
MCVICAR INDUSTRIES INC.

Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the three months ended March 31, 2010 and 2009

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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED 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 McVicar Industries Inc. ("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.

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Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at,

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current assets:		
Cash and cash equivalents (note 4)	\$ 9,072,591	\$ 6,864,021
Short-term investments (note 5)	1,862,442	2,826,566
Restricted cash (note 7)	1,190,400	1,447,143
Accounts receivable	7,466,937	8,020,285
Inventories (note 6)	7,682,391	7,056,056
Loans receivable from related parties (notes 16(c) and (d))	77,720	844,215
Prepaid expenses, advances and deposits (note 16(b))	899,355	838,361
	28,251,836	27,896,642
Rental deposit (note 18(a))	98,615	101,598
Construction in progress (notes 9 and 10(b))	4,869,995	4,131,106
Property, plant and equipment (note 9)	6,122,883	7,291,176
Intangible assets (note 11(b))	562,051	670,580
Future income tax asset	290,500	290,500
Goodwill (note 11(a))	7,143,728	7,143,728
	\$ 47,339,608	\$ 47,525,330
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long term loans payable (note 8)	\$ -	\$ 17,489
Notes payable (note 7)	2,380,800	2,759,382
Accounts payable and accrued liabilities (note 16(a))	6,721,713	6,013,615
Government compensation fund (note 12)	307,999	1,053,107
Income tax payable	365,288	311,285
	\$ 9,775,800	\$ 10,154,878
Future income taxes	575,444	569,439
	\$ 10,351,244	\$ 10,724,317
Non-controlling interests (note 19)	10,249,961	9,882,647
Shareholders' equity:		
Capital stock (note 13(a))	26,052,375	26,052,375
Warrants (note 13(d))	1,483,048	1,483,048
Contributed surplus (note 13(b))	1,147,485	1,130,284
	28,682,908	28,665,707
(Deficit) (note 14)	(1,082,101)	(1,783,849)
Accumulated other comprehensive income (note 23)	(862,404)	36,508
	(1,944,505)	(1,747,341)
	26,738,403	26,918,366
	\$ 47,339,608	\$ 47,525,330

Commitments and contingencies (notes 10(b), 12, and 18)

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.

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Unaudited Interim Consolidated Statements of Operations and (Deficit)

(Expressed in Canadian dollars)

For the periods

	Three months ended March 31, 2010	Three months ended March 31, 2009
Sales	\$ 8,724,050	\$ 8,415,636
Cost of goods sold	6,031,076	6,413,354
Gross profit	2,692,974	2,002,282
Expenses:		
General and administrative (note 16(a))	1,253,206	1,192,727
Amortization of plant and equipment	139,811	162,700
Amortization of intangible assets	77,828	77,828
Interest on long term loans	281	2,522
Loss on disposal of property, plant and equipment	-	3,140
Loss (gain) on foreign exchange	1,190	(5,001)
Total operating expenses	1,472,316	1,433,916
Operating income	1,220,658	568,366
Other income	15,245	36,432
Investment (loss) gain on held-for-trading investments	(27,223)	12,705
Income on held for sale assets	-	21,166
Income before income taxes and non-controlling interest	1,208,680	638,669
Income taxes expenses-current	139,618	60,093
Income taxes expense-future	-	9,429
	1,069,062	569,147
Non-controlling interest after tax (note 19)	367,314	182,691
Net income for the period	\$ 701,748	\$ 386,456
(Deficit), beginning of period	(1,783,849)	(2,271,832)
(Deficit), end of period	\$ (1,082,101)	\$ (1,885,376)
Earnings per share:		
Basic	\$ 0.02	\$ 0.01
Diluted	\$ 0.02	\$ 0.01
Weighted average number of shares outstanding (note 13(e)):		
Basic	34,427,320	34,427,320
Diluted	34,427,320	34,427,320

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

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Unaudited Interim Consolidated Statements of Comprehensive (Loss) Income

(Expressed in Canadian Dollars)

For the periods

	Three months ended March 31, 2010		Three months ended March 31, 2009	
Net income for the period	\$	701,748	\$	386,456
Other comprehensive (loss) income				
Foreign exchange (loss) gain on translating financial statements of self-sustaining subsidiaries		(898,912)		588,283
Total Comprehensive (loss) Income	\$	(197,164)	\$	974,739

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

McVICAR INDUSTRIES INC.

