

MCVICAR INDUSTRIES INC.

Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For three and six months ended June 30, 2009 and 2008

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

McVICAR INDUSTRIES INC.**Consolidated Balance Sheets**

(Expressed in Canadian dollars)

| | June 30, 2009 | December 31, 2008 |
|---|--------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,067,613 | \$ 6,764,070 |
| Short term investments <i>(note 4)</i> | 2,260,435 | 2,638,189 |
| Restricted cash <i>(note 5)</i> | 1,140,348 | 2,145,037 |
| Accounts receivable | 7,368,360 | 7,940,157 |
| Inventories | 7,065,340 | 7,945,635 |
| Loans receivable from related parties <i>(note 9)</i> | 265,797 | 361,040 |
| Prepaid expenses, advances and deposits | 668,665 | 1,177,358 |
| Other receivable <i>(note 7)</i> | 988,125 | - |
| Asset held for sale <i>(note 7)</i> | - | 733,935 |
| | 29,824,683 | 29,705,421 |
| Construction in progress | 662,066 | 649,761 |
| Property, plant and equipment | 8,815,839 | 9,927,737 |
| Intangible assets | 826,234 | 981,888 |
| Future income tax asset | 185,400 | 185,400 |
| Goodwill | 9,220,865 | 9,220,865 |
| | \$ 49,535,087 | \$ 50,671,072 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Loans payable <i>(note 6)</i> | \$ 56,893 | \$ 206,651 |
| Notes payable <i>(note 5)</i> | 2,280,696 | 4,290,074 |
| Accounts payable and accrued liabilities | 5,075,606 | 5,745,346 |
| Due to related parties <i>(note 9)</i> | 742,077 | 761,084 |
| Income tax payable | 206,251 | 7,580 |
| Government compensation reserve <i>(note 13)</i> | 1,230,950 | - |
| | \$ 9,592,473 | \$ 11,010,735 |
| Long term loans <i>(note 6)</i> | - | 189,279 |
| Future income taxes liability | 583,590 | 635,468 |
| | \$ 10,176,063 | \$ 11,835,482 |
| Non-controlling interest | 9,749,043 | 9,960,738 |
| Shareholders' equity: | | |
| Capital stock <i>(note 8a)</i> | 26,052,375 | 26,052,375 |
| Warrants <i>(note 8a)</i> | 1,483,048 | 1,483,048 |
| Contributed surplus <i>(note 8b)</i> | 1,113,193 | 1,067,281 |
| | 28,648,616 | 28,602,704 |
| (Deficit) retained earning | (926,282) | (2,271,832) |
| Accumulated other comprehensive income (page 5) | 1,887,647 | 2,543,980 |
| | 961,365 | 272,148 |
| | 29,609,981 | 28,874,852 |
| | \$ 49,535,087 | \$ 50,671,072 |

Commitments and contingencies *(note 11)**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.**Interim Consolidated Statements of Earnings**

(Expressed in Canadian dollars)

For three and six months ended June 30,2009 and 2008

(Unaudited)

| | 3 months ended | 3 months ended | 6 months ended | 6 months ended |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | June 30,2009 | June 30,2008 | June 30,2009 | June 30,2008 |
| Sales | \$ 8,644,615 | \$ 10,274,820 | \$ 17,060,251 | \$ 19,340,881 |
| Cost of goods sold | 5,789,024 | 7,514,865 | 12,202,378 | 14,136,336 |
| Gross profit | 2,855,591 | 2,759,955 | 4,857,873 | 5,204,545 |
| Expenses: | | | | |
| General and administrative | 1,751,654 | 1,560,376 | 3,054,953 | 2,836,217 |
| Loss on disposal of property,plant and equipment | 51,270 | 1,281 | 109,060 | 8,584 |
| Amortisation on intangible assets | 77,827 | 56,440 | 155,655 | 112,880 |
| Loss on foreign exchange | 67,699 | 23,824 | 62,698 | 91,325 |
| Total operating expenses | 1,948,450 | 1,641,921 | 3,382,366 | 3,049,006 |
| Operating income | 907,141 | 1,118,034 | 1,475,507 | 2,155,539 |
| Other income | 18,799 | 439 | 55,231 | 28,265 |
| Investment income (loss) | 96,317 | (54,506) | 117,483 | (115,862) |
| Gain on disposal of equity investment (note 7) | 254,190 | - | 254,190 | - |
| Interest expense | (14,005) | (36,613) | (1,300) | (56,217) |
| Income before income taxes and Non-controlling interest | 1,262,442 | 1,027,354 | 1,901,111 | 2,011,725 |
| Income taxes-current | 203,448 | 178,532 | 263,541 | 241,287 |
| Income taxes-future | (26,072) | (28,928) | (16,643) | (42,456) |
| Total income taxes | 177,376 | 149,604 | 246,898 | 198,831 |
| Non-controlling interest | 125,972 | 565,021 | 308,663 | 1,172,390 |
| Net earnings for period | \$ 959,094 | \$ 312,729 | \$ 1,345,550 | \$ 640,504 |
| Retained earnings (deficit), beginning of period | \$ (1,885,376) | \$ 1,112,581 | \$ (2,271,832) | \$ 784,806 |
| Retained earnings(deficit), end of period | \$ (926,282) | \$ 1,425,310 | \$ (926,282) | \$ 1,425,310 |
| Earnings per share: | | | | |
| Basic | \$ 0.03 | \$ 0.01 | \$ 0.04 | \$ 0.02 |
| Diluted | \$ 0.03 | \$ 0.01 | \$ 0.04 | \$ 0.02 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 34,427,320 | 27,661,768 | 34,427,320 | 27,269,793 |
| Diluted | 34,427,320 | 27,924,486 | 34,427,320 | 27,737,851 |

