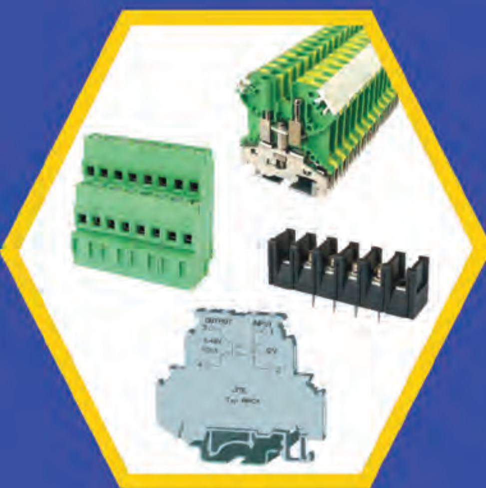
McVicar Industries Inc.



2009 Annual Report

To Our Shareholders

The year 2009 brought critical tests for McVicar Industries Inc. ("McVicar") as the world wide recession impacted companies of all scale, in particular, companies like McVicar with operations in China that were export oriented. Our customers, mostly global giants, either temporarily stopped purchase orders or significantly reduced their purchases. The various operations under McVicar were left operating in the dark for a large part of the year.

Your management team took great efforts in searching for new orders and reducing operating costs while keeping the work force. As the Chinese government injected significant amounts of capital to stimulate the economy, domestic demands outpaced export in many areas and those helped McVicar's subsidiaries in picking up certain revenue. The Company also took great advantage of the much lower prices for raw materials by building up inventories. Jite realized an average price on copper (a significant raw material) at around 28 RMB per kilogram while the annual average for copper price was around 45 RMB per kilogram which greatly contributed to the expansion of our gross profit margin. As a result, McVicar has achieved better net profits in each of our three subsidiaries than the previous years and record cash flow of over $6 million.

Looking forward, we see slow recovery in the western countries where the majority of our customers are located. We see strong signs of customer recognition of our previous efforts in R&D, quality improvements and customer services. Orders started to pick up from the later part of the year and continue. Some major companies have sent complimentary comments on the quality of our products. Relationships with our customers have greatly improved. We believe that the company will continue to benefit from our efforts in customer services.

Today, McVicar is in a good financial position. The company shows significant increase in cash from our operations. This will prepare the company for future business expansion or acquisition. We are actively developing new products for internal growth and searching for new areas for future growth. We thank you for your continuous support and encouragement during a difficult year.

Gang Chai
President & CEO

CFO:	Mr. Kevin Ming Zhang, Chief Financial Officer
Directors:	Dr. Gang Chai, Chairman
	Dr. D. James Misener
	Mr. Anthony Naldrett
	Mr. Henry Tse
	Mr. Alfred G. Wirth

Zhejiang Hongbo Chemical Co., Ltd

In 2007, McVicar acquired a 100% interest in the company. Founded in 2001 with facilities situated on a 66,000 square meter parcel of land, Zhejiang Hongbo Chemical Co., Ltd. ("Hongbo") is a high-tech company, specializing in researching, developing, producing and marketing pharmaceutical intermediates and fine chemicals. Hongbo has more than 100 sets of advanced facilities and test machines including six production lines, three standardized multifunctional workshops and one analytical and R&D centre. Hongbo has obtained the certification of ISO9001:2000. In April 2008, Hongbo acquired an 80% interest in Xiangshui Luyuan Chemical Co. Ltd. to secure supply lines for some of its raw materials. Hongbo values worksite management and secures a 100% pass for quality and has earned a good reputation by offering quality products at competitive prices to satisfy its customers and has established cooperation with many big chemical companies in China and aboard. The key customers are Youshun and Hongtaiyang in NanJing, Tianci in Guang Zhou, Dupont of the USA and other European and Indian customers. Presently, approximately 60% of Hongbo's revenue is derived from Chinese domestic customers, and 40% from international customers.

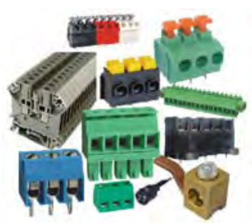
Hangzhou Changlong Chemical Co.

As of December 2009 McVicar has a 62% interest in Changlong. Located in Hangzhou, China, Hangzhou Changlong Chemical Co. Ltd. ("Changlong") was established in 1996 with the registered capital of RMB3.3 million and currently has 60 employees, 25% of whom are engineers and technicians. Based on the requirement of the Hangzhou government, Changlong will be moving to the Xiaoshan District in Hangzhou. Currently, the new factory is being built. For the purpose of moving and the re-situation of its facilities, Changlong has reorganized the products structure. Its current main products are piperazine derivatives and pyridine derivatives which show high profits. Changlong has taken a leading position in the technologies of high pressure hydrogenation, ammonification and synthesis. Changlong possesses advanced labs and complete in- house manufacturing facilities, which enables it to satisfy customer demand for high quality at a low cost. The current facilities include piperazine derivatives, multifunction and synthesized workshops. In 2009, Changlong completed its objectives despite being faced with the economic crisis affecting the manufacturing markets. Changlong has kept a long stable relationship with its main customers, which include Zhejiang Jingxin Incorporated Company, Zhejiang Xinhua Pharmaceutical Co. Ltd, and Zhejiang Guobang Pharmaceutical Co. Ltd.

JITE Technologies Inc.

As at December 2009, McVicar holds 48.6% of the outstanding shares of JITE. Headquartered in Toronto, Canada, and listed on the TSX Venture Exchange since July 2006 as JTI.V, JITE Technologies Inc. is a global supplier of terminal blocks. JITE established a wide range of logistic channels and warehouses worldwide, including in China, North America and Europe. JITE Industrial Park with R&D, manufacturing and logistics is located in Shenzhen, China, comprises over 700,000 square feet of operating space, of which 300,000 square feet is used for manufacturing, and over 600 employees, including 100 engineers.

Terminal Blocks



JITE follows the international and Chinese standards on connectors, terminal blocks and related application fields such as IEC, L, CSA, VDE, TUV, JIS and GB. JITE has also participated in the compiling and constituting Chinese National Standards. JITE has a WTDP lab in Shenzhen, certified by UL, and can independently carry out more than 20 kinds of product testing and experiments.

Custom Design

JITE R&D experts custom design connection solutions for world class customers. JITE products are ROHS compliant and listed by UL, CSA and some by VDE, TUV and CQC.

Advanced Manufacturing System

JITE has full capacity hardware facilities that include plastic injection, metal stamping, tooling & moulds, screw tapping, assembly and more, with ISO certifications. JITE employs various quality assurance methods in the process of product development and manufacturing. JITE uses an advanced ERP system for production and material control. Jite's upgraded capabilities continue to improve techniques, manufacturing process management and capital operations.

JITE Technologies

MCVICAR INDUSTRIES INC.

(FORMERLY “MCVICAR RESOURCES INC.”)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2009 and 2008

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 sheets of McVicar Industries Inc. (formerly "McVicar Resources Inc.") ("the Company") as at December 31, 2009 and 2008 and the consolidated statements of operations and (deficit), comprehensive (loss) income, and cash flows for the years 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 audits.