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Unaudited Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the periods

	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash provided by (used in):		
Operating activities:		
Net income for the period	\$ 701,748	\$ 386,456
Add: Items not affecting cash:		
Amortization	365,778	454,350
Loss on disposal of property, plant and equipment	-	57,790
Income taxes	139,618	9,429
Non-controlling interest	367,314	182,691
Stock-based compensation	17,201	57,956
Investment loss (gain) on held for trading investments	27,223	(21,166)
Change in non-cash items from operations (note 17)	(131,456)	1,537,247
Net cash provided by operating activities	1,487,426	2,664,753
Financing activities:		
Repayment of notes payable (note 7)	(305,000)	(1,074,740)
Repayment of loans	(17,398)	(321,590)
Net cash provided by financing activities	(322,398)	(1,396,330)
Investing activities:		
Business acquisitions (net of cash and cash equivalents acquired) (note 10(b))	-	(40,000)
Payments for short-term investments	(475,360)	-
Proceeds from short-term investments	1,016,886	-
Loans from related parties	762,500	91,080
Purchase of property, plant and equipment	(187,717)	(126,817)
Net cash (used in) investing activities	1,116,309	(75,737)
Effect of exchange rate changes on cash and cash equivalents:	(72,767)	218,844
Net change in cash and cash equivalents	2,208,570	1,411,530
Cash and cash equivalents, beginning of the period	6,864,021	6,764,070
Cash and cash equivalents, end of the period (note 4)	\$ 9,072,591	\$ 8,175,600

See note 18 for supplementary cash flow information.

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

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

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% (December 31, 2009 - 48.6%) 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. Basis of presentation

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements. Accordingly they do not contain all of the disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's most recent audited annual consolidated financial statements for the year ended December 31, 2009, as they follow the same accounting policies and methods of their application as the annual consolidated financial statements for the year ended December 31, 2009. All amounts in these consolidated financial statements are in Canadian dollars unless indicated with a "RMB" to represent the Chinese Renminbi.

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% (December 31, 2009 -48.6%)), is a publicly listed company on the TSX-V (TSX-V: JTI). (McVicar has a voting agreement with another 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 10(b))

(ii) McVicar (Hong Kong) Advanced Materials Co. Ltd. ("MAM"), (interest of a 90.5% (2009 - 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.

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

3. 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.

4. Cash and cash equivalents

	March 31, 2010	December 31, 2009
Cash	\$ 8,055,705	\$ 6,664,021
Cash equivalents	1,016,886	200,000
	<u>\$ 9,072,591</u>	<u>\$ 6,864,021</u>

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

5. Short-term investments:

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

	March 31, 2010	December 31, 2009
GIC	\$ 276,673	\$ 1,293,559
Shares of publicly traded companies	1,585,769	1,533,007
	\$ 1,862,442	\$ 2,826,566

Interest rates on the Guaranteed Investment Certificates (GIC), held at a major Canadian chartered 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 \$743,177 (RMB4,994,472) (December 31, 2009 - \$797,134; RMB5,199,830) 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 \$714,240 (RMB4,800,000) (December 31, 2009 - \$735,840 (RMB4,800,000)), and the market value based on quoted prices as at March 31, 2010 was \$743,177 (RMB4,994,472) (December 31, 2009 - \$797,134; RMB5,199,830), and \$31,317 of unrealized loss in the period were recognized in the consolidated statements of operations.

Included in the shares are also \$128,965 (December 31, 2009 - \$149,965) invested in Canadian listed shares, and \$713,627 (RMB4,795,882) (December 31, 2009 - \$585,905; RMB3,821,995) invested in Chinese stock markets by the Company's subsidiary McVicar Hangzhou.

