1,304,568
Payments		(246,527)	(426,448)	(672,975)
FX impact	(23,122)		(12,372)	(35,494)
Balance, December 31, 2021	**9,361,947**	**934,027**	**3,250,093**	**13,546,067**
Additions - Cash				-
Additions - Non cash			456,555	456,555
Interest expense	1,416,618	135,000	100,755	1,652,373
Payments		(169,027)	(467,829)	(636,856)
FX impact	693,206		226,432	919,638
Balance, December 31, 2022	**11,471,771**	**900,000**	**3,566,006**	**15,937,777**

(Expressed in Canadian Dollars)

17. RELATED PARTIES BALANCES AND TRANSACTIONS, continued

i. The Company obtained loans under numerous credit facility agreements from the Company's Chairman and CEO in USD and RMB. For the loans borrowed in USD, the interest rate is US 10-year benchmark government bond rate plus 1100 basis points per annum. For the loans borrowed in RMB, the interest rate is the Chinese 10-year benchmark government bond rate plus 1100 basis points per annum, compounding quarterly. The loans from the CEO are unsecured and due on demand. As of December 31, 2022, the outstanding principal of these loans was $3,047,468 (2021 - $2,852,613).

These loans provide a repayment option to the lenders in either RMB or USD using a foreign exchange rate specified in each credit facility. This option results in a derivative liability of $nil (2021 - $247,979).

ii. The Company obtained a loan from one of its directors. The loan is secured by expected proceeds from monk fruit sales, bearing interest at 15% per annum. As of December 31, 2022, the outstanding principal of the loan was $900,000 (2021 - $900,000).

iii. As of December 31, 2022, the consulting fee payable to the Company's Chairman and CEO was $3,566,006 (2021 - $3,250,093), which bears interest at 3% per annum compounding quarterly.

a) Transactions with Key Management Personnel

Key Management Personnel are those persons who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly, including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, senior management of the Chinese subsidiaries and any external directors of the Company.

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

	Twelve months ended December 31	
	2022	2021
Short-term employee benefits (including salaries, bonuses and fees)	$ 736,992	$ 706,108
Share-based benefits	-	72,663
Total remuneration	$ 736,992	$ 778,771

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 payment, totaling approximately $1,870,000.

(Expressed in Canadian Dollars)

18. LEASE LIABILITIES

	Office	Land	Production equipment	Total
At December 31, 2021	$ 285,225	$ 40,660	$ 89,974	$ 415,859
Recognized in 2022	118,418	-	-	118,418
Lease payments made	(156,017)	(9,407)	(97,451)	(262,875)
Interest expense on lease liabilities	43,341	7,138	7,477	57,956
	290,967	38,391	-	329,358
Less: current portion	(149,555)	(2,713)	-	(152,268)
Non-current portion as at December 31, 2022	$ 141,412	$ 35,678	$ -	$ 177,090

	Office	Land	Production equipment	Total
At December 31, 2020	$ 366,082	$ 42,309	$ 90,124	$ 498,515
Recongnized in 2021	-	-	77,365	77,365
Lease payments made	(130,465)	(9,135)	(97,451)	(237,051)
Interest expense on lease liabilities	49,608	7,486	19,936	77,030
	285,225	40,660	89,974	415,859
Less: current portion	(97,606)	(2,269)	(89,974)	(189,849)
Non-current portion as at December 31, 2021	$ 187,619	$ 38,391	$ -	$ 226,010

	December 31, 2022	December 31, 2021
Current	$ 152,268	$ 189,849
Non-Current	177,090	226,010
	$ 329,358	$ 415,859

During the year ended December 31, 2022, the Company recognized an expense of $113,658 (2021 - $150,625) relating to short term leases.

(Expressed in Canadian Dollars)

19. NON-CONTROLLING INTEREST

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

December 31, 2020	**$**	**(627,818)**
Non-controlling interest's share of earnings	$	(165,894)
Non-controlling interest's share of other comprehensive loss	$	(21,817)
December 31, 2021	**$**	**(815,529)**
Non-controlling interest's share of earnings	$	(257,709)
Non-controlling interest's share of other comprehensive loss	$	9,914
December 31, 2022	**$**	**(1,063,324)**

20. SHARE CAPITAL

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, 2022 and 2021, there are 38,394,223 common issued and outstanding with no par value.

21. COST OF SALES AND EXPENSES

		2022		**2021**
Cost of sales				
Direct cost of sales	$	6,549,678	$	6,482,651
Depreciation and amortization		906,202		926,510
Freight & others		277,529		568,232
Total	$	7,733,409	$	7,977,393
Selling, general and administrative (SG&A) expenses				
Employee salaries and benefits	$	1,212,066	$	1,139,915
Consulting fees		568,312		630,673
Professional fees		245,392		457,886
Administration costs		1,176,783		1,267,887
Depreciation and amortization		468,806		504,454
Total	$	3,671,359	$	4,000,815

(Expressed in Canadian Dollars)

22. INCOME TAXES

The following table reconciles income taxes calculated at the applicable tax rates of 27% (2021 – 27%).

		2022		2021
Net loss for the year	$	(33,308,978)	$	(23,870,101)
Expected income tax recovery	$	(8,993,000)	$	(6,445,000)
Change in statutory, foreign tax, foreign exchange rates and other		448,000		301,000
Permanent differences		159,000		172,000
Adjustment to prior years provision versus statutory tax returns		(9,741,000)		(13,416,000)
Expiry of non-capital losses		-		1,886,000
Change in unrecognized deductive temporary differences		18,127,000		17,502,000
Total income tax expenses (recovery)	**$**	-	**$**	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial positions are:

		2022		2021
Deferred tax assets				
Property and equipment	$	3,419,000	$	3,796,000
Prepaid expenses and other assets		8,319,000		12,588,000
Allowable capita losses		4,248,000		4,248,000
Non-capital losses available for future periods		20,435,000		14,519,000
		36,421,000		35,151,000
Unrecognized deferred tax assets		(36,421,000)		(35,151,000)
Net deferred tax assets	$	-	$	-

As at December 31, 2022, the Company has approximately $43.6 million (2021 - $32.3 million) in non-capital losses in Canada which expire between 2023 and 2042.