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

McVICAR INDUSTRIES INC.**Interim Consolidated Statements of Cash Flows**

(Expressed in Canadian dollars)

For three and six months ended June 30,2009 and 2008

(Unaudited)

| | 3 months ended June 30,2009 | 3 months ended June 30,2008 | 6 months ended June 30,2009 | 6 months ended June 30,2008 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net income for period | \$ 959,094 | \$ 312,729 | \$ 1,345,550 | \$ 640,504 |
| Add: Items not affecting cash: | | | | |
| Amortisation | 442,369 | 341,148 | 896,719 | 654,297 |
| Loss on disposal of property,plant and equipment | 51,270 | 26,227 | 109,060 | 33,530 |
| Future income taxes | (26,072) | (28,928) | (16,643) | (42,456) |
| Non-controlling interest | 125,972 | 565,021 | 308,663 | 1,172,390 |
| Stock-based compensation | 36,517 | 104,216 | 94,473 | 254,654 |
| Gain on disposal of equity investment (note 7) | (254,190) | - | (254,190) | - |
| Investment (income) loss | (96,317) | 54,709 | (117,483) | 116,065 |
| Change in non-cash items from operations (note 10) | 521,149 | (1,686,587) | 2,058,396 | (4,131,069) |
| Net cash provided by (used in) operating activities | 1,759,792 | (311,465) | 4,424,545 | (1,302,085) |
| Financing activities: | | | | |
| Proceeds (repayment) of notes payable | (786,123) | 229,068.00 | (1,860,863) | 873,868 |
| Proceeds (repayment) from loans | (18,133) | (46,853) | (339,723) | 748,023 |
| Issuance of capital stock for cash | - | 2,934,789 | - | 3,888,539 |
| Proceeds from government compensation on moving(note 13) | 1,235,977 | - | 1,235,977 | - |
| Net cash provided by (used in) financing activities | 431,721 | 3,117,004 | (964,609) | 5,510,430 |
| Investing activities: | | | | |
| Business acquisitions (net of cash and cash equivalents acquired) (note 7) | - | 73,300 | (40,000) | (487,395) |
| Short term investment | 438,557 | (3,232,124) | 438,557 | (4,280,859) |
| Loans receivable from related parties | - | - | 91,080 | - |
| Purchase of property, plant and equipment | (130,124) | (391,379) | (256,941) | (908,761) |
| Net cash provided by (used in) investing activities | 308,433 | (3,550,203) | 232,696 | (5,677,015) |
| Effect of exchange rate changes on cash and cash equivalents: | (607,933) | 10,778 | (389,089) | 424,699 |
| Net change in cash and cash equivalents | 1,892,013 | (733,886) | 3,303,543 | (1,043,971) |
| Cash and cash equivalents, beginning of period | 8,175,600 | 4,582,096 | 6,764,070 | 4,892,181 |
| Cash and cash equivalents, end of period | \$ 10,067,613 | \$ 3,848,211 | \$ 10,067,613 | \$ 3,848,211 |

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

McVICAR INDUSTRIES INC.**Interim Consolidated Statements of Other Comprehensive Income**

