MCVICAR INDUSTRIES INC.

(FORMERLY “MCVICAR RESOURCES INC.”)

Consolidated Financial Statements

(Expressed in Canadian dollars)

December 31, 2008 and 2007

MCVICAR INDUSTRIES INC.

(FORMERLY “MCVICAR RESOURCES INC.”)

Consolidated Financial Statements

(Expressed in Canadian dollars)

December 31, 2008 and 2007

INDEX **PAGE**

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
McVICAR INDUSTRIES INC. (formerly “McVicar Resources Inc.”)

We have audited the consolidated balance sheet of McVicar Industries Inc. (formerly “McVicar Resources Inc.”) as at December 31, 2008 and the consolidated statements of operations and (deficit) retained earnings, comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2007 and for the year then ended were audited by another firm of Chartered Accountants who expressed an opinion without reservation on those financial statements in their report dated May 14, 2008.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 16, 2009

2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, Canada, M2J 5B4
Telephone: (416) 496-1234 – Fax: (416) 496-0125 – E-Mail: info@mhc-ca.com – Website: www.mhc-ca.com

McVICAR INDUSTRIES INC.

(FORMERLY "McVICAR RESOURCES INC.")

Consolidated Balance Sheets

(Expressed in Canadian dollars)

December 31, 2008 and 2007

		2008		2007
Assets				
Current assets:				
Cash and cash equivalents (note 5)	$	6,764,070	$	4,892,181
Short-term investments (note 6)		2,638,189		425,906
Restricted cash (note 8)		2,145,037		1,826,546
Accounts receivable		7,940,157		6,852,242
Inventories (note 7)		7,945,635		6,650,150
Loan receivable from related parties (note 17)		361,040		265,400
Prepaid expenses, advances and deposits (notes 17 and 19(a))		1,177,358		702,139
Asset held for sale (note 11(g))		733,935		-
		29,705,421		21,614,564
Investment (note 11(g))		-		850,000
Construction in progress		649,761		336,299
Property, plant and equipment (note 10)		9,927,737		6,538,769
Intangible assets (note 12(b))		981,888		907,366
Future income tax asset (note 16)		185,400		-
Goodwill (note 12(a))		9,220,865		9,470,257
	$	50,671,072	$	39,717,255
Liabilities and Shareholders' Equity				
Current liabilities:				
Loans payable (note 9)	$	206,651	$	87,443
Notes payable (note 8)		4,290,074		3,653,092
Accounts payable and accrued liabilities (note 17)		5,745,346		7,160,030
Due to related parties (note 17)		761,084		236,078
Income tax payable		7,580		165,800
	$	11,010,735	$	11,302,443
Long-term loans (note 9)		189,279		73,578
Future income taxes liability (note16)		635,468		705,015
	$	11,835,482	$	12,081,036
Non-controlling interest (note 20)		9,960,738		9,644,252
Shareholders' equity:				
Capital stock (note 14(a))		26,052,375		17,178,952
Warrants (note 14(a))		1,483,048		140,905
Contributed surplus (note 14(b))		1,067,281		512,294
		28,602,704		17,832,151
(Deficit) retained earning (note 15)		(2,271,832)		784,806
Accumulated other comprehensive income (loss)		2,543,980		(624,990)
		272,148		159,816
		28,874,852		17,991,967
	$	50,671,072	$	39,717,255

Commitments and contingencies *(note 19)*

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

Approved on behalf of the Board

"D. James Misener" __________ Director

"Gang Chai" __________ Director

McVICAR INDUSTRIES INC.

(FORMERLY "McVICAR RESOURCES INC.")

Consolidated Statements of Operations and (Deficit) Retained Earnings

(Expressed in Canadian dollars)

December 31, 2008 and 2007

	2008	2007
Sales	$ 36,731,993	$ 27,450,755
Cost of goods sold	28,182,965	20,283,054
Gross profit	8,549,028	7,167,701
Expenses:		
General and administrative (note 17)	6,358,261	4,972,313
Amortization on intangible assets	268,536	171,948
Interest on long term debts	39,599	18,558
Loss on disposal of property, plant and equipment	32,939	7,169
Write-off of intangible assets (note 12(b))	177,550	-
Impairment of goodwill (note 12(a))	3,510,678	-
Write-off of interest in mineral resource properties (note 13)	-	251,793
(Gain) loss on foreign exchange	(175,740)	126,433
Total operating expenses	10,211,823	5,548,214
Operating (loss) income	(1,662,795)	1,619,487
Other income	38,734	33,260
Equity investment (loss) (note 11(g))	(110,013)	(314,900)
Gain on dilution of investment in subsidiary (note 11(d))	-	2,104,649
Interest (expense) income	(29,843)	85,678
Income (loss) before income taxes and non-controlling interest	(1,763,917)	3,528,174
Income taxes-current (note 16)	281,412	2,120
Income taxes-future (note 16)	(400,826)	(63,228)
Total income taxes	(119,414)	(61,108)
Non-controlling interest	1,412,135	1,345,543
Net (loss) income for the year	**$ (3,056,638)**	**$ 2,243,739**
Retained earnings (deficit), beginning of year	**$ 784,806**	**$ (1,458,933)**
(Deficit) retained earnings, end of year	**$ (2,271,832)**	**$ 784,806**
(Loss) earnings per share:		
Basic	$ (0.10)	$ 0.10
Diluted	$ (0.10)	$ 0.09
Weighted average number of shares outstanding (note 14(d)):		
Basic	30,374,643	23,189,473
Diluted	30,374,643	24,720,949

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

McVICAR INDUSTRIES INC.

(FORMERLY "McVICAR RESOURCES INC.")

Consolidated Statements of Comprehensive Income

(Expressed in Canadian dollars)

December 31, 2008 and 2007

		2008		2007
Net (loss) income for the year	$	(3,056,638)	$	2,243,739
Other Comprehensive Income (loss)				
oreign exchange gain (loss) on translating financial statements of self-sustaining subsidiaries		3,168,970		(624,990)
Total Comprehensive Income	$	112,332	$	1,618,749

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

McVICAR INDUSTRIES INC.

(FORMERLY "McVICAR RESOURCES INC.")

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

December 31, 2008 and 2007

		2008		2007
Cash provided by (used in):				
Operating activities:				
Net (loss) income for the year	$	(3,056,638)	$	2,243,739
Add: Items not affecting cash:				
Amortization		1,404,870		635,959
Loss on disposal of property, plant and equipment		14,722		7,169
Future income taxes		(400,826)		(63,228)
Non-controlling interest		1,412,135		1,345,543
Stock-based compensation		696,147		599,300
Gain on dilution of investment in subsidiary (note 11(d))		-		(2,104,649)
Equity investment loss (note 11(g))		110,013		314,900
Impairment of intangible assets (note 12(b))		177,550		-
Impairment of goodwill (note 12(a))		3,510,678		-
Write-off interest in mining resource properties (note 13)		-		251,793
Change in non-cash items from operations (note 18)		(2,599,033)		(3,127,481)
Net cash provided by operating activities		1,269,618		103,045
Financing activities:				
Repayment of notes payable		(476,161)		(1,878,411)
Proceeds from loans		408,663		90,969
Proceeds from subsidiary share issuance (notes 11(a) & 11(d))		76,800		8,558,657
Issuance of capital stock and warrants for cash (note 14(a))		3,888,539		2,580,000
Reduction of dividend payable to subsidiary		-		(83,903)
Net cash provided by financing activities		3,897,841		9,267,312
Investing activities:				
Business acquisitions (net of cash and cash equivalents acquired)		(140,363)		(2,717,375)
Short-term investment		(2,081,696)		(425,906)
Proceed of disposal of subsidiary's investment		-		12,864
Loans from (to) related parties		15,360		(230,145)
Purchase of property, plant and equipment		(1,823,608)		(2,091,075)
Net cash (used in) investing activities		(4,030,307)		(5,451,637)
Effect of exchange rate changes on cash and cash equivalents:		734,737		(541,747)
Net change in cash and cash equivalents		**1,871,889**		**3,376,973**
Cash and cash equivalents, beginning of the year		4,892,181		1,515,208
Cash and cash equivalents, end of the year (note 5)	**$**	**6,764,070**	**$**	**4,892,181**

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

1. The Company and nature of operations

McVicar Industries Inc. (the "Company” or “McVicar”), formerly McVicar Resources Inc., was incorporated under the Business Corporations Act (Ontario) on February 19, 2003.

In 2008, the Company filed Articles of Amendment to change its name to McVicar Industries Inc. to better reflect McVicar's strategic business transition in 2007 from resources to current industry.

