

**GRAND POWER LOGISTICS GROUP INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the three months and nine month periods ended September 30, 2009 and 2008

The interim financial statements have not been reviewed by the corporation's auditors

**GRAND POWER LOGISTICS GROUP INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT**

(Expressed in Canadian Dollars)	September 30 2009	December 31 2008
	Unaudited	Audited
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 5,033,533	\$ 3,441,256
Bank term deposits (Note 4)	3,258,771	4,693,680
Accounts receivable	20,872,592	24,050,004
Due from related parties (Note 6)	1,036,116	1,490,963
Deposits and prepaids (Note 7)	836,765	1,425,109
Short term investment (Note 5)	1,074,963	781,474
	<b>32,112,740</b>	<b>35,882,486</b>
<b>LONG TERM</b>		
Property, plant and equipment (Note 8)	721,151	1,170,921
Goodwill (Note 9)	1,165,013	1,165,013
	<b>1,886,164</b>	<b>2,335,934</b>
	<b>\$ 33,998,904</b>	<b>\$ 38,218,420</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Bank overdraft (Note 10)	\$ 4,013,638	\$ 5,428,618
Bank loan (Note 10)	6,588,743	5,262,792
Accounts payable and accrued liabilities	9,313,315	14,582,761
Taxes payable (Note 11)	45,176	35,354
Due to directors	-	3,160
Due to related parties (Note 6)	736,235	46,159
Debentures (Note 11)	-	1,626,228
	<b>20,697,107</b>	<b>26,985,072</b>
<b>LONG TERM</b>		
Debentures (Note 11)	1,922,633	-
Future taxes	7,522	31,273
	<b>22,627,262</b>	<b>27,016,345</b>
<b>NON-CONTROLLING INTERESTS</b>		
	<b>345,324</b>	<b>203,984</b>
<b>SHAREHOLDERS' EQUITY</b>		
Equity component of convertible debentures	1,655,750	65,173
Common shares (Note 13)	14,316,728	14,316,728
Contributed surplus	858,465	836,710
Retained earnings		
Accumulated net loss	(5,664,586)	(5,035,839)
Accumulated other comprehensive income (Note 14)	(140,038)	815,319
	<b>11,026,319</b>	<b>10,998,091</b>
	<b>\$ 33,998,904</b>	<b>\$ 38,218,420</b>

**Approved on Behalf of the Board**

("signed") Francis Leong \_\_\_\_\_ Director

("signed") Alan Chan \_\_\_\_\_ Director

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

**GRAND POWER LOGISTICS GROUP INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS), COMPREHENSIVE LOSS AND DEFICIT**  
**FOR THE THREE MONTHS AND NINE MONTH PERIODS ENDED**