6. Inventories

	March 31, 2010	December 31, 2009
Raw materials	\$ 1,826,582	\$ 1,667,846
Parts and work in process	2,405,690	1,761,806
Finished goods	3,450,119	3,626,404
	\$ 7,682,391	\$ 7,056,056

The amount of inventories recognized as an expense during the period ended March 31, 2010 was \$6,031,076 (2009 - \$6,413,354). As at March 31, 2010, a total impairment provision of \$744,536 (December 31, 2009 - \$760,584) was made for the inventories. As at March 31, 2010 and December 31, 2009 all the inventories are stated at cost.

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

7. Notes payable

Hongbo, a subsidiary of the Company, had a line of credit with a bank in China for a total amount of \$2,976,000 (RMB20,000,000) (December 31, 2009 - \$3,066,000; RMB20,000,000), of which \$1,711,200 (RMB11,500,000), was secured by Hongbo's real estate with a net book value as at March 31, 2010 of \$1,550,032, and the remaining amount of \$1,264,800 (RMB8,500,000) was guaranteed by a related company, for which Hongbo provided a mutual guarantee for \$744,000 (RMB5,000,000). See note 18(c). The credit line bears an interest rate of 0.05% daily once withdrew.

The credit facility can be used for the issuance of notes payable up to a maximum book value of \$5,952,000 (RMB40,000,000), of which \$3,976,000 (RMB 20,000,000) or half of such notes issued must be deposited in the bank by Hongbo. As at March 31, 2010, Hongbo had utilized \$1,190,400 (RMB8,000,000) (December 31, 2009 - \$1,379,700; RMB9,000,000) of the facilities by issuing \$2,380,800 (RMB16,000,000) (December 31, 2009 - \$2,769,382; RMB18,000,000) in the form of notes payable. Notes payable are all due within 6 months from the issuance dates. Included in restricted cash as at March 31, 2010 was a deposit of \$1,190,400 (RMB8,000,000) (December 31, 2009 - \$1,379,700; RMB9,000,000) or half the amount of these notes payable, and \$nil (December 31, 2009 - \$67,443; RMB440,000) bank deposit required for the issue of other letters of credit.

8. Loans payable

As at March 31, 2010, the outstanding balance of bank loans owed by JITE was \$nil (December 31, 2009- \$17,489 (RMB114,086)). 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) as at December 31, 2009.

Total interest paid for the year ended December 31, 2009 was \$10,088.

The loans and interests were fully repaid by JITE in the first quarter of 2010.

9. Property, plant and equipment

March 31, 2010	Cost	Accumulated amortization	Net book value
Buildings	\$ 2,137,477	\$ 127,212	\$ 2,010,265
Leasehold improvements	693,069	460,081	232,988
Furniture and fixtures	774,550	498,261	276,289
Manufacturing equipment (ii)	3,521,405	982,471	2,538,934
Metal and plastic moulds	1,456,084	870,503	585,581
Other equipment (ii)	489,611	104,362	385,249
Transportation equipment	159,494	65,917	93,577
	\$ 9,231,690	\$ 3,108,807	\$ 6,122,883 (i)
Construction in progress – buildings (iii), (v)	\$ 4,667,911	\$ -	\$ 4,667,911
Construction in progress - equipment	202,084	-	202,084
	\$ 4,869,995	\$ -	\$ 4,869,995

The amortization expense for the three months ended March 31, 2010 was \$365,778 of which \$148,139 was included in costs of goods sold in the statement of operations.

(i) During the period, the Company wrote-off \$766,876 (RMB5,153,737) net book value of fixed assets relating to the chemical business. This is the result of the impairment review undertaken by the Company. The review indicated that the value of the assets has been adversely impacted by the suspension of production in Changlong after the period. See note 12. The write down was recorded against the government compensation fund liability and there was no impact on the statements of operations for the period.

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

9. Property, plant and equipment (continued)

December 31, 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 (ii)	4,285,257	1,148,724	3,136,532
Metal and plastic moulds	1,435,071	798,224	636,847
Other equipment (ii)	417,601	127,909	289,692
Transportation equipment	220,721	96,326	124,396
	\$ 10,485,552	\$ 3,194,376	\$ 7,291,176
Construction in progress – buildings (iii), (iv)	\$ 4,001,161	\$ -	\$ 4,001,161
Construction in progress - equipment	129,945	-	129,945
	\$ 4,131,106	\$ -	\$ 4,131,106

The amortization expense for the year ended December 31, 2009 was \$1,487,833 of which \$793,530 was included in costs of goods sold in the statement of operations.