The Company holds a 90.5% interest in its Hong Kong subsidiary McVicar (Hong Kong) Advanced Materials Co. Ltd. (“MAM”), and a 47.5% interest in a Canadian publicly listed company JITE Technologies Inc. (“JITE”). The Company is now operating in two different segments:

(a) Chemical industry: develops, manufactures and supplies specialized fine chemical products used in pharmaceutical and cosmetic industries;

(b)Technical industry: designs, manufactures and supplies electronic and electrical connection devices for security, industrial control, automation, telecommunication and power supply industries.

2. Significant accounting policies

(a) Basis of presentation
These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and their basis of application is consistent with prior years. The significant accounting policies are summarized as follows. All amounts in these financial statements are in Canadian dollars unless indicated with a “RMB” to represent the Chinese Renminbi.

(b) Principles of Consolidation
The Consolidated Financial Statements of the Company include the accounts of the Company and its subsidiaries, and the principal subsidiaries of the Company are:

Jite Technologies Inc. (“JITE”) (interest of 47.5% (2007 — 46.7%)), is a publicly listed company on the TSX (TSX-V: JTI). The core business of JITE is development, manufacturing and sales primarily in North America and China of terminal blocks used in security, elevator, railway and automation systems. JITE has a wholly owned subsidiary, Jite (Hong Kong) Limited ("Jite Hong Kong"), which owns 100% of Jite Industrial (Shenzhen) Co. Ltd. ("Jite Shenzhen").

McVicar (Hong Kong) Advanced Materials Co. Ltd. (“MAM”), (interest of 90.5% (2007 — 51%)), whose major operating subsidiary companies are a 100% interest in Zhejiang Hongbo chemical Co. Ltd. (“Hongbo”), a 100% interest in Hangzhou Changlong Chemical Co. Ltd. (“Changlong”), and an indirect 80% interest in Luyuan Chemical Co. Ltd. ("Luyuan") which was acquired by its subsidiary, Hongbo, on April 21, 2008. The principal activities of all these chemical subsidiaries are development, manufacturing and sales of specialized refined chemical products used in pharmaceutical and cosmetic industries both in China and international markets.

In September 2008, the Company registered its China operational office, McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)"), which is wholly owned by MAM.

(c) Measurement uncertainty
The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported revenue and expenses during the reporting period. These estimates are based on management’s best knowledge of current events, historical experience and various other assumptions that are believed to be reasonable under the circumstances. The actual results could differ materially from these estimates and assumptions.

The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include, but are not limited to, the allowance for doubtful accounts, short-term investments and assets held for sale, inventory valuation, future income tax assets and liabilities, the useful lives and recoverability of plant and equipment, and the fair value of stock-based compensation and warrants.

2. Significant accounting policies (continued)

The Black Scholes option valuation model used by the Company to determine the fair value of options and warrants was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimates, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's warrants and stock options granted during the year**.**

(d) Cash and cash equivalents
Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less.

(e) Inventories
Raw materials inventory is stated at the lower of cost and net realizable value where cost is determined using the weighted average method. Parts and work in progress and finished goods are stated at the lower of cost and net realizable value, where cost is determined on a first-in, first-out basis and includes material, labour and production overhead.

(f) Mineral resource properties

Mining properties are carried at cost.

Exploration and development expenditures incurred in the acquisition and exploration of the Company's mining properties net of option payments and government grants received will be deferred with the intention that the expenditures and the cost of the mining claims and properties be amortized by charges against income from future mining operations. If the mining claims are abandoned, the cost of the mining claims and all associated exploration and development expenditures are written off. (Note 13).

(g) Asset retirement obligations
The Company has adopted the recommendations of the Handbook of the Canadian Institute of Chartered Accountants ("CICA handbook") Section 3110 for Asset Retirement Obligations. Under this section the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred if a reasonable estimate of fair value can be determined. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest component (accretion expense) considered in the initial measurement at fair value. The capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation). This is based on the fact that, for the Company's exploration properties, the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant, and for the Company's chemical operations, McVicar believes its present activities substantially comply, in all material respects, with existing environmental laws and regulations and there is no evidence to demonstrate that it is probable that a future remediation commitment will be required. It may, in the future, be affected by changes in environmental regulations, including those for future removal and site restoration costs.

(h) Investments
The Company accounts for investments where it exercises significant influence, but not control, using the equity method.

(i) Property, plant, equipment and construction in progress
Construction in progress represents plant and machinery under construction and is stated at cost. Cost comprises directly attributable costs of acquisition or construction, net of any income received towards the construction in progress. Assets under construction are not depreciated. Completed items are transferred from construction in progress to proper categories of plant and equipment when they are ready for their intended use. Property, plant and equipment are recorded at cost. Amortization is computed over the expected useful lives of the plants and equipment using the straight-line method at the following annual rates:

2. Significant accounting policies (continued)

(i) Property, plant and equipment, and construction in progress (continued)

Asset	Method	Estimated useful lives
Buildings	Straight line	50 years
Leasehold improvements	Straight line	5 years
Furniture and fixtures	Straight line	5 years
Manufacturing equipment	Straight line	10 years
Metal and plastic moulds	Straight line	5 years
Other equipment	Straight line	5 years
Transportation equipment	Straight line	5 years

(j) Stock-based compensation

The Company has a stock-based compensation plan that is described in Note 14(c). CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock based payments for goods and or services. The Section requires that awards of stock are measured at fair value on the date of grant. The fair value is calculated using the Black Scholes model with the assumptions described in Note 14(c). The associated expense is amortized on a straight- line basis over the vesting period and charged to operations. The consideration paid on the exercise of the stock options together with the related portion previously recognized as stock based compensation is credited to share capital. The impact of forfeitures is recorded as incurred.

(k) Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

(l) Impairment of long-lived assets

Impairment of long-lived assets is recognized when an event or change in circumstances causes the assets' carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is calculated by deducting the fair value of the asset or group of assets from its carrying value.

(m) Earnings (loss) per share:

The Company has adopted the recommendations of the CICA Handbook Section 3500, Earning per Share ("EPS"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments. Basic earnings per share is computed by dividing income for the year by the weighted average number of common shares outstanding during the year. The treasury stock method used to compute the dilutive effects of options, warrants and similar instruments assumes that common shares are issued for the exercise of these instruments and that the assumed proceeds from the exercise of such instruments are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the diluted number of common shares outstanding. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive. The diluted loss per share calculation for the year ended December 31, 2008 excludes any potential conversion of options and warrants that would decrease loss per share.

(n) Income taxes:

The Company uses the asset and liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the CICA handbook. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. These future income tax assets and liabilities are measured using enacted and substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

2. Significant accounting policies (continued):

(o) Foreign Currency Translation
The functional currencies of the Company’s Hong Kong subsidiaries is the Hong Kong Dollar and the functional currencies of the Company’s mainland China subsidiaries is the Chinese Renminbi (“RMB”). Since the RMB is not a fully convertible currency, all foreign exchange translations involving RMB must take place either through the People’s Bank of China or other institutions authorized to buy and sell foreign exchange.

The Company’s operations in China represent self-sustaining foreign operations, and the respective accounts have been translated into Canadian dollars in accordance with the current rate method. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenue and expenses are translated at average exchanges rates for the period. Gains and losses arising from the translation of the financial statements of the self-sustaining foreign operations are recognized in accumulated other comprehensive income (loss).

Foreign monetary assets and liabilities of the Canadian operation have been translated into Canadian dollars using the rate of exchange in effect at the balance sheet date. Revenues and expenses of the Canadian operation denominated in foreign currencies are translated at the average exchange rates for the period. Exchange gains and losses arising from foreign currency translations are reflected in earnings.

(p) Revenue recognition
Revenue from product sales is recognized upon shipment, when title has passed to the customer, persuasive evidence of an arrangement exists, performance has occurred, specified test criteria have been met, collectibility reasonably assured, and the earnings process is complete. The Company has no further performance obligations other than its standard manufacturing warranty. Interest income is recorded on an accrual basis.

(q) Business acquisitions and goodwill
Acquisitions are accounted for using the purchase method and accordingly, the results of operations of the acquired business are included in the consolidated statements of operations effective from their respective dates of acquisition. Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the fair value of identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill recorded on acquisition is not amortized, but is instead tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired by comparing the fair value of a particular reporting unit to its carrying value. Any impairment loss will be charged against current period earnings and shown as a separate item in the consolidated statement of operations.