	Three months ended Sept 30, 2009 Unaudited	Three months ended Sept 30, 2008 Unaudited	Nine months ended Sept 30, 2009 Unaudited	Nine months ended June 30, 2008 Unaudited
<b>REVENUE</b>	\$ 17,000,349	\$ 39,997,321	\$ 64,652,403	\$ 98,748,082
<b>COST OF REVENUE</b>	15,139,151	37,922,102	58,614,812	94,032,982
<b>GROSS PROFIT</b>	1,861,198	2,075,219	6,037,591	4,715,100
<b>EXPENSES</b>				
General and administrative	1,392,971	2,667,162	5,767,262	6,720,233
Bank Interest	148,372	138,433	409,123	372,699
Amortization of property, plant and equipment	46,768	100,810	195,379	182,873
Interest on debentures	86,928	30,456	142,032	73,006
Stock based compensation (Note 13)	-	16,316	21,755	27,194
Amortization of deferred costs (Note 12)	21,577	11,000	47,437	33,323
	1,696,616	2,964,177	6,582,988	7,409,328
<b>PROFIT (LOSS) FROM OPERATIONS</b>	164,582	(888,958)	(545,397)	(2,694,228)
<b>OTHER ITEMS</b>				
Unrealized gain on investment - Unit Trust	77,098	-	379,217	-
Foreign exchange gain (Loss)	(8,587)	-	39,795	-
Sundry income	21,545	-	95,799	-
Interest income	13,959	22,093	17,563	66,804
Project expenses written off	(148,613)	-	(286,640)	-
Fixed assets reversal of write off / (written off)	24,194	-	(194,150)	-
Gain/ (Loss) on disposal of property, plant and equipment	(97)	-	(337)	-
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	144,081	(866,865)	(494,150)	(2,627,424)
<b>PROVISION FOR INCOME TAX</b> (Note 11)	-	-	(351)	-
<b>PROFIT (LOSS) BEFORE NON CONTROLLING INTERESTS</b>	144,081	(866,865)	(493,799)	(2,627,424)
<b>MINORITY INTERESTS</b>	134,948	-	134,948	(12,946)
<b>NET INCOME/(LOSS)</b>	9,133	(866,865)	(628,747)	(2,640,370)
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>				
Unrealized gain/(loss) on translating foreign operations	(335,493)	455,417	(955,357)	1,246,986
<b>COMPREHENSIVE LOSS</b>	(326,360)	(411,448)	(1,584,104)	(1,393,384)
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>				
Accumulated net (loss)/ income	(5,673,719)	777,217	(5,035,839)	2,550,722
Accumulated other comprehensive income/ (loss)	195,455	(685,599)	815,319	(1,477,168)
	(5,478,264)	91,618	(4,220,520)	1,073,554
<b>RETAINED EARNINGS, END OF PERIOD</b>				
Accumulated net loss	(5,664,586)	(89,648)	(5,664,586)	(89,648)
Accumulated other comprehensive loss	(140,038)	(230,182)	(140,038)	(230,182)
	\$ (5,804,624)	\$ (319,830)	\$ (5,804,624)	\$ (319,830)
<b>LOSS PER SHARE</b>				
Basic and Diluted (Note 17)	\$ 0.000	\$ (0.023)	\$ (0.014)	\$ (0.076)
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>				
Basic and Diluted	44,692,778	37,592,778	44,692,778	34,853,983

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

# GRAND POWER LOGISTICS GROUP INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND NINE MONTH PERIODS ENDED

	Three months ended September 30, 2009 Unaudited	Three months ended September 30, 2008 Unaudited	Nine months ended September 30, 2009 Unaudited	Nine months ended September 30, 2008 Unaudited
<b>CASH USED IN OPERATING ACTIVITIES</b>				
Net income/(loss)	\$ 9,133	\$ (866,865)	\$ (628,747)	\$ (2,640,370)
<b>Items not requiring an outlay of cash:</b>				
Amortization of property, plant & equipment	46,768	100,810	195,379	182,873
(Gain)/ Loss on disposal of property, plant and equipment	97	-	337	-
Fixed assets written off	(24,194)	-	194,150	-
Amortization of deferred costs	21,577	11,000	47,437	33,323
Minority interest	134,948	-	134,948	-
Unrealized gain on investment - Unit Trust	(77,098)	-	(379,217)	-
Project expenses written off	148,613	-	286,640	-
Stock based compensation	-	16,316	21,755	27,194
	259,844	(738,739)	(127,318)	(2,396,980)
<b>CHANGES (USED IN) PROVIDED BY NON-CASH WORKING CAPITAL</b>				
Accounts receivable	(3,024,099)	(5,187,421)	3,177,412	(10,948,241)
Due from related parties	145,337	(596,079)	454,847	(441,988)
Deposits and prepaids	150,876	545,850	588,344	(651,316)
Accounts payable and accrued liabilities	1,691,759	3,225,346	(5,269,446)	10,457,468
Income taxes refunded	(8,597)	11,024	(13,929)	(19,867)
Due to director	-	-	(3,160)	-
Due to related parties	(117,557)	5,946	690,076	(1,003)
	(1,162,281)	(1,995,334)	(375,856)	(1,604,947)
	(902,437)	(2,734,073)	(503,174)	(4,001,927)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Bank term deposits	1,303,705	11,818	1,434,909	157,926
Short term investment	(32,158)	49,919	(293,489)	(99,733)
Share capital issuance	-	97,898	-	2,212,948
Share and debenture issuance costs (Note 13)	(34,662)	(64,575)	(146,055)	(206,513)
Debenture issuance	2,201,000	-	3,688,000	-
Debenture redemption	-	-	(1,702,400)	-
(Decrease) increase in bank overdraft	(651,151)	234,348	(1,414,980)	2,986,050
Increase (decrease) in bank loan	1,624,521	3,017,144	1,325,951	(470,708)
	4,411,255	3,346,552	2,891,936	4,579,970
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property, plant & equipment	(114,155)	(230,421)	(73,648)	-
Sales proceeds of property, plant and equipment	37,938	-	37,938	(372,351)
	(76,218)	(230,421)	(35,710)	(372,351)
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,432,600	382,058	2,353,052	205,692
<b>NET CASH AND CASH EQUIVALENTS, beginning of period</b>	1,832,239	2,728,854	3,441,256	2,160,320
<b>Foreign exchange gain (loss)</b>	(231,307)	454,865	(760,775)	1,199,765
<b>NET CASH AND CASH EQUIVALENTS, end of period</b>	\$ 5,033,533	\$ 3,565,777	\$ 5,033,533	\$ 3,565,777