(ii) During the year 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 18(b)).

(iii) During the year 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 \$4,166,400 (RMB28,000,000), of which \$2,232,200 (RMB15,000,000) was for buildings and the balance was for land use rights. As at March 31, 2010 \$3,392,640 (RMB22,800,000) (December 31, 2009 - \$3,495,240; RMB 22,800,000) was paid and \$773,760 (RMB5,200,000) (December 31, 2009 - \$nil) was included in accounts payable, and the ownership of the buildings and land use rights had been transferred to Jite Kunshan. Other costs associated with the acquisition of the buildings in the amount of \$29,282 (RMB196,792) (December 31, 2009 - \$29,686; RMB193, 641) were also included as construction in progress. The buildings and the land use rights were recorded as construction in progress and had not yet been amortized as the transaction was not yet completed and the assets were not ready for use in the period.

(iv) Also included in the construction in progress was \$472,229 (RMB3,173,579) (December 31, 2009 - \$476,235; RMB3,103,579) 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.

10. 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 (\$1,399,464). Upon closing the transaction, McVicar will have a 100% interest in MAM, and MAM will have a 100% interest in Changlong. A condition to complete the transaction is the smooth moving of Changlong (see Note 12). As the moving of Changlong is of uncertainty, management of the Company cannot reliably estimate whether the transaction will be completed and when.

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

10. Acquisitions and disposal (continued)

(b) JITE Technologies Inc. ("JITE")

In the first quarter of 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 another shareholder, and control of the Board of Directors, the Company, in substance, controlled 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. See note 9(iii) for more details.

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.

(c) 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 March 31, 2010), 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.

(d) 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.

Notes to the Unaudited Interim Consolidated Financial Statements

(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

11. 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.

The movement in the carrying amount of goodwill in the periods were as follows:

	Goodwill in Jite	Goodwill in MAM	Total Value
Balance, December 31, 2008	\$ 4,778,550	\$ 4,442,315	\$ 9,220,865
Impairment (Note 10(b))	(2,077,137)	-	(2,077,137)
	-	-	-
Balance, December 31, 2009 and March 31, 2010	\$ 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 and goodwill related to the chemical segment's operations was impaired by \$nil.

In relation to the uncertainty of the moving of Changlong, see note 12, the Company has completed an impairment analysis and determined that the goodwill for Changlong was probably impaired but the total goodwill of \$4,442,315 for the chemical segment was not impaired as at March 31, 2010.

(b) Intangible assets

Intangible assets arose as a result of the acquisitions of JITE and MAM. The balances were as follows:

March 31, 2010	Cost	Impairment	Accumulated amortization	Net book value
Non-contractual customer relationships	\$ 1,214,513	\$ 87,626	\$ 732,159	\$ 394,728
Below market lease agreement	205,909	89,924	97,462	18,523
Land use rights	148,800	-	-	148,800
	\$ 1,599,922	\$ -	\$ 829,621	\$ 562,051

December 31, 2009	Cost	Impairment	Accumulated amortization	Net book value
Non-contractual customer relationships	\$ 1,214,513	\$ 87,626	\$ 683,156	\$ 443,731
Below market lease agreement	205,909	89,924	68,636	47,349
Land use rights	179,500	-	-	179,500
	\$ 1,599,922	\$ -	\$ 751,792	\$ 670,580

As at March 31, 2010, the Company completed an impairment analysis and determined that intangible assets were not impaired.

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12. 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 (\$1,266,082), of which 85% or RMB7,232,322 (\$1,076,169) was received in the year 2009 after the signing of the agreement, and the remaining 15% or RMB1,276,292 (\$189,912) 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 in the year 2009.

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 (\$101,184) 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.