We conducted our audits 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 5, 2010
except for Notes 10(ii) and 11(b)
which are as at April 6, 2010

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McVICAR INDUSTRIES INC.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at December 31, 2009 and 2008

		2009		2008
Assets				
Current assets:				
Cash and cash equivalents (note 5)	$	6,864,021	$	6,764,070
Short-term investments (note 6)		2,826,566		2,638,189
Restricted cash (note 8)		1,447,143		2,145,037
Accounts receivable (note 17(b))		8,020,285		7,940,157
Inventories (note 7)		7,056,056		7,945,635
Loans receivable from related parties (notes 17(d) and (e))		844,215		361,040
Prepaid expenses, advances and deposits (note 17(b))		838,361		1,177,358
Asset held for sale (note 11(e))		-		733,935
		27,896,642		29,705,421
Rental deposit (note19(a))		101,598		-
Construction in progress (notes 10 and 11(b))		4,131,106		649,761
Property, plant and equipment (note 10)		7,291,176		9,927,737
Intangible assets (note 12(b))		670,580		981,888
Future income tax asset (note 16)		290,500		185,400
Goodwill (note 12(a))		7,143,728		9,220,865
	$	47,525,330	$	50,671,072
Liabilities and Shareholders' Equity				
Current liabilities:				
Current portion of loans payable (note 9)	$	17,489	$	206,651
Notes payable (note 8)		2,759,382		4,290,074
Accounts payable and accrued liabilities (note 17(a))		6,013,615		5,745,346
Due to related parties (note 17(c))		-		761,084
Government compensation fund (note 13)		1,053,107		-
Income tax payable		311,285		7,580
	$	10,154,878	$	11,010,735
Long-term loans (note 9)		-		189,279
Future income taxes (note16)		569,439		635,468
	$	10,724,317	$	11,835,482
Non-controlling interests (note 20)		9,882,647		9,960,738
Shareholders' equity:				
Capital stock (note 14(a))		26,052,375		26,052,375
Warrants (note 14(d))		1,483,048		1,483,048
Contributed surplus (note 14(b))		1,130,284		1,067,281
		28,665,707		28,602,704
(Deficit) (note 15)		(1,783,849)		(2,271,832)
Accumulated other comprehensive income (note 25)		36,508		2,543,980
		(1,747,341)		272,148
		26,918,366		28,874,852
	$	47,525,330	$	50,671,072

Commitments and contingencies *(notes 11(b), 13, and 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.

Consolidated Statements of Operations and (Deficit)

(Expressed in Canadian dollars)

For the years ended December 31, 2009 and 2008

	2009	2008
Sales	$ 34,957,964	$ 36,731,993
Cost of goods sold	24,384,165	28,182,965
Gross profit	10,573,799	8,549,028
Expenses:		
General and administrative (note 17(a))	5,525,546	5,906,491
Amortization of plant and equipment	650,906	481,613
Amortization of intangible assets	311,308	268,536
Interest on long term loans	10,088	39,599
Loss on disposal of property, plant and equipment	202,696	32,939
Write-off of intangible assets (note 12(b))	-	177,550
Impairment of goodwill (note 12(a))	2,077,137	3,510,678
Loss (gain) on foreign exchange	226,436	(175,740)
Total operating expenses	9,004,117	10,241,666
Operating income (loss)	1,569,682	(1,692,638)
Other income	67,089	38,734
Investment income from held-for-trading investments	55,214	-
Unrealized gain (loss) on held-for trading Investments	181,097	(110,013)
Gain on disposal of assets held for sale (note 11(e))	254,190	-
Income (loss) before income taxes and non-controlling interest	2,127,272	(1,763,917)
Income taxes expenses-current (note 16)	797,159	281,412
Income taxes recovery-future (note 16)	(75,980)	(400,826)
	1,406,093	(1,644,503)
Non-controlling interest, net of tax (note 20)	918,110	1,412,135
Net income (loss) for the year	**$ 487,983**	**$ (3,056,638)**
(Deficit) Retained earnings, beginning of year	(2,271,832)	784,806
(Deficit), end of year	**$ (1,783,849)**	**$ (2,271,832)**
Earnings (Loss) per share:		
Basic	$ 0.01	$ (0.10)
Diluted	$ 0.01	$ (0.10)
Weighted average number of shares outstanding (note 14(e))**:**		
Basic	34,427,320	30,374,643
Diluted	34,427,320	30,374,643

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

McVICAR INDUSTRIES INC.

Consolidated Statements of Comprehensive (Loss) Income

(Expressed in Canadian Dollars)

For the years ended December 31, 2009 and 2008

		2009		2008
Net income (loss) for the year	$	487,983	$	(3,056,638)
Other comprehensive (loss) income				
Foreign exchange (loss) gain on translating financial statements of self-sustaining subsidiaries		(2,507,472)		3,168,970
Total Comprehensive (loss) Income	$	(2,019,489)	$	112,332

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

McVICAR INDUSTRIES INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended December 31, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ 487,983	$ (3,056,638)
Add: Items not affecting cash:		
Amortization	1,736,286	1,404,870
Loss on disposal of property, plant and equipment	202,696	14,722
Future income taxes recovery	(75,980)	(400,826)
Non-controlling interest	918,110	1,412,135
Stock-based compensation	129,639	696,147
Gain on disposal of investment (note 11(e))	(254,190)	-
Unrealized (gain) loss on short-term investments	(181,097)	110,013
Impairment of intangible assets (note 12(b))	-	177,550
Impairment of goodwill (note 12(a))	2,077,137	3,510,678
Change in non-cash items from operations (note 18)	922,211	(2,599,033)
Net cash provided by operating activities	5,962,795	1,269,618
Financing activities:		
Repayment of notes payable (note 8)	(985,913)	(476,161)
(Repayment) of loans	(1,058,245)	-
Proceeds from loans	-	408,663
Proceeds from subsidiary share issuance	-	76,800
Proceeds from government compensation fund (note 13)	1,208,549	-
Issuance of capital stock for cash (note 14(a))	-	3,888,539
Net cash provided by financing activities	(835,609)	3,897,841
Investing activities:		
Business acquisitions (net of cash and cash equivalents acquired) (note 11)	(40,000)	(140,363)
Payments for short-term investments	(205,946)	(2,081,696)
Proceed of disposal of assets held for sale (note 11(e))	890,284	-
Loans (to) related parties	(504,166)	-
Loans from related parties	-	15,360
Purchase of property, plant and equipment	(4,261,056)	(1,823,608)
Net cash (used in) investing activities	(4,120,884)	(4,030,307)
Effect of exchange rate changes on cash and cash equivalents:	(906,351)	734,737
Net change in cash and cash equivalents	**99,951**	**1,871,889**
Cash and cash equivalents, beginning of the year	6,764,070	4,892,181
Cash and cash equivalents, end of the year (note 5)	**$ 6,864,021**	**$ 6,764,070**

See note 18 for supplementary cash flow information.

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. The Company changed its name to McVicar Industries Inc. in 2008 to better reflect McVicar's strategic business transition from resources to industries.

The Company holds a 90.5% interest in its Hong Kong subsidiary McVicar (Hong Kong) Advanced Materials Co. Ltd. ("MAM"), and a 48.6% (2008 - 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 except as disclosed in Note 3. The significant accounting policies are summarized as follows. All amounts in these consolidated 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:

(i) Jite Technologies Inc. ("JITE") (interest of 48.6% (2008 -47.5%)), is a publicly listed company on the TSX-V (TSX-V: JTI). (McVicar has a voting agreement with a 9% shareholder of Jite to take control of Jite, and therefore consolidates the accounts of JITE.) The core business of JITE is the development, manufacture 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") and 100% of Jite Industrial (Kunshan) Co., Ltd ("Jite Kunshan"). Jite Kunshan was incorporated on October 9, 2009 by Jite Hong Kong in Jiangsu Province, China with a total registered capital of US$20,000,000 (see note 11(b))

(ii) McVicar (Hong Kong) Advanced Materials Co. Ltd. ("MAM"), (interest of a 90.5% (2008 - 90.5%)), whose major operating subsidiary companies are a 100% owned Zhejiang Hongbo Chemical Co. Ltd. ("Hongbo"), a 100% owned Hangzhou Changlong Chemical Co. Ltd. ("Changlong"), a 100% owned McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)"), and an indirect 80% interest in Luyuan Chemical Co. Ltd. ("Luyuan") which is held by Hongbo. The principal activities of all these chemical subsidiaries are the development, manufacture and sales of specialized refined chemical products used in pharmaceutical and cosmetic industries both in China and international markets.