(Expressed in Canadian dollars)

For three and six months ended June 30, 2009 and 2008

(Unaudited)

| | 3 months ended | 3 months ended | 6 months ended | 6 months ended |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | June 30,2009 | June 30,2008 | June 30,2009 | June 30,2008 |
| Net income | \$ 959,094 | \$ 312,729 | \$ 1,345,550 | \$ 640,504 |
| Other Comprehensive Income | | | | |
| unrealized income (loss) on translating financial statements of self-sustaining subsidiaries | (1,244,616) | 71,936 | (656,333) | 824,676 |
| Total Comprehensive Income | \$ (285,522) | \$ 384,665 | \$ 689,217 | \$ 1,465,180 |

McVICAR INDUSTRIES INC.

Notes to the Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

Three and six months ended June 30, 2009 and 2008

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 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.

1. Basis of presentation

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and follow the same accounting policies as set out in Note 2 to the financial statements for the year ended December 31, 2008 except as noted below. These financial statements do not contain all disclosures required by Canadian GAAP and should be read in conjunction with the most recently audited annual financial statements for the year ended December 31, 2008. All amounts in these financial statements are in Canadian dollars unless indicated with a "RMB" to represent the Chinese Renminbi. Interim results are not necessarily indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period's presentation.

2. Change in accounting policies

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 financial statements

3. Future accounting changes

International Financial Reporting Standards ("IFRS")

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

4. Short-term investments:

The Company has a total of \$2,260,435 (December 31, 2008-\$2,638,189) short-term investments, of which \$1,443,475 was invested in Guaranteed Investment Certificate funds with variable interest rates ranging from prime rate minus 2.25% to 1.9% and maturing within one year from acquisition, and \$816,960 was invested in China stock market held by Jite Shenzhen.

| | June 30, 2009 | December 31, 2008 |
|-----------------------------------|---------------|-------------------|
| GIC | \$ 1,443,475 | \$ 1,776,589 |
| Stock market investments in China | 816,960 | 861,600 |
| | \$ 2,260,435 | \$ 2,638,189 |

McVICAR INDUSTRIES INC.

Notes to the Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

Three and six months ended June 30, 2009 and 2008

4. Short-term investments (continued):

In connection with Jite Shenzhen's short-term investments, Jite Shenzhen engaged a consulting company that is controlled by a director of JITE to manage its short-term investments. Pursuant to the terms of agreement, the consulting company will guarantee the principal amount of the investment and will be compensated 20% of any net gains in the portfolio when realized. The agreement can be cancelled by either party with three months notice. As at June 30, 2008, the principal amount of the investment was \$816,960 (4,800,000 RMB) (December 31, 2008 – \$861,600 (4,800,000 RMB)), and its market value based on quoted prices as at June 30, 2009 was \$777,813 (4,569,994 RMB) (June 30, 2008 – \$567,196 (3,793,911 RMB)). The unrealized investment loss was \$39,147. (230,006 RMB) (June 30, 2008 – \$146,084 (1,006,089 RMB)).

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.

5. Notes payable

During the quarter, Hongbo, a subsidiary of the Company, renewed its credit facility with China local bank for a total amount of 20 million RMB, in replacement of an existing total amount of 20.9 million RMB credit facilities due to part of that facility or 14 million RMB expired on April 11, 2009. A portion of the renewed credit facilities, representing 11.5 million RMB, will be secured by its real estate, and the remaining amount of 8.5 million RMB will be guaranteed by an independent company, for which Hongbo provided mutual guarantee for the same amount.

The renewed credit facility was still limited only to issue notes payable up to the maximum book value of 40 million RMB, of which 20 million RMB or half of notes payable issued must be held in the bank as deposit. As at June 30, 2009, Hongbo had utilized \$1.1 million (6.7 million RMB) of the facilities and had issued \$2.2 million (13.4 million RMB) in the form of notes payable, accordingly, \$1.1 million (6.7 million RMB) or half amount of notes payable issued has been reflected as restricted cash in the consolidated balance sheets.

6. Loans payable

The loans payable of \$56,893 (334,272 RMB) is owed by JITE for its equipment financing. The loan bears an effective interest rate of 10.7% per annum with blended monthly principal and interest payments of \$942 (5,510 RMB), and was secured by equipments with a net book value of \$381,344 (2,068,030 RMB).

Total interest payable for the period ended June 30, 2009 was \$942 (June 30, 2008 – \$9,634).