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

**GRAND POWER LOGISTICS GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008**

**UNAUDITED**

**1. NATURE OF BUSINESS**

Grand Power Logistics Group Inc. (the "Corporation") was incorporated as Grand Power Express Group Inc. under the Business Corporations Act (Alberta) on April 1, 2004. The Articles of the Corporation were amended by Certificate of Amendment dated May 27, 2004, to change the Corporation's name to Grand Power Logistics Group Inc. The Articles of the Corporation were further amended on August 23, 2004, to remove the private issuer provisions.

The Corporation operates principally through its wholly owned Hong Kong based subsidiary, Grand Power Express International Limited (GP Express) and provides air-freight forwarding and sea-freight services, customs brokerage, logistics, warehousing and distribution, as well as other value added services. GP Express has established operations in various regions, particularly in the Greater Pearl River Delta (GPRD), China's largest economic region. GP Express' subsidiaries or branch offices in this region are located in Hong Kong, Macau, Shenzhen, Guangzhou, and Jiangmen. GP Express also operates in other regions through subsidiaries and branch offices or supporting offices in Shanghai, Taipei, Bangkok and Los Angeles.

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly they do not contain all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. These interim consolidated financial statements should be read in conjunction with the Corporation's audited financial statements and the notes thereto for the year ended December 31, 2008. Operating results for the nine month period ended September 30, 2009 are not necessarily indicative of the results that can be expected for the year ended December 31, 2009.

(a) Basis of presentation

The consolidated financial statements of the Corporation and its subsidiaries have been prepared according to Canadian generally accepted accounting principles ("GAAP"). The statements have been prepared using Canadian dollars except where otherwise noted.

The Corporation has considered the amendments to CICA Handbook Section 1400 General Standards of Financial Statement Presentation. The amendments apply to annual financial statements for the fiscal years beginning on or after January 1, 2008 and require the corporation to carefully assess and disclose the material uncertainties that may put in question its ability to continue as a going concern. Although the Corporation has incurred a significant loss during 2008, it has taken steps to improve its operating results for 2009. The Corporation has taken into account its positive working capital, as well as all available information about the future and other factors, and concluded that the going concern basis of accounting is appropriate.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries for the nine months ended September 30, 2009 and 2008. In accordance with reverse take-over accounting, the consolidated balance sheet is a continuation of GP Express in that the capital structure reflects that of the Corporation, and the stated value of the share capital is that of GP Express. The results of the accounting subsidiaries, Grand Power Logistics Group Inc., are included in the consolidated income statement from the effective date of acquisition, November 1, 2004. All significant inter-company transactions and balances have been eliminated on consolidation.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

**GRAND POWER LOGISTICS GROUP INC.**  
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**UNAUDITED**

Management believes that the estimates used in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

(d) Cash and cash equivalents

Cash and cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

(e) Property, plant and equipment

Property, plant and equipment, are comprised of Capital lease properties, leasehold improvements, office equipment, computer hardware and software, warehouse equipment, and automotive equipment, and are stated at cost less accumulated amortization and, if applicable, any provisions required to reflect recoverable amounts.

Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing stage.

Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Leasehold property	over the term of the 50-year lease
Leasehold improvements	33.33% - 50% straight line
Computer equipment, furniture & fixtures	16% - 33.33% straight line
Automotive equipment	33.33% straight line

(f) Deferred costs

Deferred costs consist of agent's fees, legal and other costs associated with the placement of the Corporation's convertible debenture. Those costs attributable to the equity portion of the debenture are being recorded as a reduction in share capital ratably upon the conversion of any of the debentures. The deferred costs relating to debentures that have not been converted are being amortized over the remaining life of the debenture.