(c) Measurement uncertainty
The preparation of 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, allowance for doubtful accounts, short-term investments, inventories, future income tax assets and liabilities, the useful lives and recoverability of plant and equipment, intangible assets and goodwill, asset retirement obligations, 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 investments in Guaranteed Investment Certificates (GIC) at a major Canadian charted bank 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, and net realizable value is the replacement costs of the materials. 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, and net realizable value is the anticipated selling price over costs to sell. Reversal of previous write-downs is required when there is a subsequent increase in the value of inventories.

(f) Short term investments
Short term investments consist primarily of investments in GIC's with original maturities of greater than three months but less than one year and in shares of public companies which are classified as held for trading. Transactions are recorded on trade date and investments are recognized at fair value. Unrealized gains and losses are recorded in net income for held for trading investments.

(g) Asset retirement obligations
The Company has adopted the recommendations of the Handbook of the Canadian Institute of Chartered Accountants Handbook ("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 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) 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 provided for costs less residual value once ready for use and is computed over the expected useful lives of the plants and equipment using the straight-line method at the following annual rates (buildings are amortized over the shorter of the term of the land use rights of the land that the buildings are on or 50 years):

(Expressed in Canadian dollars, unless otherwise indicated)

2. Significant accounting policies (continued)

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

Asset	Method	Estimated useful lives
Buildings	Straight line	45-50 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

(i) 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 estimated 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.

(j) Share issue costs

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

(k) 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.

(l) Earnings (loss) per share:

The Company has adopted the recommendations of the CICA Handbook Section 3500, Earning per Share ("EPS"). 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 weighted average 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. In 2009 and 2008, the options and warrants described in Note 14 were anti-dilutive as in 2009 and 2008 the average share price was less than the exercise prices of the options and warrants.

(m) 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.

According to the People's Republic of China ("PRC") Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances, which are not clearly defined. There is no statute of limitations in the case of tax evasion. The tax returns of the Company's PRC subsidiaries for the 2007 to 2009 tax years are subject to examination by the relevant tax authorities.

2. Significant accounting policies (continued):

(n) Foreign currency translation
The functional currency of the Company's Hong Kong subsidiaries is the Hong Kong Dollar and the functional currency 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 exchange 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 exchange rates at the time of the transactions. Exchange gains and losses arising from foreign currency translations are reflected in earnings.

(o) Revenue recognition
Revenue from product sales is recognized upon shipment, when title has passed to the customer, persuasive evidence of an arrangement exists, 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.

(p) Goodwill
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.

(q) 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

(r) 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 it is probable that a future remediation commitment will be required.

(s) Assets held for sale
Assets classified as held for sale, in accordance with Section 3475 of the CICA Handbook, 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.

2. Significant accounting policies (continued):

(t) Comprehensive (loss) income
Comprehensive (loss) income includes both net income (loss) and other comprehensive (loss) income. Other comprehensive (loss) 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.

(u) Government assistance
Government assistance for high-tech companies is recorded as revenue in the period incurred. Government compensation fund for the relocation of the plant is recorded as a liability when the fund is received from the government. the fund will be used to offset moving cost, including purchase of equipment, building and other expenses associated with moving expenditure, and the remaining surplus, if any when the moving is complete, will be recognized as revenue.

(v) Financial instruments
Financial assets are identified and classified as either available for sale, held for trading, held to maturity, or loans and receivables. Financial liabilities are classified as either held for trading or other liabilities. Initially, all financial assets and financial liabilities are recorded on the balance sheet at fair value with subsequent measurement determined by the classification of each financial asset and liability.

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in net income (loss). Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income (loss) until the financial asset is disposed of or becomes impaired. Investments in equity instruments classified as available for sale that do not have quoted market prices in an active market are measured at cost.

Upon initial recognition, the Company may designate financial instruments as held for trading when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis. The Company has designated its cash and cash equivalents, restricted cash, and short term investments as held for trading, accounts receivable as other receivables, accounts payable and accrued liabilities, notes payable, and government compensation fund as other liabilities. All other non-derivative financial assets not meeting the Company's criteria for designating as held for trading are classified as available for sale, loans and receivables or held to maturity.

Financial assets purchased or sold, where the contract requires the asset to be delivered within an established timeframe, are recognized on a settlement date basis. Transaction costs on financial assets and liabilities classified as other than held for trading are capitalized and amortized over the expected life of the instrument, based on contractual cash flows, utilizing the effective interest method. The effective interest method calculates the amortized cost of a financial asset or liability and allocates the interest income or expense over the term of the financial asset or liability using an effective interest rate.

3. Change in accounting policies

(a) Goodwill and intangible assets
Effective January 1, 2009, the Company adopted new accounting standards issued by 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 did not have a material impact on the Company's consolidated financial statements.

(b) EIC-173 – Credit risk and the fair value of financial assets and financial liabilities
In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company has adopted these new standards in its annual consolidated financial statements for the year ending December 31, 2009. The adoption of these standards did not have a material impact on the Company’s consolidated financial statements.

3. Change in accounting policies (continued)

(c) Fair value hierarchy and liquidity risk disclosure
In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value under Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of this new standard resulted in additional disclosures in the notes to the consolidated financial statements.

4. Future accounting changes

(a) International Financial Reporting Standards (“IFRS”)
The CICA 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, not later than for the quarter ended March 31, 2011. The Company is currently monitoring and assessing the impact of the convergence of Canadian GAAP and IFRS.

(b) 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 is currently assessing the impact of the adoption of this new section on the consolidated financial statements.

(c) 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.

(d) 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.

(e) Multiple Deliverable Revenue Arrangements
In December 2009, the CICA issued EIC 175 – “Multiple Deliverable Revenue Arrangements” replacing EIC 142 – “Revenue Arrangements with Multiple Deliverables”. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence (“VSOE”) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity’s fiscal year, it must be applied retroactively from the beginning of the company’s fiscal period of adoption. The Company expects to adopt EIC 175 effective January 1, 2011. The Company does not believe the standard will have a material impact on its consolidated financial statements.

(Expressed in Canadian dollars, unless otherwise indicated)

5. Cash and cash equivalents

	2009	2008
Cash	$ 6,664,021	$ 6,764,070
Cash equivalents	200,000	-
	$ 6,864,021	$ 6,764,070

6. Short-term investments:

Short-term investments consist of investments classified as held-for-trading and measured at fair value, which include the following amounts.

	2009	2008
GIC	$ 1,293,559	$ 1,776,589
Shares of publicly traded companies	1,533,007	861,600
	$ 2,826,566	$ 2,638,189

Interest rates on the Guaranteed Investment Certificates (GIC), held at a major Canadian charted bank, range from prime rate minus 2.05% to 1.75%. The GICs mature within one year from the date of acquisition.

Included in shares is approximately $797,134 (RMB5,199,830) (2008 - $861,600; RMB4,800,000) invested by Jite Shenzhen in shares publicly traded on Chinese stock markets. In 2008, Jite Shenzhen engaged a consulting company that is controlled by a director of JITE to manage short-term investments under Jite Shenzhen's name. Pursuant to the terms of the 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. 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. The principal amount of the investment was $735,840 (RMB4,800,000)(2008 –$861,600 (RMB4,800,000)), and the market value based on quoted prices as at December 31, 2009, was $797,134 (RMB5,199,830) (2008 – $450,468; RMB2,509,571), and $67,390 (2008 – $nil) of unrealized gains were recognized in the consolidated statements of operations.