(Expressed in Canadian Dollars)

23. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the years ended December 31, 2022, and 2021 is summarized as follows:

		Year ended		
		2022		2021
Numerator:				
Net loss after tax	$	(33,051,269)	$	(23,704,207)
Denominator:				
Weighted average number of shares outstanding - basic and diluted		38,394,223		38,394,223
Loss per share - basic and diluted	$	(0.86)	$	(0.62)

24. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

		2022		2021
Accounts receivable	$	(465,034)	$	(520,797)
Taxes recoverable		(103,102)		(242,171)
Inventory		918,352		724,605
Prepaid expenses		(13,605)		(50,961)
Accounts payable and accruals		180,511		682,014
Interest payable		32,094,757		14,722,077
Deferred revenue		(271,115)		273,771
Due to related parties		(11,274)		6,320,414
Changes in non-cash working capital items	$	32,329,490	$	21,908,952
Interest paid	$	(201,369)	$	(196,189)
Income tax paid	$	-	$	-

(Expressed in Canadian Dollars)

25. 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 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:

		2022	2021
China	$	16,012,822	17,842,035
North America		184,796	243,100
	$	16,197,618	18,085,135

Revenue to external customers by geographical locations is as follows:

	Twelve months ended December 31			
		2022		2021
China	$	542,363	$	371,963
North America & others		10,379,628		10,504,494
	$	10,921,991	$	10,876,457

During 2022, two customers of the Natural Sweeteners CGU represented 71% of total consolidated revenue (2021 – 57%).

(Expressed in Canadian Dollars)

26. 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 89% of the total accounts receivable as at December 31, 2022 (2021 – 84%). 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, 2022		December 31, 2021
Accounts receivable	$	4,115,032	$	3,467,702
Expected credit loss		(1,271,907)		(1,254,721)
	$	**2,843,125**	**$**	**2,212,981**

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 27. 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. The Company is exposed to liquidity risk (Note 3).

26. 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, 2022 and 2021:

	December 31, 2022		December 31, 2021	
Financial liabilities	**0 to 12 months**	**12 to 24 months**	**0 to 12 months**	**12 to 24 months**
Term loans	$ 47,728,524	490,750	$ 49,164,923	-
Interest payable	71,512,554	-	48,664,789	-
Other loans payable	50,923,670		43,595,220	
Accounts payable and accruals	16,549,932	-	16,609,628	-
Due to related parties	15,937,777	-	13,546,068	-
	$ 202,652,457	**$ 490,750**	**$ 171,580,628**	**$ -**

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 some amounts due to related parties at December 31, 2022. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2022, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of $639,000 (December 31, 2021 - $1,024,000) 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") and Canadian dollars. The Company is exposed to currency risk as the functional currency of the Company and its subsidiaries is other than Canadian dollars.

(Expressed in Canadian Dollars)

26. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

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, 2022				
		RMB balance	HK balance		US balance	
Total financial assets	¥	751,248	HK$	-	$	1,733
Total financial liabilities		(677,174,742)		-		(53,746)
Net foreign exchange risk exposure	¥	(676,423,494)	HK$	-	$	(52,013)

		December 31, 2021				
		RMB balance	HK balance		US balance	
Total financial assets	¥	412,381	HK$	-	$	694
Total financial liabilities		(598,539,234)		-		(42,264)
Net foreign exchange risk exposure	¥	(598,126,853)	HK$	-	$	(41,570)

(Expressed in Canadian Dollars)

26. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

As of December 31, 2022, 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 $1,216,000 (2021 - $1,194,000).

The Company's U.S. 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, 2022		December 31, 2021
		US$		US$
Financial assets				
Cash	$	80,655	$	166,047
Accounts receivable		2,081,721		1,703,380
Financial liabilities				
Short-term loans	$	(769,307)	$	(769,307)
Interest payable		(2,774,593)		(2,395,400)
Accounts payable and accruals		(164,456)		(117,320)
Due to related parties		(37,015,627)		(33,756,363)
Net foreign exchange risk exposure	$	(38,561,607)	$	(35,168,963)

As at December 31, 2022, assuming that all other variables remain constant, an increase of 1% in the Canadian dollar against the US dollar would have an effect on other comprehensive income (loss) of approximately $386,000 (2021 - $446,000).

27. 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, 2022.

28. COMMITMENTS AND CONTINGENCIES

a) Commitments

The Company signed a new production equipment lease agreement in November 2022, with a five year term, which runs from January 1, 2023 until December 31, 2027. The annual lease fee is $98,150.

b) Contingencies

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 position, results of operations or cash flows. The Company and the SOCMC are in a legal proceeding regarding the term loans due to late payment on these loans. The Company continues to negotiate with the SOCMC on the settlement of its debt. The Company did not accrue any loss contingencies in this respect as of December 31, 2022 and 2021, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

29. SUBSEQUENT EVENT

During the three months ended March 31, 2023, the Company received numerous new loans from Ms. Yuen at a total amount of $1,150,128 and repaid $964,333 to Ms. Yuen (Note 15). These new loans have three-month terms and bear interest at 15% per annum.