7. Acquisitions and divestiture

Acquisitions

(a) January 7, 2009, the Company announced that MAM, 90.5%-owned subsidiary, reached an agreement with Sanlong Holdings Co. Ltd. ("Sanlong") to exchange Sanlong's 9.5% equity interest in MAM for a 38% equity interest in Changlong, MAM's subsidiary. Upon closing of the transaction, McVicar's interest in MAM will increase from the existing 90.5% to 100% while MAM's interest in Changlong will decrease from the existing 100% to 62%. Subject to regulatory approval, the transaction is expected to close in 2009.

(b) In the first quarter of 2009, the Company accumulatively purchased 237,500 of JITE's shares for cash consideration of \$40,000, representing 1.1 % of its public listed shares, through the open market, as a result, the Company's interest in JITE was increased to 48.6% from 47.5%, and the minority interest was reduced by \$40,000.

McVICAR INDUSTRIES INC.

Notes to the Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

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7. Acquisitions and divestiture (continued):

Divestiture

During the quarter, the Company announced the divestiture of the 27% equity interest in Sino Lion Nanjing Ltd., ("Sino Lion") in Jiangsu province, China with the Chinese government approval on the withdrawal agreement. 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. \$254,190 gain on divestiture was recognized in the consolidated statements of earnings.

This investment was initially made in 2006 for a total consideration of USD 1,000,000 in cash. 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 loss since its inception of operation, as a result of its potential major customer delaying its major orders indefinitely. This disposal has no material impact on the other chemical businesses McVicar currently owns or controls.

For the six months periods ended June 30, 2009, the Company did not recognize its share of its operating income (June 30, 2008 — loss of \$116,065),

8. Share capital

(a) Authorized

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 | 2,314,057 | 3,239,680 |
| Valuation of warrants | - | (525,049) |
| Less: Share issue costs | | (380,595) |
| Private placement | 5,239,800 | 5,501,790 |
| Options exercised | 260,000 | 195,000 |
| Allocation from options | - | 43,763 |
| Warrants exercised | 607,000 | 758,750 |
| Allocation from warrants | - | 40,084 |
| Balance, December 31, 2008 | 34,427,320 | \$ 26,052,375 |
| Balance, June 30, 2009 | 34,427,320 | \$ 26,052,375 |

McVICAR INDUSTRIES INC.

Notes to the Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

Three and six months ended June 30, 2009 and 2008

8. Share capital (continued)

The Company has issued warrants as follows:

| | Number of warrants | Amount |
|----------------------------|--------------------|--------------|
| Balance, December 31, 2007 | 2,322,000 | 140,905 |
| Private placement | 1,288,014 | 600,753 |
| Private placement | 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, June 30, 2009 | 3,907,914 | \$ 1,483,048 |

(b) Contributed surplus

| | |
|--|--------------|
| Balance, December 31, 2007 | \$ 512,294 |
| Stock based compensation | 318,517 |
| Stock options exercised | (43,763) |
| Warrants expired | 100,821 |
| Share of stock-based compensation expense in subsidiary | 179,412 |
| Balance, December 31, 2008 | \$ 1,067,281 |
| Share of stock-based compensation expense in subsidiary | 45,912 |
| Balance, June 30, 2009 | \$ 1,113,193 |

(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.

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

| | Options Outstanding | Weighted average exercise price |
|--|------------------------|------------------------------------|
| Options outstanding, December 31, 2006 | 1,095,000 | \$ 0.75 |
| Granted | 210,000 | 0.75 |
| Granted | 190,000 | 1.10 |
| Exercised | (410,000) | 0.75 |
| Options outstanding, December 31, 2007 | 1,085,000 | 0.81 |
| Exercised | (260,000) | \$ 0.75 |
| Expired | (150,000) | 0.75 |
| Granted | 1,175,000 | 1.10 |
| Options outstanding, December 31, 2008 | 1,495,000 | \$ 1.10 |
| Expired | (130,000) | \$ 0.75 |
| Options outstanding, June 30, 2009 | 1,365,000 | \$ 1.10 |

McVICAR INDUSTRIES INC.