Included in the shares is $149,965 (2008 - $Nil) invested in Canadian listed shares, and $585,908(RMB3,821,995) (2008 - $Nil) invested in Chinese stock markets by the Company's subsidiary McVicar Hangzhou.

7. Inventories

	2009	2008
Raw materials	$ 1,667,846	$ 2,367,600
Parts and work in process	1,761,806	2,443,879
Finished goods	3,626,404	3,134,156
	$ 7,056,056	$ 7,945,635

The amount of inventories recognized as an expense during the year ended December 31, 2009 was $24,384,165 (2008 - $28,182,965). As at December 31, 2009, a total impairment provision of $760,584 (2008 - $840,350) was made for the inventories. In the year 2009, impairment of $352,229 of the finished goods inventory recorded in 2008 was reversed and the inventory was sold. As at December 31, 2009 and 2008 all the inventories are stated at cost.

(Expressed in Canadian dollars, unless otherwise indicated)

8. Notes payable

In 2009, Hongbo, a subsidiary of the Company, renewed its credit facility with a bank in China for a total amount of $3,066,000 (RMB20,000,000), in replacement of the then existing total amount of RMB20,900,000 credit facilities due to the fact that part of that facility or RMB14,000,000 expired on April 11, 2009. A portion of the renewed credit facilities, representing $1,762,950 (RMB11,500,000), was secured by Hongbo's real estate with a net book value as at December 31, 2009 of $1,596,908, and the remaining amount of $1,303,050 (RMB8,500,000) was guaranteed by a related company, for which Hongbo provided a mutual guarantee for RMB5,000,000. See note 19(c). The credit line bears an interest rate of 0.05% daily once withdrew

Pursuant to the agreements, the renewed credit facility continues to permit the issuance of notes payable up to a maximum book value of $6,132,000 (RMB40,000,000), of which $3,066,000 (RMB 20,000,000) or half of such notes issued must be deposited in the bank by Hongbo. As at December 31, 2009, Hongbo had utilized $1,379,700 (RMB9,000,000) (2008 - $2,145,037; RMB11,950,000)of the facilities by issuing $2,759,382 (RMB18,000,000) (2008 - $4,290,074; RMB23,900,000) in the form of notes payable. Notes payable are all due within 6 months from the issuance dates. Included in restricted cash as at December 31, 2009 was a deposit of $1,379,700 (RMB9,000,000) (2008 - $2,145,037; RMB11,950,000) or half the amount of these notes payable, and a $67,443 (RMB440,000) (2008 - $Nil) bank deposit required for the issue of other letters of credit.

9. Loans payable

As at December 31, 2009, the outstanding balance of bank loans owed by JITE was $17,489 (RMB114,086) (2008- $395,930 (RMB2,205,737). The bank loans were initially borrowed in 2006 for the purchase of equipment, bearing an effective interest rate of 10.7% per annum with blended monthly principal and interest payments, and secured by equipment with a net book value of $317,029 (RMB2,068,030) (2008 - $581,400; RMB3,239,900).

Total interest paid for the year ended December 31, 2009 was $10,088 (2008 – $39,599).

Subsequent to the year end, the loans were fully repaid by JITE (See note 24).

10. Property, plant and equipment

2009	Cost	Accumulated amortization	Net book value
Buildings	$ 2,323,875	$ 127,999	$ 2,195,876
Leasehold improvements	937,187	397,051	540,135
Furniture and fixtures	865,840	498,143	367,697
Manufacturing equipment (i)	4,285,257	1,148,724	3,136,532
Metal and plastic moulds	1,435,071	798,224	636,847
Other equipment (i)	417,601	127,909	289,692
Transportation equipment	220,721	96,326	124,396
	$ 10,485,552	$ 3,194,376	$ 7,291,176 (iv)
Construction in progress – buildings (ii), (iii)	$ 4,001,161	$ -	$ 4,001,161
Construction in progress - equipment	129,945	-	129,945
	$ 4,131,106	$	$ 4,131,106

(Expressed in Canadian dollars, unless otherwise indicated)

10. Property, plant and equipment (continued)

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
Construction in progress – buildings (iii)	$	506,617	$	-	$	506,617
Construction in progress - equipment		143,144		-		143,144
	$	649,761	$	-	$	649,761

The amortization expense for the year is $1,487,833 (2008 – $1,136,334) of which $793,530 (2008 - $654,721) is included in costs of goods sold in the statement of operations.

(i) During 2009, the Company wrote-off $153,300 (RMB1,000,000) fixed assets relating to the chemical business. This is the result of the annual impairment review undertaken by the Company. The review indicated that the value of the assets has been adversely impacted by the temporary suspension of production in Luyuan (See note 19(b)).

(ii) During 2009, Jite, through its subsidiary Jite Kunshan, acquired buildings with land use rights of land in Kunshan, Jiangsu Province, China for total cash consideration of $4,292,400 (RMB28,000,000), of which $2,299,500 (RMB15,000,000) was for buildings and the balance was for land use rights. As of December 31, 2009, $3,495,240(RMB 22,800,000) was paid and recorded as construction in progress, and the ownership of the buildings was transferred to Jite Kunshan on December 30, 2009. The balance will be paid upon transfer of the land use rights to Jite Kunshan, which is expected to be completed in 2010. Other costs associated with the acquisition of the buildings in the amount of $29,686 (RMB193, 641) were also included as construction in progress.

(iii) Also included in the construction in progress was $476,235 (RMB3,103,579) (2008 - $506,617; RMB2,819,537) paid by Hongbo for a conditional acquisition of a building in construction with land use rights that are connected to the existing plant of Hongbo. The completion of the acquisition is under the Company's discretion.

(iv) See also note 13 about the pending relocation of Changlong plant.

11. Acquisitions and disposal

(a) McVicar (Hong Kong) Advanced Materials Co. Ltd., ("MAM")
On January 7, 2009, the Company announced that MAM, a 90.5% owned subsidiary, reached an arm's length agreement with Sanlong Holdings Co. Ltd. ("Sanlong") to exchange Sanlong's 9.5% equity interest in MAM for a 38% equity interest in Changlong. This transaction was not closed in 2009. In connection with this transaction on December 30, 2009, MAM further reached an agreement with Sanlong to purchase a 38% equity interest in Changlong for cash consideration of RMB 9,405,000 ($1,441,787) . Upon closing the transaction, McVicar will have a 100% interest in MAM, and MAM will have a 100% interest in Changlong. It is expected that the transaction will be completed in 2010.

On July 28, 2008, the Company increased its ownership interest in MAM from 51% to 90.5%. The total consideration was satisfied by the issue of 5,239,800 units of the Company at a fair 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 entitles 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.

11. Acquisitions and disposal (continued)

(b) JITE Technologies Inc. ("JITE")
In 2009, the Company purchased 237,500 of JITE's shares for cash consideration of $40,000, representing 1.1 % of its shares outstanding, through the open market. As a result, the Company's interest in JITE was increased to 48.6% from 47.5%. 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.

On August 14, 2009, Jite signed a purchase agreement with a third party to acquire buildings and land use rights in Kunshan Economic and Technological Development Zone, Jiangsu Province, China for total cash consideration of RMB 28,000,000 ($4,292,400) . As of December 31, 2009, RMB 22,800,000 ($ 3,495,240) was paid and the ownership of the buildings had been transferred to Jite Kunshan on December 30, 2009. The balance of $797,160 (RMB5,200,000) will be paid upon transfer of the land use rights to Jite Kunshan which is expected to be completed in 2010.