(r) Intangible assets
Intangible assets related to business acquisitions are recorded at their fair value at the acquisition date. Intangible assets with a finite life are amortized to operations over the useful life of the assets on a straight-line basis. The estimated useful lives of intangible assets are as follows: Customer relationships 5 years, below market lease agreement 9 years, land use rights 45 years.

Intangible assets with a finite life are tested for impairment annually or more frequently if events or changes in circumstances indicate that their carrying value may not be recoverable. Any impairment loss will be charged against current period earnings

(s) Environmental liabilities
Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed. Liabilities relating to future remediation costs are recorded when environmental assessments and/or cleanups are probable, and the costs can be reasonably estimated. Generally, the timing of these provisions is based on the regulations and\or the Company’s commitment to a formal plan of action, such as an approved remediation plan or, if earlier, on divestment or on closure of inactive sites to evidence that that it is probable that a future remediation commitment will be required.

(t) Short-term investments
Short- term investments consist primarily of investments in public companies and investments in Guaranteed Investment Certificate funds. In accordance with Section 3855 of the Canadian Institute of Chartered Accountants, short-term investments are classified as held-for-trading. Transactions are recorded on settlement date and investments recognized at fair value. Unrealized gains and losses are recorded in net earnings for held-for-trading investments.

2. Significant accounting policies (continued):

(u) Assets held for sale
Assets classified as held for sale, in accordance with Section 3475 of the Canadian Institute of Charted Accountants, are those that their carrying amount will be recovered through a sale transaction rather than through continuing use, and expected to be sold within a twelve month period and there is no longer intent to hold for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal.

v) Comprehensive Income
Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

w) Government Assistance
Government assistance for high-tech companies is recorded as a revenue in the period incurred.

3. Change in accounting policies
Effective January 1, 2008, the Company adopted new accounting standards issued by CICA Handbook Section 3031 - Inventories, Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments – Presentation.

(a) Inventories:
CICA Handbook Section 3031, Inventories, replaces corresponding Section 3030 and establishes new standards for the measurement and disclosure of inventories. This new section requires inventories to be measured at the lower of cost and net realizable value, it also provides guidance on the determination of cost and its subsequent recognition as an expense, costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula.

The new standard also requires disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

For the year 2008, the Company recorded an inventory provision of $1,387,584 to write down the value of inventory to the estimated net realizable value. The inventory provision is included in cost of goods sold.

(b) Capital Disclosures:
Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. The new disclosure has been provided in note 21 of the consolidated financial statements.

(c) Financial Instruments:
Section 3862 and Section 3863 replace Section 3861, Financial Instruments - Disclosure and Presentation, placing increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The new disclosure has been provided in note 22 of the consolidated financial statements.

The Company has classified its cash and cash equivalents and short-term investments as held for trading. The restricted cash is classified as held to maturity. The accounts receivable and loan receivable from related parties are classified as loans and receivables, and the accounts payable, loans payable, notes payable and due to related parties are classified as other financial liabilities.

(Expressed in Canadian dollars, unless otherwise indicated)

4. Future accounting changes

(a) Goodwill and intangible assets
On January 1, 2009, the Company will adopt CICA Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

(b) International Financial Reporting Standards ("IFRS")
The Canadian Accounting Standards Board has announced that Generally accepted accounting principles ("GAAP") in Canada will cease to apply and will be replaced by International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board. Publicly accountable enterprises will be required to adopt IFRS on or by January 1, 2011. The Company will issue its initial Consolidated Financial Statements under IFRS, including comparative information, for the quarter ended March 31, 2011.

(c) Business Combinations
In January 2009, the CICA issued Handbook Section 1582, Business Combinations. This new section will be applicable to business combinations for which the acquisition date is on or after the Company's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The Company has not yet determined the impact of the adoption of this new section on the Consolidated Financial Statements.

(d) Consolidated Financial Statements
In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements. This new section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The Company has not yet determined the impact of the adoption of this new section on the Consolidated Financial Statements.

(e) Non-Controlling Interests
In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interest. This new section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company has not yet determined the impact of the adoption of this new section on the Consolidated Financial Statements.

5. Cash and cash equivalents

	2008	2007
Cash	$ 6,764,070	$ 4,793,087
Cash equivalents	-	99,094
	$ 6,764,070	$ 4,892,181

6. Short-term investments:

The Company has a total of $2,638,189 (2007 - $425,906) in short-term investments, of which $1,776,589 was invested in Guaranteed Investment Certificate funds with variable interest rates ranging from prime rate minus 2.25% to 1.9% (2007 – 2.25% to 1.9%) and maturing within one year from acquisition, and $861,600 was invested in Chinese equities held by Jite Shenzhen.

	2008	2007
GIC	$ 1,776,589	$ 425,906
Equity investments in China	861,600	-
	$ 2,638,189	$ 425,906

(Expressed in Canadian dollars, unless otherwise indicated)

6. Short-term investments (continued)

In connection with Jite Shenzhen's short-term investments, Jite Shenzhen engaged a consulting company that is controlled by a director of JITE to manage its short-term investments. Pursuant to the terms of agreement, the consulting company will guarantee the principal amount of the investment and will be compensated 20% of any net gains in the portfolio when realized. The agreement can be cancelled by either party with three months notice. As at December 31, 2008, the principal amount of the investment was $861,600 (RMB 4,800,000), the market value based on quoted prices for the short-term investments was $450,468 (RMB 2,509,571) (2007 – $nil), and the unrealized loss was $411,132 (RMB 2,290,429) (2007 – $nil).

There is no agreed time period within which the related company has to pay any shortfall of the principal amount invested, therefore the amount of the guarantee is subject to measurement uncertainty.

7. Inventories

	2008	2007
Raw materials	$ 2,367,600	$ 1,034,082
Parts and work in process	2,443,879	1,571,291
Finished goods	3,134,156	4,044,777
	$ 7,945,635	$ 6,650,150

8. Notes payable

The Company's subsidiary Hongbo has a total of $3,751,550 (RMB 20,900,000) of credit facilities, which will expire on the following dates: $1,235,500 (RMB 6,900,000) on July 23, 2010 for which real estate with a carrying value of $ 1,971,854 (RMB 10,985,256; 2007 - $1,449,146; RMB 9,434,545) was pledged as collateral, $2,513,000 (RMB 14 million) on April 11, 2009 that was guaranteed by a customer of the Company.

Pursuant to the agreements, these credit facilities are limited only to issue notes payable up to the maximum face value of $7,503,100 (RMB 41,800,000), of which $3,751,550 (RMB 20,900,000) or half of notes payable issued must be held in the bank as deposit. As of December 31, 2008, Hongbo had utilized $2,145,037 (RMB 11,950,000) of the facilities and had issued $4,290,074 (RMB 23,900,000) in the form of notes payable, accordingly, $2,145,037 (RMB 11,950,000) has been reflected as restricted cash in the consolidated balance sheets.

9. Loans payable

The loans payable of $395,930 (RMB 2,205,737) is owed by JITE for its equipment financing, bears an effective interest rate of 10.7% per annum with blended monthly principal and interest payments of $16,882 (RMB 109,909), and are secured by equipment with a net book value of $581,400 (RMB 3,239,900; 2007 - $161,021; RMB – 1,190,106).

Of the $395,930, $206,651 (RMB 1,054,480) will mature within one year. The long-term portion of the loans is repayable as follows: 2010 - $163,943, 2011 - $25,336.

Total interest paid or payable for the year ended December 31, 2008 was $39,599 (2007 – $54,170).

(Expressed in Canadian dollars, unless otherwise indicated)

10. Property, plant and equipment

2008	Cost	Accumulated amortization	Net book value
Buildings	$ 2,708,003	$ 104,241	$ 2,603,762
Leasehold improvements	1,070,003	304,501	765,502
Furniture and fixtures	799,429	279,406	520,023
Manufacturing equipment	4,902,682	747,063	4,155,619
Metal and plastic moulds	1,576,709	419,903	1,156,806
Other equipment	788,807	159,366	629,441
Transportation equipment	139,539	42,955	96,584
$	**$ 11,985,172**	**$ 2,057,435**	**$ 9,927,737**

2007	Cost	Accumulated amortization	Net book value
Buildings	$ 1,441,155	$ 26,198	$ 1,414,957
Leasehold improvements	812,212	89,584	722,628
Furniture and fixtures	515,232	77,847	437,385
Manufacturing equipment	2,796,036	129,693	2,666,343
Metal and plastic moulds	1,055,371	90,562	964,809
Other equipment	270,994	35,841	235,153
Transportation equipment	111,780	14,286	97,494
	$ 7,002,780	$ 464,011	$ 6,538,769

The amortization expense for the year is $1,136,334 (2007 – $464,011) of which $654,721 (2007 - $325,745) is included in costs of goods sold in the statement of operations.