(g) Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income taxes and liabilities are determined based on the differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized. Income tax expense for the year is the tax payable for the year and the change in future income tax assets and liabilities.

(h) Mandatory provident fund scheme

The Corporation's subsidiary, GP Express, operates a mandatory provident fund scheme which is registered under the Mandatory Provident Fund Schemes Ordinance (Cap. 485), Hong Kong, for all eligible employees. The assets of the fund are held separately from those of the Corporation in an independently administered fund. The retirement benefit scheme costs represent contributions payable by GP Express to the scheme, and are based on a percentage of the eligible employees' relevant incomes. These costs are charged to the income statement as incurred.

**GRAND POWER LOGISTICS GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008**

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(i) Foreign currency translation

The Corporation translates the consolidated accounts of the Corporation as a self-sustaining operation using the current rate method whereby assets and liabilities are translated from Hong Kong ("HK") dollars into Canadian ("CDN") dollars at exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Gains and losses on translation are included in other comprehensive income. Foreign exchange gains and losses on transactions occurring in a currency different than an operation's functional currency are reflected in income.

The Corporation operates its wholly owned subsidiaries in Hong Kong, Macau, China and United States as self sustaining subsidiaries and their functional currency are HK\$, MOP, RMB and USD respectively.

Utilizing this method, the consolidated statements of income and cash flows for the nine months ended September 30, 2009 and 2008, are translated into CDN dollars using an average rate for the period of CDN \$0.14137 and CDN \$0.13061 per HK\$1.00, respectively. The consolidated balance sheets at September 30, 2009 and December 31, 2008 are translated into CDN dollars using the prevailing rate of CDN \$0.14092 and CDN \$0.1580 per HK\$1.00, respectively.

(j) Recognition of income

The Corporation's operating subsidiaries recognize revenues when freight forwarding services are rendered, which is generally determined to be the date of departure of outward freight. Payment is based on agreed prices and credit terms are contained on freight service invoices.

Revenues from the provision of third-party logistics and forwarding are recognized when the services are rendered.

Interest income is recognized on an accrual basis.

(k) Stock based compensation

The Corporation expenses all stock-based payments for employees as well as non-employees. Under this method, compensation expense related to these programs is recorded in the statement of income and retained earnings with a corresponding increase to contributed surplus. The fair value of options granted is determined at the date of grant using the Black-Scholes valuation model. Any consideration received upon the exercise of the stock options, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

(l) Long lived assets impairment

Long-term assets are reviewed when changes in circumstance suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows expected to be generated by the assets. If impairment is deemed to exist, the assets will be written down to their fair value. Fair value is generally determined using a discounted cash flow analysis.

(m) Goodwill

Goodwill is made up of amounts paid in excess of the value that can be assigned to identifiable assets and liabilities on acquisition. This excess is considered goodwill when it is identified as an intangible asset that does not meet the criteria for recognition as an intangible asset apart from goodwill. Goodwill does not have an identifiable life and is not amortized. It is tested for impairment annually by comparing carrying value to a valuation based on discounted expected future cash flows and other valuation methods and is written down by the amount it is considered impaired and expensed in the year that it does not meet the impairment test.

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(n) Earnings per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

(o) Comprehensive income

Comprehensive income is the change in equity of the Corporation during the year as a result of transactions and other events and circumstances from non-owner sources. Foreign currency translation for self sustaining foreign operation is a component of comprehensive income.

(p) Financial Instruments

Section 3855 – “Financial instruments – Recognition and Measurement” prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet as well as its measurement amount. All financial instruments are required to be measured at fair value on recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods is dependent on whether the financial instrument has been classified as “held for trading”, “available for sale”, “held to maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard.

Financial assets and financial liabilities “held for trading” are measured at fair value with changes in those fair values recognized in net income. Financial assets “available for sale” are measured at fair value, with changes in those fair values measured in other comprehensive income. Financial assets “held to maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization.

As at September 30, 2009 and December 31, 2008, there are no significant differences between the carrying amounts of these instruments and their estimated fair value. The adoption of this new standard has had no financial impact on the Corporation;

Section 3865 – “Hedges” expands on existing Accounting Guideline 13 – Hedging Relationships” by specifying how hedge accounting is to be applied and what disclosures are necessary when it is applied.