On October 9, 2009, Jite registered its wholly-owned subsidiary of Jite Kunshan in the Kunshan Economic and Technological Development Zone, in Jiangsu Province, China with a total registered capital of USD$20,000,000. Pursuant to local law, US$4,000,000 or 20% of its registered capital is required to be invested within three months from the date of registration, and was paid as at December 31, 2009, with the remaining balance to be invested within the following two years. Kunshan Economic and Technological Development Zone, located to the Northwest of Shanghai City, was approved as a state-level economic development zone in August 1992, and it is one of the largest electronic manufacturing bases in China.

Jite is working on the development of an optimal strategic expansion plan for the Kunshan plant. The expectation is that the resulting expansion plan will not only both keep existing business operations steady and minimize capital expenditures in the short term, but also fit the Company's business growth strategy in the long run. Currently management has not yet determined when and what kind of prospective project would be put in the Kunshan plant under the current economic circumstances.

In 2008, the Company 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%.

(c) Luyuan Chemical Co., Ltd. ("Luyuan")
On April 21, 2008, Hongbo acquired an 80% interest in Luyuan, a private company in Xiangshui county, Jiangsu province, China for cash consideration of RMB 4,000,000 ($586,998). Luyuan is a manufacturer and supplier of chemical products for industrial markets. This acquisition was 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.

On September 19, 2008, Luyuan's registered capital increased by RMB 2,500,000 ($383,000), of which RMB 2,000,000 ($306,400) was subscribed for by Hongbo and RMB 500,000 ($76,600) was subscribed for by minority shareholders. As a result, Hongbo's total holding interest in Luyuan remains at 80%.

(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.

April 21, 2008, acquisition of Luyuan		
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

The operation of Luyuan was suspended in 2009 due to legal disputes and unfavourable market condition, see note 19(b).

(d) McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)")
In September 2008, the Company incorporated a wholly-owned subsidiary McVicar (Hang Zhou) Management Co. Ltd., ("McVicar (HZ)") with a total registered capital of US$2,000,000. Pursuant to Chinese law, 15% of registered capital or US$ 300,000 is required to be deposited within three months (paid as at December 31, 2009), with the remaining balance to be invested within two years from the date of registration. McVicar (HZ) serves as the Company's Chinese operational office aiming to centralize the Company's chemical subsidiaries, R&D resources and sales.

(e) Divestiture
On June 9, 2009, the Company obtained Chinese government approval for the sale of its 27% equity interest in Sino Lion Nanjing Ltd., ("Sino Lion") in Jiangsu province, China. The withdrawal agreement, valued at US $850,000 in cash, was initially signed on October 2, 2008 with Ascend Technologies Ltd., a holding company controlled by one of the directors of Sino Lion (USA) Ltd. This 27% equity investment was acquired in 2006 for cash consideration of US$1,000,000. The reason to divest this investment was mainly due to the fact that Sino Lion had not been able to achieve its expected results, and incurred significant operating losses since inception, as a result of its potential major customer delaying orders indefinitely. This disposal has no material impact on the other chemical businesses which the Company currently owns and controls.

This investment was recorded as held for sale as at December 31, 2008 at its carrying value of $733,935. For the year ended December 31, 2009, the Company recognized a $254,190 gain on divestiture in the consolidated statements of earnings upon close of the transaction.

As of December 31, 2009, total divestiture proceeds amounting to US$850,000 ($890,284) were fully received.

12. Goodwill and intangible assets

The goodwill and intangible assets result mainly from the acquisition of JITE, Hongbo and Changlong in 2007 and the acquisition of additional shares of MAM in 2008. The purchase price was allocated to finite-life intangible assets with any excess reflected as goodwill.

(Expressed in Canadian dollars, unless otherwise indicated)

12. Goodwill and intangible assets (continued)

(a) Goodwill

The movement in the carrying amount of goodwill in 2009 and 2008 were as follows:

	Goodwill in Jite	Goodwill in MAM	Total Value
Balance, December 31, 2007	$ 4,778,550	$ 4,691,707	$ 9,470,257
Acquisitions (Note 11(a))	-	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
Impairment (Note 11(b))	(2,077,137)	-	(2,077,137)
	-	-	-
Balance, December 31, 2009	$ 2,701,413	$ 4,442,315	$ 7,143,728

As at December 31, 2009, the Company completed an impairment analysis and determined, as a result of unexpected revenue declines and the evident failure to achieve revenue growth targets due to global economic weakness, that goodwill previously acquired in relation to technical segment's operations was impaired by $2,077,137 (2008 – $nil) and goodwill related to the chemical segment's operations was impaired by $nil (2008- $3,510,678).

In 2008, in connection with the additional acquisition of 39.5% interest in MAM (see note 11(a)), the Company recorded $3,261,286 goodwill.

(b) Intangible assets

Intangible assets arose as a result of the acquisitions of JITE and MAM. The movements in 2009 and 2008 were as follows:

2009	Cost	Impairment	Accumulated amortization	Net book value
Non-contractual customer relationships	$ 1,214,513	$ -	$ 683,156	$ 443,731
Below market lease agreement	205,909	-	68,636	47,349
Land use rights	179,500	-	-	179,500
	$ 1,599,922	$ -	$ 751,792	$ 670,580

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

As at December 31, 2009, the Company completed an impairment analysis and determined that intangible assets were not impaired.

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

In 2008, intangible assets were written down by $177,550, of which $87,626 related to impairment due to the negative impact of the deteriorating economy on the sale of chemical products, and $89,924 was related to JITE's below market price long term lease agreement in Shenzhen, China..

13. Pending relocation of Changlong plant

In May 2009, Changlong, a subsidiary of the Company, reached an arm's length agreement in principal with Longshan Chemical Co., Ltd. ("Longshan"), on its factory relocation. Changlong's current location will be expropriated by the local government due to local government municipal development requirements. Changlong, along with Longshan who currently owns the land use rights which Changlong leases, will be moved to a new location granted by the government, which is located in Linjiang Industrial Development Park in Hangzhou, Zhejiang Province. Changlong would receive compensation from the government for all of its moving costs, including any losses on the disposition of existing buildings and equipment.

Longshan, as landlord of the current location, was the principal recipient of the government compensation funds, from whom Changlong would indirectly receive government compensation. As a result, the agreement reached by Changlong and Longshan includes in principal the time schedule for relocation, the amount of the government compensation fund attributed to Changlong and future leasing relationship with the new location. Pursuant to the agreement, the total amount of government compensation fund attributed to Changlong will be RMB8,508,614 ($1,304,371), of which 85% or RMB7,232,322（$1,108,715）was received in 2009 after the signing of the agreement, and the remaining 15% or RMB1,276,292（$195,656）will be receivable after completion of the move.

The compensation received was recorded on the consolidated balance sheet as government compensation fund and will be reversed upon payment for the purchase of equipment, building and other expenses associated with the moving expenditures. As the estimated moving expenditures plus the impairment of assets not movable will be less than the government compensation refund, no provision or impairments on its long-lived assets were recognized.

It is expected that the pending relocation will start in the second quarter of 2010.

In October 2009, Changlong further reached a ten-year building lease agreement with Longshan regarding the term and rental at the new site. Pursuant to the lease agreement, the building will be built, owned by Longshan, and then rented to Changlong for ten years starting from January 1, 2010 to December 31, 2019. The annual rental will be RMB680,000（$104,244）for the first three years. In subsequent years, the rental will be subject to an inflation rate adjustment up to a maximum rate of 10% every three years. The exact adjustment rate would be ultimately determined by the actual inflation rate in the future in Hangzhou, China.