11. Acquisitions and disposal

(a) Luyuan Chemical Co., Ltd.
On April 21, 2008, Hongbo completed an acquisition of an 80% interest in Luyuan, in Xiangshui, Jiangsu province, China. Pursuant to the agreement, Hongbo paid cash of RMB 4,000,000 (approximately $600,000) for the interest.

Luyuan is a manufacturer and supplier of chemical products for industrial markets.

On September 19, 2008, Luyuan's registered capital increased by RMB 2,500,000 (approximately $380,000), of which RMB 2,000,000 (approximately $300,000) was subscribed by Hongbo and RMB 500,000 ($76,800) was subscribed by minority shareholders. As a result, Hongbo's total holding interest in Luyuan remains at 80%.

The acquisition has been accounted for by the purchase method and the results of Luyuan's operations have been included in the consolidated financial statements from the date of acquisition.

(Expressed in Canadian dollars, unless otherwise indicated)

11. Acquisitions and disposal (continued)

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Fair value of assets acquired:		
Current assets	$	646,601
Property, plant and equipment		551,883
	$	1,198,484
Less fair value of liabilities assumed and non-controlling interest:		
Current liabilities		538,186
Non-controlling interest		146,600
Fair value of net assets acquired excluding cash position at acquisition		513,698
Cash position at acquisition		73,300
Fair value of net assets acquired	$	586,998
Total purchase consideration:		
Cash payments	$	586,998

(b) McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM")
On July 28, 2008, the Company increased its ownership interest in McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM"), from 51% to 90.5%.

The total consideration was satisfied by the issue of 5,239,800 units of the Company at an agreed issue price of $1.40 per unit, each unit consisted of one common share of McVicar and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional McVicar share at $ 1.85 per share for a period of 24 months from the date of closing. The fair value of shares issued was $5,501,790 and the fair value of the warrants was $882,295. Goodwill increased by $3,261,286, intangible assets increased by $341,108 and minority interest decreased by $2,827,608.

(c) McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)")
In September 2008, the Company has chosen Hangzhou to set up its China operational office, McVicar (HZ), to centralize the Company’s chemical subsidiaries, R&D resources and sales. McVicar (HZ) was registered with a total registered capital of USD 2,000,000. Pursuant to Chinese law, 15% of registered capital or USD 300,000 are required to be deposited within three months, with the remaining balance to be invested within two years from the date of registration.

(d) JITE Technologies Inc. (“JITE”)
In 2008, the Company accumulatively purchased 168,000 of JITE’s shares for cash consideration of $30,363, representing 0.8% of its public listed shares, through the open market, as a result, the Company's interest in JITE was increased to 47.5% from 46.7%, and the minority interest was reduced by $30,363.

On January 19, 2007, the Company acquired a 51.12% interest in JITE, a publicly traded company listed on the TSX Venture Exchange under the symbol “JTI”. Jite designs and manufactures electronic and electrical connection devices for security, industrial control, automation, telecommunication and power supply industries. The total consideration of $5,443,750 was satisfied by a combination of $1,375,000 cash and 4,375,000 shares of McVicar. The fair value of the shares issued was $0.93 per share.

Subsequent to the acquisition of JITE, JITE completed a private placement of 22,223,000 units ("the Units") at a price of $0.45 per Unit in June 2007. The Company subscribed for a total of 596,000 Units or $268,200 of the private placement. As a result of the private placement, the Company’s interest in JITE was diluted by 10.8% and a dilution gain of approximately $2 million was recorded.

11. Acquisitions and disposal (continued)

(d) JITE Technologies Inc. ("JITE") (continued)
On September 19, 2007, the Company entered into a Share Exchange Agreement ("Agreement") with four shareholders of JITE. Pursuant to the agreement, the Company issued 2,354,904 common shares in exchange for a total of 6,122,750 (being 5.8% of the issued shares of JITE) common shares of JITE held by these four shareholders. The fair value of the shares issued was $1.36 per share.

As a result of a voting agreement with a 9% shareholder, and control of the Board of Directors, the Company, in substance, controls JITE and, accordingly, consolidates its financial position and results of operations with effect from January 19, 2007.

(e) MAM
On January 10, 2007, the Company acquired a 51% interest in MAM whose main asset at the date of acquisition was its wholly owned subsidiary Hongbo. The Company paid cash consideration of $4,487,233 (RMB 30,600,000).

Hongbo is a China-based developer, manufacturer and supplier of specialized fine chemical products used in the pharmaceutical and cosmetic industry and its customers include major international and Chinese chemical companies.

After being converted into a "foreign owned entity", under Chinese tax rules, Hongbo is eligible for two years' income tax exemption and another three years at half of the normal income tax rate in China.

(f) Hangzhou Changlong Chemical Co. Ltd ("Changlong")
On November 26, 2007, MAM closed an acquisition of a 100% interest in Changlong. The total consideration was RMB 30,000,000 consisting of cash of RMB 20,500,000 ($288,000), and 9.5% of MAM's shares (equivalent to RMB 9,500,000). Pursuant to the agreement, the Company paid a cash amount of $2,100,000 (RMB 15,290,000) to MAM in order to maintain its 51% controlling interest in MAM.

Changlong is a developer, manufacturer and supplier of specialized fine chemical products used in the pharmaceutical industry. The Company's technology synthesizes chemicals under high pressure and its operations are presented in Chemical segment.

(Expressed in Canadian dollars, unless otherwise indicated)

11. Acquisitions and disposal (continued)

(f) Hangzhou Changlong Chemical Co. Ltd ("Changlong") (continued)

The allocation of the purchase price is summarized as follows:

				2007
	JITE	**Changlong**	**MAM**	**Total Value**
Fair value of assets acquired:				
Current assets *(1)*	$ 7,397,122	$ 1,454,599	$ 1,685,556	$ 10,537,277
Property, plant and equipment	2,661,558	1,057,600	1,699,606	5,418,764
Intangible assets	668,016	269,051	283,246	1,220,313
Other assets	69,263	12,851	360,218	442,332
	$10,795,959	$ 2,794,101	$ 4,028,626	$17,618,686
Less fair value of liabilities assumed and non-controlling interest:				
Current liabilities	7,042,757	1,543,553	3,338,718	11,925,028
Future income tax	644,948	90,132	120,673	855,753
Non-controlling interest	1,942,454	509,597	953,486	3,405,537
Fair value of net assets acquired excluding cash position at acquisition	1,165,800	650,819	(384,251)	1,432,368
Cash position at acquisition	1,309,900	58,498	1,539,227	2,907,625
Fair value of net assets acquired	2,475,700	709,317	1,154,976	4,339,993
Goodwill	2,968,050	1,390,683	3,301,024	7,659,757
	$ 5,443,750	$ 2,100,000	$ 4,456,000	$ 11,999,750
Total purchase consideration:				
Cash payments in 2006	$ -	$ -	$ 2,206,000	$ 2,206,000
Cash payments in 2007	1,375,000	2,000,000	2,250,000	5,625,000
Issuance of shares	4,068,750	-	-	4,068,750
Accrued cash payment	-	100,000	-	100,000
	$ 5,443,750	$ 2,100,000	$ 4,456,000	$ 11,999,750

(1) Excluding cash on hand

The net cash paid in 2007 is as follows:

Cash payments in 2007	5,625,000
Less: cash position at acquisition	(2,907,625)
Net cash payments in 2007	2,717,375

(Expressed in Canadian dollars, unless otherwise indicated)

11. Acquisitions and disposal (continued)

September 19, 2007 acquisition **JITE**	
Fair value of assets acquired:	
Current assets	$ 15,455,290
Property, plant and equipment	3,026,765
Other assets	127,298
	$ 18,609,353
Less fair value of liabilities assumed and non-controlling interest:	
Current liabilities	4,157,910
Future income tax	435,374
Percentage of shares acquired	5.8%
Fair value of net assets acquired	812,932
Goodwill	2,389,737
	$ 3,202,669
Total purchase consideration:	
Issuance of shares	3,184,685
Cost of acquisition	17,984
	$ 3,202,669

(g) Disposal
On September 26,2008, the Company reached an agreement with Ascend Technologies Ltd. on the sale of its 27% equity interest in Sino Lion Nanjing Ltd. ("Sino Lion") in Nanjing, Jiangsu province, China for cash consideration of USD 850,000. At the end of 2008, the transaction had yet to be completed. Management expects this transaction to be completed in 2009.