Notes to the Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

Three and six months ended June 30, 2009 and 2008

8. Share capital (continued)

(c) Stock-based compensation plan

The following table summarizes information about the options outstanding and exercisable at June 30, 2009:

| | Options outstanding | | | Options exercisable | | |
|---------|---------------------|--------------------|---|---------------------------------|--------------------|----------------------------|
| | Exercise Prices | Outstanding number | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable | Remaining contractual life |
| \$ 1.10 | 190,000 | 0.15 | \$ 1.10 | 190,000 | 0.15 years | |
| \$ 1.10 | 1,175,000 | 4.25 | \$ 1.10 | 1,175,000 | 4.25 years | |
| \$ 1.10 | 1,365,000 | 3.35 | \$ 1.10 | 1,365,000 | 3.35 years | |

(d) Warrants

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

| | Warrants Outstanding and exercisable | Weighted-Average Exercise price |
|---|--------------------------------------|---------------------------------|
| Warrants outstanding, December 31, 2006 | 2,340,000 | \$ 1.40 |
| Exercised | (18,000) | 1.25 |
| Warrants outstanding, December 31, 2007 | 2,322,000 | \$ 1.40 |
| Exercised | (607,000) | 1.25 |
| Expired | (1,175,000) | 1.38 |
| Issued | 3,907,914 | 1.83 |
| Warrants outstanding, December 31, 2008 | 3,907,914 | \$ 1.83 |
| Warrants outstanding, June 30, 2009 | 3,907,914 | \$ 1.83 |

The following table summarizes information about the warrants outstanding at June 30, 2009:

| | Warrants Outstanding and exercisable | Remaining contractual life |
|-------------------------------------|--------------------------------------|----------------------------|
| \$ 1.85 | 2,619,900 | 1.08 years |
| \$ 1.85 | 1,157,030 | 0.91 years |
| \$ 1.40 | 130,984 | 0.91 years |
| Warrants outstanding, June 30, 2009 | 3,907,914 | 1.02 years |

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9. Related parties transactions:

Included in accrued liabilities is \$50,000 (December 31, 2008- \$50,000) payable to GC Consulting & Investment Corp., a company controlled by a director of company for consulting fees charged in 2008. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

As at June 30, 2009, there were employee loans outstanding in the amount of \$127,698 (December 31, 2008 – 91,089). These loans were advanced to officers of the Company and was non-interest bearing. The repayment period is one year and repayment is being satisfied by monthly deduction in their regular salary.

Due to related parties of \$742,077 (4 million RMB) (December 31, 2008 – \$ 761,084 (4 million RMB)), was advanced by individuals related to a key management official and director of the Company. The loan bears interest at 6% per annum and is unsecured, repayable on demand, and has no fixed terms of repayment. Total interest paid and payable for the six months periods ended June 30, 2009 was \$ 21,183 (June 30, 2008 – \$17,420)

Loan receivable from related parties of \$265,797 (1.5 million RMB) (December 31, 2008 – \$ 361,040(2 million RMB)) was initially advanced to an officer of a Company's subsidiary on October 31, 2007 with a fixed interest rate of 5% per annum and being mature within six months. On maturity, the loan was extended by another six months with the term unchanged, and then got another one-year extension with the maturity being on October 31, 2009. Pursuant to the extended agreement, the annual interest rate was raised to 6% from 5%, and 500,000 RMB (\$91,080) of the principal of the loan was paid in the first quarter of 2009. Total interest received and receivable for the six months period ended June 30, 2009 was \$7,978 (June 30, 2008 – \$11,785).

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Supplementary cash flow information:

Change in non-cash items from operations

| | Three months ended June 30, | |
|---|-----------------------------|-----------------------|
| | 2009 | 2008 |
| Increase (decrease) in restricted cash | \$ 519,250 | \$ 201,333 |
| (Increase) decrease in accounts receivable | (385,708) | (754,269) |
| (Increase) decrease in prepaid expenses, deposits and other receivables | 176,135 | (39,695) |
| (Increase) decrease in inventories | 313,799 | 123,001 |
| Decrease in accounts payable and accrued liabilities | (102,327) | (1,216,956) |
| | \$ 521,149 | \$ (1,686,587) |

McVICAR INDUSTRIES INC.