Starting from the second quarter of 2010, Changlong has been required by the government to stop production activities and start for the move. However, as of the date the Company has not received a specific notice from Longshan for the time and details of the moving arrangements and management of the Company currently cannot reliably estimate the timing and consequences of the moving. The Company has written off all the plant and equipment assets of Changlong with a net book value of \$766,876 (RMB5,153,737) as at March 31, 2010 against the government compensation fund liability (see note 9(i)). The Company also has reviewed the value of other assets including goodwill and concluded that no further write off is necessary. The uncertainty of the moving will significantly impact Changlong's operations in 2010 and 2011 as the sales will be affected and Changlong may not be able to meet some customer's orders.

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13. 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, 2008	34,427,320	\$ 26,052,375
Balance, December 31, 2009 and March 31, 2010	34,427,320	\$ 26,052,375

(b) Contributed surplus

Balance, December 31, 2008	\$ 1,067,281
Share of stock-based compensation expense of subsidiary	63,003
Balance, December 31, 2009	\$ 1,130,284
Share of stock-based compensation expense of subsidiary	17,201
Balance, March 31, 2010	\$ 1,147,485

(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%. In the period the Company recorded stock-based compensation expense related to its stock option program of \$17,201 (2009 – \$63,003), of which \$17,201 (2009–\$63,003) was from JITE. Of the stock-based compensation expense, \$7,105 (2009 -\$25,920) 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, 2008	1,495,000	\$ 1.10
Exercised	(130,000)	1.10
Expired	(405,000)	1.10
Options outstanding, December 31, 2009 and March 31, 2010	960,000	\$ 1.10

The following table summarizes information about the options outstanding and exercisable at March 31, 2010:

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	3.50	\$1.10	960,000	3.50 years

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13. Share capital (continued)**(d) Warrants**

The Company has issued warrants as follows:

	Number of warrants		Amount
Balance, December 31, 2008	3,907,914	\$	1,483,048
Balance, December 31, 2009 and March 31, 2010	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, 2008	3,907,914	\$1.83
Warrants outstanding, December 31, 2009 and March 31, 2010	3,907,914	\$1.83

The following table summarizes information about the warrants outstanding at March 31, 2010:

	Warrants Outstanding and exercisable	Remaining contractual life
\$1.85	2,619,900	0.33 years
\$1.85	1,157,030	0.16 years
\$1.40	130,984	0.16 years
Warrants outstanding, March 31, 2010	3,907,914	0.27 years

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March 31, 2010

13. Share capital (continued)**(e) Earnings per share**

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

	Three months ended March 31 2010	Three months ended March 31 2009
Numerator:		
Net income for the year	\$ 701,748	\$ 386,456
Denominator:		
Weighted average number of common shares outstanding (note 13(a)):	34,427,320	34,427,320
Basic	\$ 0.02	\$ 0.01
Effect of stock warrants/options	-	-
Diluted	\$ 0.02	\$ 0.01

14. 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 March 31, 2010 were \$1,023,319 (RMB6,877,146) (December 31, 2009 - \$1,042,306; RMB6,799,126) and are included as part of deficit.

15. 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 31.0% (2009 – 33.0%). Pursuant to the relevant laws and regulations in the PRC, Jite Shenzhen was subject to income tax at an effective rate of 22% in 2010 (2009 – 20%) 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 in the second year of the three years for half tax rate and is subject to an effective rate of 12.5% in 2010 (2009 – 12.5%).

Changlong and Luyuan are subject to an effective income tax rate of 25% (2009- 25%).

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16. Related party transactions

In addition to the related party transactions as disclosed in note 7 and 18(c)(i), the Company has the following related party transactions:

(a) Included in accrued liabilities as at March 31, 2010 was \$100,000 (December 31, 2009- \$100,000) 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 \$nil (2009 - \$12,500) charged during the three months of 2010 was included in the general and administrative expenses.

(b) Included in the advances and deposits as at March 31, 2010 were employee loans outstanding in the amount of \$60,000 (December 31, 2009 – \$72,561). These loans were advanced to the officers of the Company, were non-interest bearing and unsecured.

(c) Loan receivable from a former related party of \$77,720 (RMB236,786) (December 31, 2009 – \$77,720 (RMB236,786)) is a term loan to a former 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. It is expected that the overdue balance will be repaid around the middle of 2010. Total interest received for the three months ended March 31, 2010 was \$nil (2009 – \$ 4,149).

(d) 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-interest 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.