As at December 31, 2008, the Company's 27% equity investment was reclassified to asset held for sale in current assets and measured at the lower of the carrying value and fair value less costs to sell. This 27% equity investment in Sino Lion was made in 2006 with total cash investment of USD1,000,000.

During the first six months of 2008, the Company recognized its share of the operating loss of $110,013 (2007 – year ended December 31, 2007 – loss of $314,900).

(Expressed in Canadian dollars, unless otherwise indicated)

12. Goodwill and intangible assets

The goodwill and intangible assets result mainly from the acquisition of JITE, Hongbo, and Changlong in 2007 and from the acquisition of the additional shares in MAM in 2008.

The purchase price was allocated to indefinite-life and finite-life intangible assets and goodwill. The movement in the carrying amount of goodwill is as follows:

(a) Goodwill

	Jite	MAM	Total Value
Acquisitions	$ 5,357,787	$ 4,691,707	$ 10,049,494
Write off goodwill due to share dilution	(579,237)	-	(579,237)
Balance, December 31,2007	$ 4,778,550	$ 4,691,707	$ 9,470,257
Acquisitions (Note 11(b))	-	3,261,286	3,261,286
Impairment	-	(3,510,678)	(3,510,678)
Balance, December 31,2008	$ 4,778,550	$ 4,442,315	$ 9,220,865

In 2008, in connection with the additional acquisition of 39.5% interest in MAM (Note 11(b).), the Company recorded $3,261,286 goodwill. As at December 31, 2008, the Company completed an impairment analysis and determined that goodwill previously acquired through acquisitions of Chemical units were partly impaired as a result of negative impact on the company's product line due to the deteriorating economy. An impairment loss of approximately $3,510,678 was recorded, and there was no write-down of goodwill previously acquired through acquisitions of Jite in 2008.

In 2007, the goodwill attributed to acquisition of JITE was reduced by approximately $0.6 million due to share dilution caused by the JITE private placement as mentioned in Note 11(d).

(b) Intangible assets

2008	Cost	Impairment	Accumulated amortization	Net book value
Non-contractual customer relationships	$ 1,214,513	$ 87,626	$ 394,724	$ 732,163
Below market lease agreement	205,909	89,924	45,760	70,225
Land use rights	179,500	-	-	179,500
	$ 1,599,922	$ 177,550	$ 440,484	$ 981,888

2007	Cost	Impairment	Accumulated amortization	Net book value
Non-contractual customer relationships	$ 873,405	$ -	$ 149,068	$ 724,337
Below market lease agreement	205,909	-	22,880	183,029
	$ 1,079,314	$ -	$ 171,948	$ 907,366

In 2008, in connection with the acquisition of an additional 39.5% interest in MAM (Note 11(b), the Company recorded approximately $341,108 increase in intangible assets related to non contractual customer relationships.

As a result of impairment analysis performed on December 31, 2008, the intangible assets were written down by $177,550 of which $87,626 was impaired due to the negative impact of deteriorating economy on the sales of chemical products, and $89,924 was related to JITE's below market long term lease agreement in Shenzhen, China, considering that JITE has an intention to move its manufacturing plant in Jite Shenzhen to other locations in China in the near future, but has yet to determine a definitive relocation plan.

In 2007, the fair value of intangible assets was reduced by $140,999 as a result of the share dilution mentioned in Note 11(d).

13. Write-off mineral resource properties

In 2007, write-off of mineral resource properties is as follows:

a) Hulugou Property, Sichuan Province, People's Republic of China
On October 21, 2003 the Company entered into an assignment agreement (the "agreement") with Uphill Resources Corporation ("Uphill") to acquire Uphill's interest in a Joint Venture Agreement ("JVA") with China Northwestern Sichuan Province Geological Team ("Geological Team") under which Uphill was granted the option to acquire 55% interest in the Hulugou Property in Sichuan Province of the People's Republic of China upon the expenditure of US$3,000,000 on the property on or before April 12, 2006 (subsequently extended to April 2007). In order to acquire Uphill's interest the Company issued 4,600,000 common shares to Uphill which has been valued at a nominal amount of $10, which is included with mineral properties.

On November 10, 2004 the local government of Jiuzaigou county, Sichuan province, refused access by McVicar to its Hulugou gold property located within the county boundaries. The local authorities based their access refusal decision upon the claim that the Hulugou property is located within an ecological preservation area delineated by the forestry department of the Sichuan provincial government.

According to the Company's joint venture partner, the Hulugou project is located well outside the boundaries of this ecological preservation area. Prior to entering into the joint venture, the Geological Team had unrestricted access to the project area when it carried out its initial prospecting work following the discovery of the gold mineralization free from interference from any other local or provincial government agencies.

The Hulugou property is held pursuant to a joint venture agreement dated as of April 12, 2004 between McVicar and the Geological Team of Sichuan province. McVicar’s joint venture agreement with the Geological Team was duly approved by the geological bureau of the Sichuan provincial government which has jurisdiction over such projects.
The joint venture pursued an appeal of the local decision, initially, to the county government, then to the provincial government if a satisfactory resolution is not obtained. In 2007, the Company had not incurred any expenditure on the property and decided to write off all deferred expenditures associated with the property.

b) Dahemian Property
In 2006, the Company signed an agreement with Xingang Yitong Mining Corp. ("Yitong") of China, to acquire its 51% interest in the Dahemian Gold Property in West Henan Province, China. Under the agreement the Company will pay RMB1.25 million (Cdn$180,000) cash to Yitong and 1% Net Smelter Royalty ("NSR") once the mine is developed and in production. In addition, the Company can increase its interest in the property to 90% by spending an additional $1 million over a three-year period.

The Dahemian property is located in the Yiyang county, west of Luoyang City, Henan province. The exploration permit covers an area of 3.9 square kilometres. In 2007, the Company had not incurred any material expenditures on the property (RMB 1 million for a due diligence study in 2006) and decided to write off all deferred expenditures associated with the property.

(Expressed in Canadian dollars, unless otherwise indicated)

14. Share capital

(a) Authorized and issued
The Company's authorized capital stock consists of an unlimited number of common shares.

Issued and outstanding

Common shares	Number of shares		Amount
Balance, December 31, 2006	16,348,559	$	7,456,828
Private placement (iii)	2,500,000		2,250,000
Less: Share issue costs (iii)	-		(112,500)
Issuance of shares	6,729,904		7,253,435
Options exercised	410,000		307,500
Warrants exercised	18,000		22,500
Allocation from warrants	-		1,189
Balance, December 31, 2007	26,006,463		17,178,952
Private placement (i)	2,314,057		3,239,680
Valuation of warrants (i)	-		(525,049)
Less: Share issue costs (i)			(380,595)
Acquisition of MAM (ii)	5,239,800		5,501,790
Options exercised	260,000		195,000
Allocation from options	-		43,763
Warrants exercised	607,000		758,750
Allocation from warrants	-		40,084
Balance, December 31, 2008	34,427,320	$	26,052,375

The Company has issued warrants as follows:

	Number of warrants		Amount
Balance, December 31, 2006	2,340,000	$	142,094
Exercised	(18,000)		(1,189)
Balance, December 31, 2007	2,322,000		140,905
Private placement (i)	1,288,014		600,753
Acquisition of MAM (ii)	2,619,900		882,295
Exercised	(607,000)		(40,084)
Expired	(1,715,000)		(100,821)
Balance, December 31, 2008	3,907,914	$	1,483,048

(i) May 30, 2008, the Company completed a private placement of 2,183,073 units for gross proceeds of $3,056,302 at a price of $1.40 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share for a period of two years from closing at an exercise price of $1.85 per share.

In compensation, the Company issued to the Agent a commission of 130,984 units with the same terms as those of the private placement units and 130,984 non-transferable compensation warrants, each non-transferable compensation warrant entitling the holder to purchase one common share at an exercise price of $1.40 per share until May 30, 2010.

The 1,091,538 warrants from this private placement have been valued at $475,657 and are reflected in capital stock under warrants. The total 196,476 warrants issued to the Agent have been valued at $125,096. The values for the warrants was determined using the Black Scholes model with the following assumptions; expected dividend yield of 0%, risk-free rate of interest 2.88%, expected volatility of 84% and expected life of 24 months.