Notes to the Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

Three and six months ended June 30, 2009 and 2008

10. Supplementary cash flow information (continued):

Change in non-cash items from operations

| | Six months ended June 30, | |
|---|---------------------------|-----------------------|
| | 2009 | 2008 |
| Increase (decrease) in restricted cash | \$ 1,004,689 | \$ (288,396) |
| (Increase) decrease in accounts receivable | 750,585 | (1,753,637) |
| (Increase) decrease in prepaid expenses, deposits and other receivables | 19,990 | (229,831) |
| (Increase) decrease in inventories | 506,740 | 167,679 |
| Decrease in accounts payable and accrued liabilities | (223,608) | (2,026,884) |
| | \$ 2,058,396 | \$ (4,131,069) |

11. Commitment and contingencies

(a) Leases commitments:

The Company and its subsidiaries lease offices used in the normal course of operations. These are operating leases with rents charged to operations in the year to which they relate. Total future rental payments for the remainder of these leases total \$5.4 million. The future rental payments by year of payment are as follows:

| | McVicar | JITE | Total |
|----------------|-------------------|---------------------|---------------------|
| 2009 | \$ 42,711 | \$ 382,696 | \$ 425,407 |
| 2010 | 64,067 | 738,092 | 802,159 |
| 2011 | - | 741,262 | 741,262 |
| 2012 | - | 744,685 | 744,685 |
| 2013 and after | - | 2,707,221 | 2,707,221 |
| | \$ 106,778 | \$ 5,313,956 | \$ 5,420,734 |

(b) Legal proceedings

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

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

The Company's subsidiary, Luyuan Chemical Co., Ltd., was a defendant in collective lawsuits, filed by external parties over the past few quarters, which requested to return loans that were allegedly borrowed by Luyuan prior to the periods of it being acquired by Hongbo. As of June 30, 2009, the total amounts related to these matters was approximately 4,000,000 RMB (approximately \$680,000), including principal and unpaid accrued interest. There remains the possibility that other or additional claims related to Luyuan's contingent liabilities incurred prior to the period of acquisition could come up.

In response to these lawsuits, Luyuan had filed appeals, and it has a strong defence to all these claims based on the purchase agreement signed by Hongbo and the previous shareholder, who, as an existing minority shareholder and current co-defendant in these lawsuits, guaranteed all the existing and any contingent liabilities incurred prior to acquisition, and contingent obligations arising, if any, exceed certain amounts upon which both parties agreed, Luyuan has the right to recourse these liabilities to this shareholder.

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11. Commitment and contingencies(continued):

The proceedings of these lawsuits are in their early stages and it is difficult to predict the outcome with certainty. Based on information presently known, the Company has established a provision of 600,000 RMB (approximately \$100,000), related to these legal proceedings in 2008, and in the second quarter of 2009, additional provision of 2,400,000 RMB (approximately \$400,000) was provided, giving a total amount of provision of 3,000,000 RMB (approximately \$500,000). Actual results could differ from these estimates. (See Note 14 subsequent events)

(c) Guarantee

The Company's subsidiary Hongbo has made a guarantee to a bank of 5,000,000 RMB (\$897,500) for a local business in the progress to obtain a mutual guarantee the local business will make for the Company. The guarantee is valid until January 31, 2010.

12. Segmented information

The Company currently operates in two segments: technical products and chemical products segments in Canada, China and Hong Kong. The technical products segment principally involves research, development and production of electronic connection devices for use in elevators, railways, security, and automation systems. The chemical products segment principally involves research, development and production of specialized fine chemical products used in the pharmaceutical and cosmetic industries.

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 three months ended June 30, 2009 (in thousand of dollars):

| | Chemical products | Technical products | Corporate | Total |
|---------------------------------------|----------------------|-----------------------|-----------------|------------------|
| Revenue | \$ 5,141 | \$ 3,504 | \$ - | \$ 8,645 |
| Gross profit: | 1,723 | 1,133 | | 2,856 |
| Operating expenses | (905) | (884) | (159) | (1,948) |
| Operating income (loss) | 817 | 249 | (159) | 907 |
| Other income | - | - | - | 19 |
| Investment income | - | - | - | 96 |
| Gain on disposal of equity investment | - | - | - | 254 |
| Interest expenses | - | - | - | (14) |
| Income tax expenses | - | - | - | (177) |
| Non-controlling interest | - | - | - | (126) |
| Net income: | - | - | - | 959 |
| Tangible assets | 18,644 | 18,547 | 2,297 | 39,488 |
| Intangible assets | 587 | 239 | - | 826 |
| Goodwill | 4,442 | 4,779 | - | 9,221 |
| Total assets: | \$ 23,674 | \$ 23,564 | \$ 2,297 | \$ 49,535 |

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Three and six months ended June 30, 2009 and 2008