At September 30, 2009, the Corporation does not hold any financial instruments for which it has elected to apply hedge accounting under Section 3865. Consequently, the Corporation’s financial instruments were recorded at fair value on the balance sheet with changes to fair value being recorded on the Statement of Loss.

In accordance with the new standards, the Company’s financial assets and liabilities are generally classified and measured as follows:

Assets/Liabilities	Category	Measurement
Cash and bank term deposit	Held for trading	Fair value
Short term investment	Held for trading	Fair value
Accounts receivable	Loans and receivable	Amortized cost
Due from related parties	Loans and receivable	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Bank loans	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Long term debt / debentures	Other liabilities	Amortized cost

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The Corporation recognizes transaction costs related to items held for trading immediately in net income. The Corporation has adopted the policy of including direct transaction costs related to all other financial instruments in the initial carrying amount.

(q) Accounting changes

Effective January 1, 2007, the Corporation adopted the revised CICA section 1506 "Accounting Changes". Under the revised section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to the reader. Changes in accounting policy must be applied retrospectively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect on the financial statement line items. There was no impact on the Corporation's financial statements resulting from the adoption of the revised standard.

Adoption of new accounting policies

As of January 1, 2008, the Corporation adopted two new CICA standards, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which will replace Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The New presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Corporation is assessing the impact on its financial statements.

As of January 1, 2008, the Corporation adopted CICA Section 1535 "Capital Disclosures" which will require additional disclosures of objectives, policies and processes for managing capital. In addition, disclosure will include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Corporation is assessing the impact on its financial statements.

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") as at 1 Jan., 2011. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS. The Corporation has set up a team with external expertise to schedule and monitor the change in accounting to be ready for the change to IFRS standards by the required date.

### **3. BUSINESS ACQUISITIONS**

On January 1, 2009, the Corporation acquired the remaining 40% interest of its subsidiary, Redcap Logistics Ltd., from the existing third party shareholder based on the par value of Redcap Logistics' issued share for a cost of CDN\$630(HK\$4,000).

### **4. BANK TERM DEPOSITS**

At September 30, 2009 the Corporation had bank term deposits in the amount of \$3,258,771 (December 31, 2008 - \$4,693,680). The term deposits matured in January 2009 were rolled over on monthly and quarterly basis with interest rate at the range of 0.15%- 1% per annum.

The Corporation pledged these bank term deposits of \$3,258,771 (December 31, 2008 - \$4,693,680) as collateral for the banking facilities granted by the Hongkong and Shanghai Banking Corporation Ltd., China Construction Bank (Asia) Corporation Ltd and China Construction Bank Ltd mentioned in Note 10.

**GRAND POWER LOGISTICS GROUP INC.**  
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**UNAUDITED**

**5. SHORT TERM INVESTMENT**

The short term investment is stated at market value and consists of various mutual fund units held as security by the Hongkong and Shanghai Banking Corporation as part of the bank's security for the Corporation's banking facility as outlined in Note 10.

	<b>Nine months ended</b>		<b>Year ended</b>	
	<b>September 30, 2009</b>		<b>December 31, 2008</b>	
Beginning balance	\$	781,474	\$	1,383,195
Foreign exchange (loss)/ gain		(85,728)		216,489
Unrealized gain/ (loss) to fair value		379,217		(818,210)
Ending balance	\$	1,074,963	\$	781,474

**6. RELATED PARTY TRANSACTIONS**

The Corporation had the following transactions with related parties during the year;