17. Supplementary cash flow information:

Change in non-cash items from operations

	Three months ended March 31, 2010	Three months ended March 31, 2009
Decrease in restricted cash	\$ 219,591	\$ 485,439
Decrease in accounts receivable	203,861	1,136,293
(Increase) in prepaid expenses, advances and deposits and other receivables	(27,373)	(156,145)
(Increase) decrease in inventories	(839,078)	192,941
Increase (decrease) in accounts payable and accrued liabilities	311,543	(121,281)
	\$ (131,456)	\$ 1,537,247
Cash paid for interest	\$ 281	\$ 9,335
Cash paid for income tax	14,018	-
Non-cash transactions:		
Accrued expenditures on construction in progress (note 9(iii))	\$ 773,760	-

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18. 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 future periods of 12 months ending March 31 are as follows:

	McVicar	JITE	Total
2011	\$ 181,048	\$ 621,816	\$ 802,864
2012	119,721	621,816	741,557
2013	101,184	621,816	723,000
2014	103,714	604,253	707,967
2015 and after	673,380	1,119,258	1,792,638
	\$ 1,179,067	\$ 3,588,959	\$ 4,768,026

Rental deposit of \$98,615 (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 March 31, 2010, the total amounts in connection with these legal proceedings determined by the court rulings was RMB2,402,100 (\$357,433) of principal and RMB742,699 (\$101,184) 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 (\$37,200) and inventory with a value of RMB334,142 (\$49,720) 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 March 31, 2010, 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 \$446,400 (RMB3,000,000) for the contingent liabilities as at March 31, 2010 (December 31, 2009 - \$459,000; RMB3,000,000). In addition, Luyuan has written off the value of its inventory by RMB597,148 (\$88,856) and written down the capital assets of Luyuan by RMB1,000,000 (\$148,800) as at March 31, 2010. These provisions reflect the Company's best estimate of possible losses according to information available at March 31, 2010. As at March 31, 2010 the net book value of Luyuan has been written down to RMB282,734 (\$42,071). 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

The Company's subsidiary Hongbo has made a guarantee to a bank in China of RMB5,000,000 (\$744,000) 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 (\$1,264,800, see note 7). The guarantee made by Hongbo is valid until February 2, 2011.

(d) Kunshan plant

See Note 10(b).

(e) Capital of subsidiaries

See Notes 10(b), 10(c) and 14.

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19. Non-controlling interests

Non-controlling interest in JITE represents the 51.4% (2009-51.4%) not held by the Company (McVicar controls Jite by an agreement with another shareholder). 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:

	March 31, 2010	December 31, 2009
JITE	\$ 9,086,937	\$ 8,780,894
MAM	1,163,024	1,101,753
Total	\$ 10,249,961	\$ 9,882,647

20. 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 period. The Company and its subsidiaries are not subject to capital management's other than those disclosed in Notes 10(b), 10(c) and 14.

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21. 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 March 31, 2010 and December 31, 2009.

As at March 31, 2010 and December 31, 2009, 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 three months ended March 31, 2010, \$27,223 of unrealized loss (2009 - \$12,705 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.

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21. 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.

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 period ended March 31, 2010, approximately 100% (2009 - 100%) of sales and approximately 77% (2009 - 80%) of expenses were incurred in foreign currencies.

At March 31, 2010 and December 31, 2009 the Company was exposed to translation foreign currency risk through the following financial assets and liabilities denominated in US dollar, HK dollar and Chinese RMB:

	March 31, 2010			December 31, 2009		
	USD	HKD	RMB	USD	HKD	RMB
Cash and cash equivalents	2,352,478	333,100	33,021,183	451,914	2,846,130	26,168,955
Restricted cash	-	-	8,000,000	-	-	9,000,000
Short-term investments	-	-	9,790,354	-	-	9,021,825
Accounts receivable	4,304,175	6,533,766	37,594,581	1,482,773	1,858,693	5,792,069
Due from related parties	-	-	236,786	-	-	5,236,786
Accounts payable and accrued liabilities	-	(157,074)	(43,241,837)	(2,182)	(11,957)	(184,825)
Notes payable			(16,000,000)			(18,000,000)
Loans payable			-			(114,086)
Total	6,656,653	6,709,792	29,401,067	1,932,505	4,692,866	36,920,724

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 2009 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 86% (December 31, 2009 - 87%) 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 period ended March 31, 2010, the Company recorded bad debt expense of \$nil 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.