12. Segmented information (continued)

For the three months ended June 30, 2008 (in thousand of dollars):

| | Chemical products | Technical products | Corporate | Total |
|---|----------------------|-----------------------|-----------------|------------------|
| Revenue | \$ 5,629 | \$ 4,646 | \$ - | \$ 10,275 |
| Gross profit: | 1,789 | 971 | - | 2,760 |
| Operating expenses | (539) | (949) | (154) | (1,642) |
| Operating income (loss) | 1,250 | 22 | (154) | 1,118 |
| Other income | - | - | - | - |
| Share of income (loss) of equity investment | - | - | - | (54) |
| Interest expense | - | - | - | (37) |
| Income tax expenses | - | - | - | (150) |
| Non-controlling interest | - | - | - | (565) |
| Net income: | - | - | - | 313 |
| Tangible assets | 17,605 | 16,076 | 4,473 | 38,154 |
| Intangible assets | 440 | 354 | - | 794 |
| Goodwill | 4,692 | 4,778 | - | 9,470 |
| Total assets: | \$ 22,737 | \$ 21,208 | \$ 4,473 | \$ 48,418 |

For the six months ended June 30, 2009 (in thousand of dollars):

| | Chemical products | Technical products | Corporate | Total |
|---------------------------------------|----------------------|-----------------------|-----------------|------------------|
| Revenue | \$ 9,526 | \$ 7,534 | \$ - | \$ 17,060 |
| Gross profit: | 2,649 | 2,209 | - | 4,858 |
| Operating expenses | (1,451) | (1,652) | (279) | (3,382) |
| Operating income (loss) | 1,198 | 557 | (279) | 1,476 |
| Other income | - | - | - | 55 |
| Investment income | - | - | - | 117 |
| Gain on disposal of equity investment | - | - | - | 254 |
| Interest expense | - | - | - | (1) |
| Income tax expenses | - | - | - | (247) |
| Non-controlling interest | - | - | - | (309) |
| Net income: | - | - | - | 1,346 |
| Total assets: | \$ 23,674 | \$ 23,564 | \$ 2,297 | \$ 49,535 |

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(Expressed in Canadian dollars, unless otherwise indicated)

Three and six months ended June 30, 2009 and 2008

12. Segmented information (continued)

For the six months ended June 30, 2008 (in thousand of dollars):

| | Chemical products | Technical products | Corporate | Total |
|---|-------------------|--------------------|-----------------|------------------|
| Revenue | \$ 10,458 | \$ 8,883 | \$ - | \$ 19,341 |
| Gross profit: | 3,347 | 1,857 | | 5,204 |
| Operating expenses | (843) | (1,872) | (334) | (3,049) |
| Operating income (loss) | 2,504 | (15) | (334) | 2,155 |
| Other income | - | - | - | 28 |
| Share of income (loss) of equity investment | - | - | - | (116) |
| Interest expenses | - | - | - | (56) |
| Income tax expenses | - | - | - | (199) |
| Non-controlling interest | - | - | - | (1,172) |
| Net income: | - | - | - | 640 |
| Total assets: | \$ 22,737 | \$ 21,208 | \$ 4,473 | \$ 48,418 |

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

For the three months ended June 30, 2009 (in thousand of dollars):

| | Canada | U.S. | China & Hong Kong | Other | Total |
|--------------------------------|----------|--------|-------------------|--------|-----------|
| Revenues: | \$ 736 | \$ 569 | \$ 7,197 | \$ 143 | \$ 8,645 |
| Total assets: | \$ 7,509 | - | \$ 42,026 | - | \$ 49,535 |
| Property, plant and equipment: | \$ 29 | - | \$ 8,787 | \$ - | \$ 8,816 |

For the three months ended June 30, 2008 (in thousand of dollars):

| | Canada | U.S. | China & Hong Kong | Other | Total |
|--------------------------------|-----------|--------|-------------------|--------|-----------|
| Revenues: | \$ 606 | \$ 638 | \$ 8,918 | \$ 113 | \$ 10,275 |
| Total assets: | \$ 10,390 | \$ - | \$ 38,028 | \$ - | \$ 48,418 |
| Property, plant and equipment: | \$ 36 | \$ - | \$ 8,087 | \$ - | \$ 8,123 |

For the six months ended June 30, 2009 (in thousand of dollars):

| | Canada | U.S. | China & Hong Kong | Other | Total |
|--------------------------------|----------|----------|-------------------|--------|-----------|
| Revenues: | \$ 1,519 | \$ 1,398 | \$ 13,854 | \$ 289 | \$ 17,060 |
| Total assets: | \$ 7,509 | - | \$ 42,026 | - | \$ 49,535 |
| Property, plant and equipment: | \$ 29 | - | \$ 8,787 | \$ - | \$ 8,816 |