Historically, Longshan and Changlong have a close business relationship. Longshan not only leased its building to Changlong, but also is a key raw material supplier to Changlong. Changlong's waste emissions have been discharged through the emissions system of Longshan. It is expected that this close business relationship could still be maintained after relocation, however, Changlong's operations would be significantly adversely affected in the event Longshan cannot supply the materials or Longshan cannot comply with local environmental regulations.

(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, 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)
Private placement (ii)	5,239,800		5,501,790
Options exercised (Note 14(c))	260,000		195,000
Allocation from options	-		43,763
Warrants exercised (Note 14(d))	607,000		758,750
Allocation from warrants	-		40,084
Balance, December 31, 2008	34,427,320	$	26,052,375
Balance, December 31, 2009	34,427,320	$	26,052,375

(i) On 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 will be exercisable into one common share for a period of two years from closing at an exercise price of $1.85 per share. These shares were subject to a holding period of 4 months from the date of closing.

As 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 $49,392. The grant date fair 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.

(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(a)), the Company issued 5,239,800 units of the Company at a fair 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 grant date fair 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.

(Expressed in Canadian dollars, unless otherwise indicated)

14. Share capital (continued)

(b) Contributed surplus

Balance, December 31, 2007	$	512,294
Stock based compensation (note 14(c))		318,517
Stock options exercised		(43,763)
Warrants expired (Note 14(d))		100,821
Share of stock-based compensation expense of subsidiary		179,412
Balance, December 31, 2008	$	1,067,281
Share of stock-based compensation expense of subsidiary		63,003
Balance, December 31, 2009	$	1,130,284

(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.

In 2008, the Company granted 1,175,000 options which vested 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 $63,003 (2008 – $696,147), of which $63,003 (2008– $377,630) was from JITE. Of the stocked-based compensation expense, $25,920 (2008 -$215,419) was for employees and the rest for non-employees.

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

	Options Outstanding	Weighted average exercise price
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	$ 1.10
Expired	(130,000)	$ 0.75
Forfeited	(405,000)	$ 1.10
Options outstanding, December 31, 2009	960,000	$ 1.10

The following table summarizes information about the options outstanding and exercisable at December 31, 2009:

	Options outstanding			Options exercisable	
Exercise Price	Outstanding number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Remaining contractual life
$ 1.10	960,000	3.75	$1.10	960,000	3.75 years

(Expressed in Canadian dollars, unless otherwise indicated)

14. Share capital (continued)

(d) Warrants

The Company has issued warrants as follows:

	Number of warrants		Amount
Balance, December 31, 2007	2,322,000	$	140,905
Private placement (Note 14(a)(i))	1,288,014		600,753
Private placement (Note 14(a)(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
Balance, December 31, 2009	3,907,914	$	1,483,048

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, 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
Warrants outstanding, December 31, 2009	3,907,914	$1.83

The following table summarizes information about the warrants outstanding at December 31, 2009:

	Warrants Outstanding and exercisable	Remaining contractual life
$1.85	2,619,900	0.58 years
$1.85	1,157,030	0.41 years
$1.40	130,984	0.41 years
Warrants outstanding, December 31, 2009	3,907,914	0.52 years

(Expressed in Canadian dollars, unless otherwise indicated)

14. Share capital (continued)

(e) Earnings per share

The computations for basic and diluted earnings per share are as follows:

		2009		2008
Numerator:				
Net income (loss) for the year	$	$ 487,983	$	(3,056,638)
Denominator:				
Weighted average number of common shares outstanding (note 14(a)):		34,427,320		30,374,643
Basic	$	0.01	$	(0.10)
Effect of stock warrants/options		-		-
Diluted	$	0.01	$	(0.10)

15. (Deficit)

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, 2009 were $1,042,306 (RMB6,799,126) (2008 - $567,637; RMB3,162,323) and are included as part of deficit..

16. Income Taxes

The Company currently operates its business in Canada, People’s Republic of China (“PRC”) 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 33.0% (2008 – 33.5%). Pursuant to the relevant laws and regulations in the PRC, Jite Shenzhen was subject to income tax at an effective rate of 20% in 2009 (2008 – 18%) 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 12.5% in 2009 (2008 – 0%).

Changlong and Luyuan are subject to an effective income tax rate of 25% (2008- 25%).

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

(Expressed in Canadian dollars, unless otherwise indicated)

16. Income Taxes (continued)

		2009		2008
Income (loss) before income tax and non-controlling interest	$	2,127,272	$	(1,763,917)
Increase (decrease) income taxes resulting from:				
Income taxes (recovery) at statutory rates		702,000		(590,912)
Goodwill and intangible write down not deductible		685,455		1,025,921
Gain on disposal of investment		(35,678)		101,388
Benefit of income tax losses not recognized		26,290		(109,351)
Non-deductible items and stock-based compensation		178,851		341,657
Others		38,575		68,013
Amortisation of intangible assets		102,733		(147,561)
Rate differences in subsidiaries		(1,057,770)		(1,106,805)
Change in valuation		80,723		3,114
Income tax expense – current		797,159		281,412
Income tax (recovery) – future		(75,980)		(400,826)
Total expenses (recovery)	$	721,179	$	(119,414)

At December 31, 2009, the Company and its subsidiaries had approximately $3,879,524 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		198,216		-
2014		261,321		507,614
2015		-		395,812
2026		-		336,265
2027		-		451,495
2028		-		799,871
2029		-		888,807
	$	459,537	$	3,419,987

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

		2009		2008
Future income tax liabilities- China				
Excess of book value over tax value of plant and equipment	$	56,700	$	(28,932)
Timing of revenue recognition		(650,039)		(448,907)
Inventory valuation		23,900		(96,145)
Other differences		-		(61,483)
	$	(569,439)	$	(635,468)
Future income tax assets				
Loss carry-forwards	$	989,600	$	876,151
Exploration and development expenditures		10,700		34,400
Revenue recognition timing difference		25,600		(41,500)
Inventory		147,800		168,900
Undeducted reverse take over costs		57,700		66,656
Undeducted share issuance costs		196,400		301,516
Other differences		10,700		8,000
Future income tax assets before valuation allowance		1,438,500		1,414,123
Valuation allowance		(1,148,000)		(1,228,723)
Total net future income tax assets - China, net of Valuation allowance	$	290,500		$ 185,400

(Expressed in Canadian dollars, unless otherwise indicated)

17. Related party transactions

In addition to the related party transactions as disclosed in Note 8 and 19(c)(i), the Company has the following related party transactions:

(a) Included in accrued liabilities as at December 31, 2009 is $100,000 (2008- $50,000) payable to GC Consulting & Investment Corp., a company controlled by a director of the Company for consulting fees charged in 2009 and 2008. This amount is unsecured, non-interest bearing with no fixed terms of repayment. The total amount of $50,000 (2008 - $50,000) charged during the year 2009 was included in the general and administrative expenses.

(b) Included in the advances and deposits as at December 31, 2009 were employee loans outstanding in the amount of $72,561 (December 31, 2008 – $91,089). These loans were advanced to the officers of the Company, are non-interest bearing and are unsecured. The repayment period is one year and repayments are satisfied by monthly salary deductions.

(c) Due to related parties of $nil (December 31, 2008 – $761,084 (RMB4,000,000)), was advanced by a key management official and director of the Company. The loan bore interest at 6% per annum and was unsecured, and was payable on demand. During 2009, the loan was fully paid back. Total interest paid for the year ended December 31, 2009 was $29,820 (December 31, 2008 – $36,864).