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21. 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 the period ended March 31, 2010, with other variables unchanged, a +/- 10% change in copper commodities price would have decreased/increased net income for the period by approximately +/- 1%.

(f) Market risk

The Company's short term investments are stated at fair value, which is based upon quoted market price at March 31, 2010.

At March 31, 2010, a 10% increase (decrease) in market prices, with all other variables unchanged, would have resulted in an increase (decrease) in the fair value of short term investments of \$186,244.

(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 March 31, 2010, 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 March 31, 2010, the Company had cash and cash equivalents, restricted cash and short-term investments of \$12 million to settle current financial liabilities of \$9.1 million. At March 31, 2010 the working capital of the Company was \$18,476,036. The Company is not exposed to significant liquidity risk.

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22. 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 three months ended March 31, 2010 (in thousands of dollars):

	Chemical products	Technical products	Total
Revenue	\$ 4,378	\$ 4,346	\$ 8,724
Gross profit:	1,232	1,461	2,693
Amortization expenses	(95)	(123)	(218)
Operating expenses	(661)	(811)	(1,472)
Operating income	571	650	1,221
Other income			15
Investment loss			(27)
Income tax expenses			(140)
Non-controlling interest			(367)
Net income:			702
Tangible assets	\$ 18,179	\$ 21,455	\$ 39,634
Intangible assets	400	152	562
Goodwill	4,443	2,702	7,144
Total assets:	\$ 25,884	\$ 21,456	\$ 47,340
Purchase of property, plant and equipment	\$ 63	\$ 125	\$ 188

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(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

22. Segmented information (continued)

For the three months ended March 31, 2009 (in thousands of dollars):

	Chemical products	Technical products	Total
Revenue	\$ 4,385	\$ 4,031	\$ 8,416
Gross profit:	926	1,076	2,002
Amortization of tangible assets	(102)	(138)	(240)
Operating expenses	(712)	(722)	(1,434)
Operating income (loss)	213	355	568
Other income			36
Gain on investment			34
Income tax expenses			(70)
Non-controlling interest			(183)
Net income:			\$ 386
Tangible assets	\$ 21,054	\$ 19,486	\$ 40,540
Intangible assets	636	268	904
Goodwill	4,442	4,779	9,221
Total assets:	\$ 26,133	\$ 24,532	\$ 50,665
Purchase of property, plant and equipment	\$ 61	\$ 66	\$ 127

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

For the three months ended March 31, 2010 (in thousands of dollars):

	Canada & US	China & Hong Kong	Other	Total
Revenues:	\$ 1,367	\$ 7,139	\$ 218	\$ 8,724
Total assets:	\$ 5,814	\$ 41,526	\$ -	\$ 47,340
Property, plant and equipment:	\$ 27	\$ 6,096	\$ -	\$ 6,123
Construction in progress	\$ -	\$ 4,870	\$ -	\$ 4,870
Goodwill	\$ -	\$ 7,144	\$ -	\$ 7,144

For the three months ended March 31, 2009 (in thousands of dollars):

	Canada & US	China & Hong Kong	Other	Total
Revenues:	\$ 1,612	\$ 6,658	\$ 146	\$ 8,416
Total assets:	\$ 8,226	\$ 42,439	\$ -	\$ 50,665
Property, plant and equipment:	\$ 29	\$ 9,839	\$ -	\$ 9,868
Construction in progress	\$ -	\$ 686	\$ -	\$ 686
Goodwill	\$ -	\$ 9,221	\$ -	\$ 9,221

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(Expressed in Canadian dollars, unless otherwise indicated)

March 31, 2010

23. Accumulated other comprehensive income

	Three months ended March 31, 2010	Twelve months ended December 31, 2009
Balance, at the beginning of the year	\$ 36,508	\$ 2,543,980
Currency translation adjustment during the year	(898,912)	(2,507,472)
Balance, at the end of the year	\$ (862,404)	\$ 36,508