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Notes to the Interim Consolidated Financial Statements (Expressed in Canadian dollars, unless otherwise indicated) Three and six months ended June 30, 2009 and 2008

12. Segmented information (continued)

For the six months ended June 30, 2008 (in thousand of dollars):

| | Canada | U.S. | China & Hong Kong | Other | Total |
|--------------------------------|-----------|----------|----------------------|--------|-----------|
| Revenues: | \$ 1,235 | \$ 1,420 | \$ 16,291 | \$ 395 | \$ 19,341 |
| Total assets: | \$ 10,390 | \$ - | \$ 38,028 | \$ - | \$ 48,418 |
| Property, plant and equipment: | \$ 36 | \$ - | \$ 8,087 | \$ - | \$ 8,123 |

13. Relocation of Chanlong plant

During this quarter, Changlong, a subsidiary of the Company, finally reached an agreement in principal with Longshan Chemical Co., Ltd. ("Longshan"), on its factory relocation plan. Due to local government municipal development requirements, Changlong's current location of business will be expropriated by the local government. Changlong, along with Longshan who currently owns the land 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 disposal of existing buildings and equipments.

Longshan, as a 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 on moving, the amount of government compensation fund attributed to Changlong and future leasing relationship on the new location, etc.. Pursuant to the agreement, the total amount of government compensation fund attributed to Changlong was 8,508,614 RMB (approximately \$ 1.45 million CDN), 49% higher than its net book value of 5.7million RMB (approximately \$ 1 million CDN) of fixed assets as at June 30,2009, and 85% or 7,232,322 RMB (approximately \$ 1.23million CDN) was paid upon the signing the agreement as presented in government compensation reserve in the consolidated balance sheets, and the remaining 15% or 1,276,292 RMB (approximately \$ 0.21 million CDN) will be paid after the completion of moving. Changlong' share of government compensation fund was mainly calculated based on an official valuation report on the assets of Changlong, and no provision or impairments on its long-lived assets were recognized.

The preparations and constructing work at the new location are proceeding on schedule, and the relocation would be expected to be completed in late 2009 or early 2010, depending on the infrastructure development work of the Park.

14. Subsequent events

(a) Subsequent to the quarter end, Jite, signed a purchase agreement to acquire 56 acres of land with 17,642 square meters of existing buildings in Kunshan Economic and Technological Development Zone, Jiangsu Province, China. The new plant will be purchased for a total consideration of RMB 28 million (approximately \$ 4.7 million CDN) in cash from Kunshan Jicheng Precision Components Co., Ltd. Jite intends to use the purchased land to relocate its existing manufacturing plant in Shenzhen. The present Jite Shenzhen plant was rented in 2006.

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. It is one of the largest electronic manufacturing bases in China.

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14. Subsequent events (continued):

There were several considerations for Jite's intention to move its present Shenzhen plant to Kunshan, which include, but are not limited to, Kunshan is close to most of its suppliers in the Yangtze Delta area and it is also close to the representative offices of a large number of its existing and future international customers. The new plant can accommodate all the operations of the old plant with additional room for expansion.

The Company current cash in hand would be adequate enough to be used to acquire the new plant and subsequent renovations. It is expected that the new plant would be put into operation in 2010.

(b) Subsequent to the quarter end, the Company has temporarily suspended the operations of Luyuan Chemical Co. Ltd. ("Luyuan"), an 80% owned subsidiary of Zhejiang Hongbo Chemical Co. Ltd. ("Hongbo"). This measure was a combined result of market conditions due to the order delay of a major US customer for the first half of 2009 and recently a number of lawsuits against Luyuan as disclosed in Note 11(b).

Luyuan's 80% equity interest was initially acquired by Hongbo in early 2008 for a total cash consideration of approximately \$750,000, with the aim to secure the raw material for Hongbo's electronic chemicals for its major US customer. The suspension of Luyuan's operation will not present a significant impact on Hongbo's production as the current level of inventory supplied from Luyuan will be adequate for Hongbo over the next six months. Resumption of Luyuan's operations will depend in part on how well and when the lawsuits will be settled.

(c) Subsequent to the quarter end, the Company has received 4,100,000 RMB (approximately \$ 0.7 million CDN) on the divestiture of 27% equity interest investment in Sino Lion as disclosed in Note 7.

15. 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.