(d) Loan receivable from a related party of $77,720 (RMB236,786) (December 31, 2008 – $361,040 (RMB2,000,000)) is a term loan to an officer of the Company's subsidiary in China. This unsecured term loan, initially advanced on October 31, 2007, had an initial six-month term with a fixed interest rate of 5% per annum. On maturity, the loan was extended by six months with the same term, and then extended by one year with the annual interest rate being raised to 6% from 5% and matured on October 31, 2009. Loan repaid under the agreement for the year ended December 31, 2009 amounted to $676,306 (2008 - $nil). It is expected that the overdue balance will be repaid around the middle of 2010. Total interest received for the year ended December 31, 2009 was $16,426 (December 31, 2008 – $ 17,920).

(e) Loan receivable of $766,495 (RMB5,000,000) as at December 31, 2009 was a six-month term loan to a company controlled by a director of the Company's subsidiary in China. This term loan was unsecured, non-interesting bearing and was repaid on January 1, 2010.

All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. Supplementary cash flow information:

Change in non-cash items from operations

	2009	2008
Decrease (Increase) in restricted cash	$ 697,894	$ (318,491)
(Increase) in accounts receivable	(595,730)	(1,860,539)
(Increase) decrease in prepaid expenses, advances and deposits and other receivables	(364,498)	328,421
(Increase) decrease in inventories	(183,849)	514,255
Increase (decrease) in accounts payable and accrued liabilities	1,368,394	(1,262,679)
	$ 922,211	$ (2,599,033)
Cash paid for interest	$ 18,090	$ 214,040
Cash paid for income tax	669,761	298,640
Non-cash transactions:		
Issuance of units for acquisition of MAM (note11(a))	$ -	$ 5,501,790
Issuance of units and warrants for services (note 14(a)(i))	-	125,096

(Expressed in Canadian dollars, unless otherwise indicated)

19. Commitments and contingencies

(a) Operating leases:
The Company and its subsidiaries have entered into various operating lease agreements for leased premises in the normal course of operations, with the rents being charged to operations in the year to which they relate. The consolidated minimum lease payments for all lease agreements in each of the next five years are as follows:

	McVicar	JITE	Total
2010	$ 201,087	$ 640,228	$ 841,315
2011	131,557	641,813	773,370
2012	104,244	643,525	747,769
2013	104,244	633,085	737,329
2014 and after	761,513	1,378,685	2,140,198
	$ 1,302,645	$ 3,937,336	$ 5,239,981

Rental deposit of $101,598 (RMB662,740) was paid as by Jite that can be used to pay the last two months' rent.

(b) Legal proceedings and suspension of Luyuan operations
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. The following is a summary of a significant legal matter involving the Company.

In 2008, The Company's subsidiary, Luyuan Chemical Co., Ltd., was a defendant in seven lawsuits filed by six individuals requesting Luyuan to repay loans and interest that were allegedly borrowed by Luyuan before being acquired by Hongbo in April 2008, and one lawsuit filed by a former employee of Luyuan for wrongful dismissal. In 2009 the local court has ruled against Luyuan. As of December 31, 2009, the total amounts in connection with these legal proceedings determined by the court rulings was RMB2,402,100 ($368,242) of principal and RMB742,699 ($113,856) of compounded interest, and some contingent interest to be determined.

Based on the original purchase agreement signed by Hongbo, Luyuan has a strong defence to all these claims and thus could reclaim all these pending payments against Luyuan's previous shareholder, who, as an existing minority shareholder and current co-defendant in these lawsuits, guaranteed all of the existing and any contingent liabilities incurred prior to the period of acquisition.

Luyuan as a limited liability company is short in cash for the payments of the obligations. Some of Luyuan's equipment with a value of RMB250,000 ($38,325) and inventory with a value of RMB334,142 ($51,224) were seized by court orders. In July 2009, the operation of Luyuan was suspended. The Company is negotiating with these plaintiffs to reach a settlement for an amount less than the rulings. As of December 31, 2009, the negotiation is still proceeding. The resumption of Luyuan's operations will depend in part on how well and when these liabilities are settled.

Luyuan has accrued RMB3,000,000 ($459,900) for the contingent liabilities as at December 31, 2009. In addition, Luyuan has written off the value of its inventory by RMB597,148 ($91,543) and written down the capital assets of Luyuan by RMB1,000,000 ($153,300) as at December 31, 2009. These provisions reflect the Company's best estimate of possible losses according to information available at year end. As at December 31, 2009 the net book value of Luyuan has been written down to RMB282,734 ($43,343). Management believes that the provision is sufficient and additional expenses or provisions needed to be recorded in the future, if any, will not be significant.

(c) Guarantee
(i) The Company's subsidiary Hongbo has made a guarantee to a bank in China of RMB5,000,000 ($766,500) for a company that is controlled by a director of Hongbo, in exchange for its mutual guarantee for Hongbo's line of credit of RMB8,500,000 (see note 8). The guarantee made by Hongbo is valid until February 2, 2011.

(ii) Hongbo had made another guarantee to a bank in China of RMB5,000,000 ($766,500) for a non-related company in China initially in order to arrange a mutual guarantee for Hongbo's line of credit, which failed the approval by the bank shortly after Hongbo had made the guarantee. This guarantee of RMB5,000,000 expired on January 31, 2010.

(Expressed in Canadian dollars, unless otherwise indicated)

19. Commitments and contingencies (continued)

(d) Forward purchase agreement
As at December 31, 2009, Jite had entered into a forward purchase agreement with a commodity supplier to secure the price of copper material at prices ranging from $4.21 per KG to $5.6 per KG for a total of 7,162 KG of copper at a total agreement amounts of $31,589 (RMB206,057), and the goods were delivered in January 2010. Included in prepaid expenses as at December 31, 2009 was a $37,164 (RMB242,423) deposit to this supplier.

(e) Kunshan plant
See Note 11(b).

(f) Registered capital of subsidiaries
See Notes 11(b), 11(d) and 15.

20. Non-controlling interests

Non-controlling interest in JITE represents the 51.4% (2008-52.5%) not held by the Company (McVicar controls Jite by an agreement with another shareholder who owns 9% of Jite). Non-controlling interest in MAM represents 9.5% of voting units held by a third party.
The carrying amounts of the non-controlling interests are as follows:

	2009	2008
JITE	$ 8,780,894	$ 8,962,139
MAM	1,101,753	998,599
Total	$ 9,882,647	$ 9,960,738

21. Capital management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. The Company considers its capital to consist of share capital, contributed surplus and warrants. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company's officers are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's board of directors is responsible for overseeing this process.

The Company manages its capital structure with the objective of providing sufficient resources to meet both operating and acquisition requirements, to make sure that the Company could grow steadily in a fast growing economy in China and maximize long-term shareholder value, whilst remaining a going concern. There were no changes in the Company's approach to capital management during the year. The Company and its subsidiaries are not subject to capital management's other than those disclosed in Notes 11(b), 11(d) and 15.

22. Financial instruments and Risk Management

The Company's financial instruments consist of cash and cash equivalents, short term investments, restricted cash, advances, accounts receivable, amounts due/to from related parties, accounts payable and accrued liabilities, notes payable, and long term loans. The carrying amount of all financial assets and liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments and normal trade credit terms (with exception of the short term investments). Short term investments are stated at fair value, which is based upon quoted market price at December 31, 2009 and 2008.

As at December 31, 2009 and 2008, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents, restricted cash, and short term investments, have been classified as level 1 within the fair value hierarchy.

For the year ended December 31, 2009, $55,214 of realized (2008 - $nil) and $236,311 (2008 – $nil) of unrealized gain from short term investment was recognized in the consolidated statements of operations.