(Expressed in Canadian dollars, unless otherwise indicated)

14. Share capital (Continued)

(a) Authorized and issued (Continued)

(ii) On July 28, 2008, in connection with the acquisition of an additional 39.5% equity interest in McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM")(Note 11(b)), the Company issued 5,239,800 units of the Company at an agreed issue price of $1.40 per unit. Each unit consisted of one common share of McVicar and one-half of one common share purchase warrant, each whole warrant will entitle the holder to acquire one additional McVicar share at $1.85 per share for a period of 24 months from the date of closing.

The fair value of the shares issued was $1.05 per share based on the closing share price of McVicar common shares on June 16, 2008 when the acquisition was announced. The warrants from this share exchange have been valued at $882,295 and are reflected in capital stock under warrants. The value for the warrants was determined using the Black Scholes model with the following assumptions: expected dividend yield of 0%, risk-free rate of interest 3.1%, expected volatility of 83% and expected life of 24 months.

(iii) On April 10, 2007, the Company completed a private placement of 2,500,000 common shares for gross proceeds of $2,250,000 at a price of $0.90 per share. These shares were subject to a holding period of 4 months and one day from the date of closing which expired on August 11, 2007. A cash finders' fee of $112,500 or 5% was paid to an unrelated, arm's length party in connection with this placement.

(b) Contributed surplus

Balance, December 31, 2006	$	184,310
Stock based compensation expense (note 14(c))		92,010
Share of stock-based compensation expense in subsidiary		235,974
Balance, December 31, 2007	$	512,294
Stock based compensation expense (note 14(c))		318,517
Stock options exercised		(43,763)
Warrants expired		100,821
Share of stock-based compensation expense in subsidiary		179,412
Balance, December 31, 2008	$	1,067,281

(c) Stock-based compensation plan

The Company has established a common share purchase option plan for directors, officers, employees and consultants. Options are granted at a price no lower than the market price of the common shares at the time of the grant less allowable discounts.

During 2008, the Company granted 1,175,000 options (2007 – 400,000 options) which vest immediately. The assumptions used in the valuation of the 1,175,000 options include: (i) risk-free interest rate of 2.78%; (ii) expected option life of 5 years); (iii) expected volatility of 76% and (iv) expected dividend yield of 0%. The Company recorded stock-based compensation expense related to its stock option program of $696,147 (2007 – $599,300), of which $377,630 (2007– $507,290) was from JITE.

During 2007, the Company granted 400,000 options (2006 – 520,000), of which 210,000 options were granted on February 26, 2007. The assumptions used in the valuation of the 210,000 options include: (i) risk-free interest rate of 3.97%, (ii) expected option life of 3 years, (iii) expected volatility of 23% and (iv) expected dividend yield of 0%, an additional 190,000 options were granted on August 22, 2007. The assumptions used in the valuation of the 190,000 options include: (i) risk-free interest rate of 3.97%, (ii) expected option life of 3 years, (iii) expected volatility of 29% and (iv) expected dividend yield of 0%. The Company recorded stock-based compensation expense related to its stock option program of $599,300 (2006 – $129,940), of which $507,290 was from JITE.

(Expressed in Canadian dollars, unless otherwise indicated)

14. Share capital (Continued)

A summary of the Company's options granted and exercised is presented below:

	Options Outstanding	Weighted average exercise price
Options outstanding, December 31, 2006	1,095,000	$ 0.75
Granted	210,000	0.75
Granted	190,000	1.10
Exercised	(410,000)	0.75
Options outstanding, December 31, 2007	1,085,000	0.81
Exercised	(260,000)	$ 0.75
Expired	(505,000)	0.75
Granted	1,175,000	1.10
Options outstanding, December 31, 2008	1,495,000	$ 1.07

(c) Stock-based compensation plan

The following table summarizes information about the options outstanding and exercisable at December 31, 2008:

	Options outstanding				Options exercisable	
	Exercise Price	Outstanding number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Remaining contractual life
$	0.75	130,000		$ 0.75	130,000	0.15 years
$	1.10	190,000		$ 1.10	190,000	0.65 years
$	1.10	1,175,000		$ 1.10	1,175,000	4.75 years
		1,495,000	3.85	$ 1.07	1,495,000	

(d) Warrants

A summary of the Company's warrants granted and exercised is presented below:

	Warrants Outstanding and exercisable	Weighted-Average Exercise price
Warrants outstanding, December 31, 2006	2,340,000	$ 1.40
Exercised	(18,000)	1.25
Warrants outstanding, December 31, 2007	2,322,000	$ 1.40
Exercised	(607,000)	1.25
Expired	(1,715,000)	1.38
Issued	3,907,914	1.83
Warrants outstanding, December 31, 2008	3,907,914	$ 1.83

The following table summarizes information about the warrants outstanding at December 31, 2008:

Exercise Prices	Warrants Outstanding and exercisable	Remaining contractual life
$ 1.85	2,619,900	1.58 years
$ 1.85	1,157,030	1.41 years
$ 1.40	130,984	1.41 years
Warrants outstanding, December 31, 2008	3,907,914	1.52 years

(Expressed in Canadian dollars, unless otherwise indicated)

15. (Deficit) Retained Earnings

Pursuant to Chinese laws all foreign entities are required to set aside a portion of their net income each year as a general reserve fund and an expansion fund until the balance of the fund has reached 50% of the entity's registered capital. This fund is only eligible for distribution to shareholders at the time of winding up the foreign entity. The funds accumulated as at December 31, 2008 were $801,363 (2007 - $510,731) and are included as part of retained earnings.

16. Income Taxes

The Company currently operates its business in Canada, mainland China and Hong Kong. Each subsidiary's unconsolidated earnings are taxed differently under each jurisdiction tax system.

The combined Canadian federal and provincial tax rate is 33.5% (2007 – 36.1%). Pursuant to the relevant laws and regulations in the People's Republic of China("PRC"), Jite Shenzhen is subject to income tax at an effective rate of 18% (2007 – 7.5%) on income as reported in their statutory financial statements. Under the Hong Kong tax regime, earnings are tax-exempt if both sales and production are conducted outside of Hong Kong territory. Accordingly, the effective tax rate for Hong Kong-based subsidiaries is 0%.

Hongbo, qualified as a foreign-owned company in China, is eligible for a two-year income tax exemption and an additional three years at half of the normal income tax rate in China. As a result, Hongbo is subject to an effective rate of 0% in 2007 and 2008.

Changlong and Luyuan are subject to an effective income tax rate of 25% (2007- 33%).

The income tax expense differs from the amount expected by applying the Canadian statutory rate to earnings before income taxes for the following reasons:

	2008	2007
Income (loss) before income tax and non-controlling interest	(3,056,638)	3,528,174
Increase (decrease) income taxes resulting from:		
Income taxes (recovery) at statutory rates	(1,023,974)	(1,181,938)
Goodwill and intangible write down not deductible	1,816,180	-
Gain on deemed disposal of subsidiary not subject to tax	-	(705,057)
Benefit of income tax losses not recognized	(109,351)	304,830
Non-deductible items and stock based compensation	233,409	200,766
Other	68,013	-
Decrease in future income tax liabilities on amortisation of intangible assets	-	(83,388)
Rate differences in subsidiaries	(1,106,805)	(960,197)
Change in valuation allowance	3,114	-
Income tax expense (recovery) – current	281,412	2,120
Income tax (recovery) expense – future	(400,826)	(63,228)
Total	(119,414)	(61,108)

At December 31, 2008, the Company and its subsidiaries had approximately $3,410,630 of non-capital losses carried forward to reduce future years' taxable income. The non-capital losses expire as follows:

	China	Canada
2010	-	40,123
2013	232,092	-
2014	-	507,614
2015	-	355,820
2026	-	413,332
2027	-	909,943
2028	-	951,706
	232,092	3,178,538

(Expressed in Canadian dollars, unless otherwise indicated)

16. Income Taxes (continued)

The significant components of the Company's future tax assets and liabilities are as follows:

	2008		2007
Future income tax liabilities			
Excess of book value over tax value of plant and equipment	(28,932)	$	(22,346)
Timing of revenue recognition	(448,907)		(282,524)
Inventory valuation	(96,145)		(72,470)
Other differences	(61,484)		(24,548)
Intangible assets on acquisitions			(303,967)
	(635,468)		(705,855)
Future income tax assets			
Loss carry-forwards	876,151		683,634
Exploration and development expenditures	-		-
Revenue recognition timing difference	(41,500)		-
Inventory	168,900		-
Undeducted reverse take over costs	66,656		28,437
Undeducted share issuance costs	301,516		411,806
Other differences	8,000		-
Future income tax assets before valuation allowance	1,379,323		1,123,877
Valuation allowance	(1,119,923)		(1,123,037)
Total net future income tax assets, net of Valuation allowance	185,400		840
Net future income tax liabilities	(450,068)	$	(705,015)

17. Related party transactions

Included in accounts payable is $50,000 (2007- $nil) payable to GC Consulting & Investment Corp., a corporation controlled by a director of the Company for consulting fees charged in 2008 and included in general and administrative expenses. This amount is unsecured, non-interest bearing with no fixed terms of repayment. This transaction occurred in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in prepaid expenses, advances and deposits are employee loans outstanding in the amount of $91,089 (December 31, 2007 – nil). These loans are advanced to two officers of the Company and are non-interest bearing. The repayment period is one year and repayment is being satisfied by through monthly deductions in from their regular salaries.