Unless otherwise noted, it is management's opinion that McVicar is not exposed to significant interest rate risk, concentration of credit risk and liquidity risk arising from the financial instruments due to their short-term maturity or capacity of prompt liquidation.

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. In recent years the Chinese government has been seen to make and enforce more regulations on environmental protection that could in the future impact the Company's chemical sector operations.

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, and rate of inflation, 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.

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.

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 the Canadian dollar ("CDN") as its reporting currency. Unfavourable changes in the applicable exchange rate between USD, HKD, RMB and CDN dollar 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.

22. Financial instruments and Risk Management (continued)

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. As at December 31, 2009, the Company held cash in foreign currencies of $5,178,075 (RMB33,777,400) in RMB, $677,187 (USD$645,144) in USD, and $385,081(HKD2,846,130) in HKD.

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, 2009, approximately 100% (2008 - 100%) of sales and approximately 80% (2008 –83%) of expenses were incurred in foreign currencies.

At December 31, 2009 the Company is exposed to translation foreign currency risk through the following financial assets and liabilities denominated in US dollar, HK dollar and Chinese RMB:

	December 31, 2009			December 31, 2008		
	USD	HKD	RMB	USD	HKD	RMB
Cash	451,914	2,846,130	26,168,955	157,823	14,577,169	7,052,371
Accounts receivable	1,858,693	5,792,069	33,257,324	1,482,773	11,031,735	24,204,426
Accounts payable and accrued liabilities	(11,957)	(184,825)	(36,743,457)	(2,182)	(209,890)	(30,547,776)
Notes payable			(18,000,000)			(23,900,000)
Loans payable			(114,086)			(2,205,737)
Total	2,298,650	8,453,374	4,568,736	1,638,414	25,399,014	(25,396,716)

As at December 31, 2009, with other variables unchanged, a +/-10% change in the USD to CAD exchange rate would increase/decrease net loss for the year by $240,577 (US$229,865), a +/-10% change in the exchange rate of HKD to CAD will increase/decrease the net income by $114,036 (HK$845,337), and a +/-10% change in the exchange rate of RMB would increase/decrease the net income by $70,038 (456,873 RMB).

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. Over 87% (2008 - 81%) of accounts receivable are outstanding for less than 90 days. In addition, the Company performs periodic credit reviews of its customers, and the customer credit is extended following an evaluation of creditworthiness. There is no customer that accounts for over 10% of the total revenue of the Company. All of the Company's accounts receivable has been reviewed for collectability. During the year ended December 31, 2009, the Company recorded bad debt expense of $115,743 to reflect accounts that may not be collectible.

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, Changlong and Luyuan, have all officially earned the Certificate of Emission of Production Pollutant licensed by its respective local government.

22. Financial instruments and Risk Management (continued)

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. In 2009, with other variables unchanged, a +/- 10% change in copper commodities price would decrease/increase net income for the year by -/+ 3%.

(f) Market risk
The Company's short term investments are stated at fair value, which is based upon quoted market price at December 31, 2009.

At December 31, 2009, a 10% increase (decrease) in market prices, with all other variables unchanged, would result in an increase (decrease) in the fair value of short term investments of $122,362.

(g) Interest rate risk
The Company has cash and cash equivalents and short term investments balances and interest bearing debt at market interest rates. The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions and in publicly traded common shares. The Company's interest rates on its debts are based on 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. Based on the zero balance of the long term loans as at December 31, 2009, and the fact that most of the Company cash is not interest earning, a hypothetical 100 basis point change in interest rates would have no material impact on the consolidated net income.

(h) 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's primary goals in managing liquidity risk is to maintain sufficient readily available sources of funding in order to meet its liquidity requirements at any point in time. The Company attempts to achieve this by forecasting cash flows and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at December 31, 2009, the Company had cash and cash equivalents, restricted cash and short-term investments of $11 million to settle current liabilities of $8.7 million. The Company is not exposed to significant liquidity risk.

23. Segmented information

The Company currently operates in two operating segments: 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.

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, 2009 (in thousands of dollars):

	Chemical products	Technical products	Total
Revenue	$ 19,385	$ 15,573	$ 34,958
Gross profit:	5,686	4,888	10,574
Amortization	(444)	(517)	(961)
Impairment of goodwill	-	(2,077)	(2,077)
Operating expenses	(3,220)	(2,746)	(5,966)
Operating income (loss)	2,022	(452)	1,570
Other income			67
Gain on disposal of equity investment			254
Investment income			236
Income tax expenses			(721)
Non-controlling interest			(918)
Net income:			488
Tangible assets	$ 20,686	$ 19,024	$ 39,710
Intangible assets	489	181	670
Goodwill	4,443	2,702	7,145
Total assets:	$ 25,618	$ 21,907	$ 47,525
Purchase of property, plant and equipment	$ 213	$ 4,048	$ 4,261

23. Segmented information (continued)

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

	Chemical products	Technical products	Total
Revenue	$ 18,819	$ 17,913	$ 36,732
Gross profit:	4,605	3,944	8,549
Amortization	(297)	(452)	(749)
Impairment of goodwill	(3,511)	-	(3,511)
Write-off of intangible assets	(88)	(90)	(178)
Operating expenses	(2,933)	(2,872)	(5,805)
Operating income (loss)	(2,223)	530	(1,693)
Other income			39
Gain on disposal of equity investment			-
(Equity) investment loss			(110)
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	$ 24,588	$ 50,671
Purchase of property, plant and equipment	$ 1,299	$ 525	$ 1,824
Additions in goodwill	$ 3,261,286	$ -	$ 3,261,286

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

For the year ended December 31, 2009 (in thousands of dollars):

	Canada	**U.S.**	**China & Hong Kong**	**Other**	**Total**
Revenues:	$ 2,898	$ 2,555	$ 28,769	$ 736	$ 34,958
Total assets:	$ 5,189	$ -	$ 42,336	$ -	$ 47,525
Property, plant and equipment:	$ 24	$ -	$ 7,267	$ -	$ 7,291
Construction in progress	$ -	$ -	$ 4,131	$ -	$ 4,131
Goodwill	$ -	$ -	$ 7,144	$ -	$ 7,144

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

	Canada	**U.S.**	**China & Hong Kong**	**Other**	**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
Construction in progress	$ -	$ -	$ 650	$ -	$ 650
Goodwill	$ -	$ -	$ 9221	$ -	$ 9,221

(Expressed in Canadian dollars, unless otherwise indicated)

24. Subsequent events

(a) Subsequent to the year-end, $17,489 (114,086 RMB) or the remaining balance of bank loan owed by JITE as described in Note 9 was repaid.

(b) On January 1, 2010, the $766,495 (RMB5,000,000) loan receivable described in Note 17(e) was received.

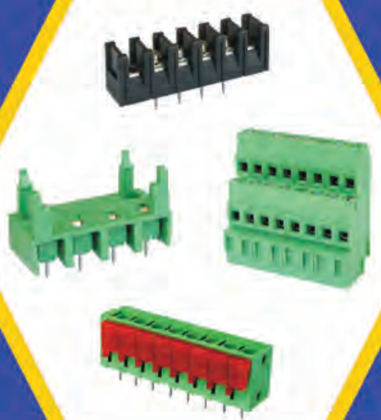
(c) The $766,500 (RMB5,000,000) guarantee made by Hongbo described in Note 19(c)(ii) has expired on January 31, 2010.

25. Accumulated other comprehensive income

	2009	2008
Balance, at the beginning of the year	$ 2,543,980	$ (624,990)
Currency translation adjustment during the year	(2,507,472)	3,168,970
Balance, at the end of the year	$ 36,508	$ 2,543,980

26. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform to the presentation of financial statements adopted for 2009. The changes do not affect prior year's earnings.



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