Of the shares issued by the Company in September 2007, 115,385 shares were placed with a senior officer and director and 527,404 shares were placed with a company controlled by a senior officer and director. The fair value of the shares issued was $1.36 per share.

The amount due to related parties of $761,084 (RMB 4,000,000) was advanced by individuals related to a key management official and director of the Company. The loan bears interest at 6% per annum and is unsecured, and has no fixed terms of repayment. Total interest paid and payable for the year ended December 31, 2008 was $36,864 (2007 – nil).

Loan receivable from related parties of $361,040 (RMB 2,000,000) was initially advanced to a key officer of one of the Company's subsidiaries on October 31, 2007 with a fixed interest rate of 5% per annum to April 30, 2008. On maturity, the loan was extended by another six months with the other terms unchanged. The maturity date was further extended to October 31, 2009. Pursuant to the extension agreement, the annual interest rate was raised to 6% from 5% and RMB 500,000 of the principal of the loan was paid in March 31, 2009. Total interest received or receivable for the year ended December 31, 2008 was $ 17,920 (2007 – $nil).

(Expressed in Canadian dollars, unless otherwise indicated)

18. Supplementary cash flow information:

Change in non-cash items from operations

		2008		2007
(Increase) in restricted cash	$	(318,491)	$	(1,826,546)
(Increase) in accounts receivable		(1,860,539)		(1,859,236)
Increase (decrease) in prepaid expenses, deposits and other receivables		328,421		(283,317)
Increase (decrease) in inventories		514,255		(1,720,186)
(Decrease) increase in accounts payable and accrued liabilities		(1,262,679)		2,561,804
	$	**(2,599,033)**	**$**	**(3,127,481)**
Cash paid for interest	$	214,040	$	215,076
Cash paid for income tax		298,640		29,444
Non-cash transactions:				
Issuance of units for acquisition of MAM (note11(b))		5,501,790		-
Issuance of shares and units for acquisition of Jite (note11(d))		-		7,271,419
Issuance of units and warrants for services (note 14(a)(i))		125,096		-

19. Commitment and contingencies

(a) Contractual commitments

At December 31, 2008, the Company’s subsidiary Jite entered into forward purchase agreements with commodity suppliers to secure the price of copper material at prices ranging from $4.21 per KG to $6.79 per KG for a total of 150,700 KG of copper. The total contracts amount to $329,390 (RMB 4,226,050) and the delivery terms are all within the year 2009. Included in prepaid expenses as at December 31, 2008 is $100,106 (RMB 557,693) related to the contracts.

(b) Leases commitments:

The Company and its subsidiaries lease offices used in the normal course of operations with various lease terms expiring on or before June 30, 2016. These are operating leases with rent charged to operations in the year to which they relate. Total future rental payments for the remainder of these leases total $5,932,408 (RMB 33,049,627). The future rental payments by year of payment are as follows:

		McVicar		JITE		Total
2009	$	85,422	$	786,410	$	871,832
2010		64,067		713,787		777,854
2011		-		713,787		713,787
2012		-		713,787		713,787
2013 and after		-		2,855,148		2,855,148
		$ 149,489	**$**	**5,782,919**	**$**	**5,932,408**

(Expressed in Canadian dollars, unless otherwise indicated)

19. Commitment and contingencies (Continued)

(c) Legal proceedings

The Company and its subsidiaries are from time to time subject to legal actions, both as a defendant and as a plaintiff, arising in the normal course of business. Management does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition or results of operations.

The following is a summary of some of the more significant legal matters involving the Company.

The Company's subsidiary, Luyuan, is a defendant in collective lawsuits, filed by external parties, which request to return their loans that were allegedly borrowed by Luyuan prior to the periods of it being acquired by Hongbo. The total amounts related to these matters are approximately RMB 2,300,000 (approximately $400,000), including principal and unpaid accrued interest. In response, the Company has filed appeals in early 2009. Luyuan has a strong defense to all these claims based on the purchase agreement signed by Hongbo and the previous shareholder, who, as an existing minority shareholder and current co-defendant in these lawsuits, guaranteed all the existing and any contingent liabilities incurred prior to acquisition, and contingent obligations arising, if any, exceed certain amounts upon which both parties agreed, Luyuan has the right to recourse these liabilities to this shareholder. Luyuan has established a provision of RMB 600,000 (approximately $100,000), related to these legal proceedings. Actual results could differ from these estimates.

There remains the possibility that other or additional claims related to Luyuan's contingent liabilities incurred prior to the period of acquisition could develop.

These proceedings are in their early stages and it is difficult to predict the outcome with certainty. Based on information presently known, the Company does not expect these proceedings to have a material adverse effect on its consolidated financial position.

(d) Guarantee

The Company's subsidiary Hongbo has made a guarantee to a bank of RMB5,000,000 ($897,500) for a local business in the progress to obtain a mutual guarantee the local business will make for the Company. The guarantee is valid until January 31, 2010.

20. Non-controlling interest

Non-controlling interest in JITE represents the 52.5% not held by the Company. Non-controlling interest in MAM represents 9.5% of voting units held by third party.
The carrying amounts of the non-controlling interests are as follows:

	2008	2007
JITE	$ 8,962,139	$ 7,100,204
MAM	998,599	2,544,048
Total	**$ 9,960,738**	**$ 9,644,252**

21. Capital management

The Company considers its capital structure to consist of share capital, contributed surplus and warrants. McVicar manages its capital based on the acquisition and investment opportunities in the course of its business to make sure that the Company could grow steadily in a fast growing economy in China and maximize long-term shareholder value. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth.

Over the past two years, the Company has been transformed to a provider of chemical and technical products through its focused acquisitions, and the capital for these acquisitions was primarily from proceeds in previous equity financing.

The Company's primary sources of capital were funds generated from issuance of common shares, cash from operations, local bank credit facility and individual loans.

There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

22. Financial instruments

Fair values of financial instruments are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. As these calculations are subjective in nature, involve uncertainties and matters of significant judgment, changes in assumptions can significantly affect calculated fair value.

The carrying amounts for cash and cash equivalents, restricted cash, short-term investments, accounts receivables, advances and deposits, accounts payable and accrued liabilities, loans payable and notes payable on the balance sheet approximate fair value because of the limited term of these instruments. It is not practicable to estimate the fair value of the amounts due to or receivable from related parties.

The fair value of long-term loans described in Note 9 approximates carrying value since interest is charged on the loan.

a) Country risks
The Company's Chinese-based subsidiaries, Jite, Hongbo and Changlong are subject to the consideration and risks of operating in the People's Republic of China ("PRC"). These include risks associated with the political and economic environment, foreign currency exchange and the legal system in the PRC.

The economy of the PRC differs significantly from the economies of the "western" industrialized nations in such respects as structure, level of development, gross national product, growth rate, capital reinvestment, resource allocation, self-sufficiency, rate of inflation and balance of payments position, among others. Only recently has the PRC government encouraged substantial private economic activities. The Chinese economy has experienced significant growth in the past several years, but such growth has been uneven among various sectors of the economy and geographic regions.

Actions by the PRC government to control inflation have significantly restrained economic expansion in the recent past. Similar actions by the PRC government in the future could have a significant adverse effect on economic conditions in the PRC. Many laws and regulations dealing with economic matters in general, and foreign investment in particular, have been enacted in the PRC. However, the PRC still does not have a comprehensive system of laws, and enforcement of existing laws may be uncertain and sporadic.

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

22. Financial instruments (Continued)

As many of the economic reforms which have been or are being implemented by the PRC government are unprecedented or experimental, they may be subject to adjustment or refinement, which may have adverse effects on the Company. Further, through state plans and other economic and fiscal measures, it remains possible for the PRC government to exert significant influence on the PRC economy.

b) Foreign currency risk
The Company is exposed to foreign exchange rate risk, as the Company's business is carried out in US dollars ("USD"), Hong Kong dollars ("HKD") and Chinese Renminbi ("RMB") and the Company and its subsidiaries maintain USD, HKD and RMB denominated bank accounts but uses CDN as its reporting currency. Unfavourable changes in the applicable exchange rate between USD, HKD, RMB and CDN may result in a material effect on the foreign exchange gain or loss and the accumulated other comprehensive income/loss recorded as a part of shareholder's equity. The Company and its subsidiaries do not use derivative instruments to reduce its exposure to foreign currency risk. JITE's, Changlong's and Hongbo's operating assets, primary sources of income and cash flows are from interests in the PRC.

The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers invoiced in foreign currencies and the purchase of services, raw materials and property and equipment from suppliers invoiced in foreign currencies. For the year ended December 31, 2008, approximately 100% [2007 - 100%] of sales and approximately 83% [2007 – 34%] of expenses were incurred in foreign currencies.

c) Credit risk
The Company is exposed to credit risk, primarily in relation to accounts receivable and loan receivable from related parties. Exposure to credit risk is limited, due to the large number of customers. The Company and its subsidiaries perform regular credit assessments of its customers and provide allowances for potentially uncollectible accounts receivable based on the credit risk applicable to particular customers, historical and other information.

d) Industrial risk
As a typical chemical company, the Company's business involves a variety of operational, financial and regulatory risks that are typical in the chemical industry and is subject to Chinese state and local environmental laws and regulations. Examples of environmentally induced financial impacts on companies are environmental charges, fees, fines, sanctions, site abandonment costs, environmental liabilities, etc.

The Company attempts to mitigate these risks and minimize their effect on its financial performance, and have been responding to increased demands for environmental protection and observe the Chinese legal environmental requirements for the chemical industry products including the operation and maintenance of facilities for environmental control. The Company's chemical subsidiaries, Hongbo and Changlong, have both officially earned the Certificate of Emission of Production Pollutant licensed by its respective local government.

To date, no provision has been made as the timing and magnitude of these accruals are unpredictable and there is no evidence to demonstrate that it is probable that a future remediation commitment will be required either by the regulations or the Company's commitment to a formal plan of action, but there can be no assurance that the Company will not be subject to loss contingencies pursuant to environmental laws and regulations, litigation and other environmental matters.

The Company has not maintained insurance coverage for environmental pollution resulting from the sudden or accidental release of pollutants. Generally the nature and the amount of these events and losses are unpredictable.
Coverage for other types of environmental obligations is not generally provided, except when required by regulation or contract.

e) Commodity price risk
The Company uses various commodities in the manufacture of products. Commodity prices are subject to volatile price changes resulting from a variety of factors including international economic trends, global and regional demand, interest rates, global and regional consumption patterns. Accordingly, the Company is exposed to market risk from fluctuating market prices of certain raw materials. In addition, the Company is also exposed to market price risk on other inputs such as electricity and natural gas. The Company does not use derivative instruments to reduce its exposure to commodity price risk.

22. Financial instruments (Continued)

(f) Sensitivity Analysis
The Company has designated its cash and cash equivalents as held for trading, which are measured at fair value. Financial instruments included in other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, short-term loans and long-term debt are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

(g) Interest Rate Risk
The Company has cash balances and interest bearing debt. The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company’s interest rate on its debt is based upon the prescribed rate of the People’s Bank of China which is subject to fluctuation and may result in an increase or decrease in interest expense. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

23. Segmented information

The Company currently operates in two segments (2007 - three segments): technical products and chemical products segments (2007 – technical product, chemical products and mineral exploration) in Canada, China and Hong Kong. The technical products segment principally involves research, development and production of electronic connection devices for use in elevators, railways, security, and automation systems. The chemical products segment principally involves research, development and production of specialized fine chemical products used in the pharmaceutical and cosmetic industries. The mineral exploration segment principally involved the exploration and development of mineral properties. As the property interests were still in the exploration stage, there were no reportable segment revenues for the year ended December 31, 2007. Each segment operates as a strategic business unit with separate management. Segment performance is measured primarily upon the basis of segment operating profit. Industry and geographic segment information for the consolidated results in thousands of Canadian dollars are presented below:

(a) Segmented information:

For the year ended December 31, 2008 (in thousand of dollars):

	Chemical products	Technical products	Total
Revenue	$ 18,819	$ 17,913	$ 36,732
Gross profit:	4,605	3,944	8,549
Operating expenses	(6,798)	(3,414)	(10,212)
Operating income (loss)	(2,193)	530	(1,663)
Other income	-	-	39
Gain on deemed disposal of subsidiary	-	-	-
Share of loss of equity investment	-	-	(110)
Interest income	-	-	(30)
Income tax expenses	-	-	119
Non-controlling interest	-		(1,412)
Net income:	-	-	(3,057)
Tangible assets	20,956	19,512	40,468
Intangible assets	685	297	982
Goodwill	4,442	4,779	9,221
Total assets:	$ 26,083	$ 24,587	$ 50,671
Purchase of property, plant and equipment	$ 1,299	$ 525	$ 1,824

23. Segmented information (continued)

For the year ended December 31, 2007 (in thousand of dollars):

	Chemical products	Technical products	Mineral exploration	Total
Revenue	$ 9,295	$ 18,156	$ -	$ $27,451
Gross profit:	2,776	4,392	-	7,168
Operating expenses	(1,167)	(4,129)	(252)	(5,548)
Operating income (loss)	1,609	263	(252)	1,620
Other income	-	-	-	33
Gain on deemed disposal of subsidiary	-	-	-	2,015
Share of loss of equity investment	-	-	-	(315)
Interest income	-	-	-	85
Income tax expenses	-	-	-	61
Non-controlling interest	-	-	-	(1,345)
Net income:	-	-	-	2,154

Investment	850	-	-	850
Tangible assets	15,104	15,386	-	28,490
Intangible assets	496	411	-	907
Goodwill	4,692	4,778	-	9,470
Total assets:	$ 19,142	$ 20,575	$ -	$ 39,717
Purchase of property, plant and equipment	$ 671	$ 1,420	$ -	$ 2,091

(b) Sales by geographic area consisted of the following:

For the year ended December 31, 2008 (in thousand of dollars):

	Canada	**U.S.**	**China & Hong Kong**	**Asia**	**Total**
Revenues:	$ 2,715	$ 2,883	$ 30,390	$ 744	$ 36,732
Total assets:	$ 8,540	-	$ 42,131	-	$ 50,671
Property, plant and equipment:	$ 29	-	$ 9,899-	$ -	$ 9,928

For the year ended December 31, 2007 (in thousand of dollars):

	Canada	**U.S.**	**China & Hong Kong**	**Asia**	**Total**
Revenues:	$ 3,828	$ 4,040	$ 18,721	$ 862	$ 27,451
Total assets:	$ 7,810	$ -	$ 31,907	$ -	$ 39,717
Property, plant and equipment:	$ 37	$ -	$ 6,502	$ -	$ 6,539

24. Subsequent events

(a) Subsequent to the year-end, MAM reached an agreement with Sanlong Holdings Co. Ltd. ("Sanlong") to exchange Sanlong's 9.5% equity interest in MAM for a 38% equity interest in Changlong, MAM's subsidiary. Upon closing of the transaction, McVicar's interest in MAM will increase from the existing 90.5% to 100% while MAM's interest in Changlong will decrease from the existing 100% to 62%. Subject to regulatory approval, the transaction is expected to close in 2009.

(b) Subsequent to year-end, Changlong reached an agreement in principal with Longshan Chemical Co., Ltd. ("Longshan") on its factory relocation plan. Due to local government municipal development requirements, Changlong’s current location of business will be expropriated by the local government. Changlong, along with Longshan which is located in the same area, will be moved to a new location granted by the government, which is located in Linjiang Industrial Development Park in Hangzhou, Zhejiang Province. Based on the government relocation plan, the relocation would be completed in late 2009 or early 2010. Changlong would receive compensation from the government for its moving costs, including any losses on the disposal of existing buildings and equipment; however, the exact amount of compensation would depend on the final result of negotiations with Longshan, the principal recipient of the government compensation. Longshan currently owns the land which Changlong leases. The final agreement is expected to be reached in the second quarter of 2009.

Based on a valuation report on the assets of Changlong, which was officially prepared by the government, management estimates that the compensation Changlong expects to receive would be adequate to cover its relocation costs, and thus no provision or impairments on its long-lived assets was recognized in 2008.

25. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform to the presentation of financial statements adopted for 2008. The changes do not affect prior year’s earnings.