- (a) An agency agreement between GP Express and GP Express Holdings Inc. established GP Express Holdings Inc. as the world-wide break-bulk agent of GP Express for shipment tracing, customs clearance, and posting or delivering air waybills to its customers in Guangzhou, China, Bangkok, Thailand, Taipei and Taiwan where GP Express had, or currently has, no branch offices. The fee paid to GP Express Holdings Inc. was HK\$2,070,000 (CDN\$292,698) and HK\$1,440,000 (CDN\$203,616) for the nine months ended September 30, 2009 and 2008 respectively. GP Express Holdings Inc. is owned by Wan Kee Chiu, a former director of the Corporation. These amounts are recorded at the agreed upon exchange amount. The agreement between GP Express and GP Express Holdings Inc. was terminated on 30 September 2009 due to the passing of Wan Kee Chiu.
- (b) An agency agreement dated April 1, 2003, between United Air Cargo and Golden Power International Express Co. Ltd. ("Golden Power"), provided that United Air Cargo acts as the agent of Golden Power in Macau in providing air freight service between the PRC and Taiwan for Golden Power's customers, at a fee payable by Golden Power of US\$10,000 per month. Golden Power is 80% owned by Wan Kee Chiu, a former director of the Corporation. Mr Wan Kee Chiu passed away in June, 2009. References to Mr Chiu's role as director in this report refer to the time up until his passing. Assets owned by Mr Chiu as referenced in this report are now owned by his estate. These amounts are recorded at the agreed upon exchange amount. The agreement between United Air Cargo and Golden Power was terminated on 30 September 2009 due to the passing of Wan Kee Chiu.
- (c) Wan Kee Chiu and Tong (Ricky) Chiu facilitated the obtaining of bank lines for the Corporation with the China Construction Bank (Asia) Corporation Ltd., (formerly name Bank of America (Asia) Ltd.) by providing security in the form of deposits and personal guarantee. In Jan 2009, Tong (Ricky) Chiu provided his personal guarantee for renewal the banking facility with HSBC. Tong (Ricky) Chiu is director of the Corporation. Due to the passing of Wan Kee Chiu, a former director of the Corporation, the personal guarantee is now provided solely by Tong (Ricky) Chiu.
- (d) The amounts due from and to related companies represent accounts receivable and payable on sales and purchases made in the normal course of business, as described in Note 6(f) below, as well as loans and advances among the parties relating to forwarding operations, office expenses, travel and collection activities. These amounts are unsecured, bear no interest, and will be repaid in the normal course of business. At September 30, 2009 and December 31, 2008, the amounts due from and to related parties were as follows:

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	Due from		Due to	
	2009	2008	2009	2008
Golden Power International Express Co. Ltd. (1)	\$ 662,289	\$ 1,270,050	\$ -	\$ -
New United Trading Company Ltd. (2)	156,449	133,847	-	-
GP Express Holdings Inc.	5,734	5,875	-	-
CAAC Pioneer Logistics (Macau) Co. Ltd.	129,077	-	-	-
CAAC Pioneer Logistics (Guangzhou) Co. Ltd.	52,433	-	-	-
Bao Shinn Express Co Ltd	-	47,402	736,235	-
InterPacific Capital Ltd. (5)	30,134	33,789	-	-
Grand Power Express Tourism Co Ltd (3)	-	-	-	46,159
	<u>\$ 1,036,116</u>	<u>\$ 1,490,963</u>	<u>\$ 736,235</u>	<u>\$ 46,159</u>

- (1) Golden Power International Express Co. Ltd., 80%-owned by Wan Kee Chiu, a director of the Corporation.  
(2) 100%-owned by Lam In Wai, a director of the Corporation, facilitates collection and payment of funds for United Air Cargo & Express Ltd. as United Air Cargo & Express Ltd. is not registered to do this in Macau  
(3) Mr. Wan Kee Chiu is the major shareholder and a former director of the company which provides travel services in Macau.  
(4) Its holding company is Baoshinn Corp which is a listed company in USA, Lam In Wai and Tong (Ricky) Chiu are the directors of this company. Bao Shinn International Express Co Ltd provides travel services in Hong Kong.  
(5) 15% owned by Candace Wong, wife of a director. The company provides the financial advisory services clients

- (e) Transactions made during the year in the normal course of business involving sales and purchases between the Corporation and the related parties for the quarters ending September 30, 2009 and 2008 were as follows:

	Sales		Purchases	
	2009	2008	2009	2008
Golden Power International Express Co. Ltd. (1)	\$ 301,843	\$ 141,587	\$ 132,048	\$ 1,797
CAAC Pioneer Logistics (Macau) Co. Ltd.	271,123	-	-	-
Bao Shinn Express Co Ltd	-	20,969	-	-
Bao Shinn International Express Co Ltd (4)	-	38,646	-	43,386
InterPacific Capital Ltd (5)	-	33,125	-	-
	<u>\$ 572,966</u>	<u>\$ 234,327</u>	<u>\$ 132,048</u>	<u>\$ 45,183</u>

(1) to (5): footnotes as Note 6 (d) above

- (f) During the three months ended September 30, 2009, the Corporation paid consulting fees of \$11,250 (2008 - \$11,250) to AC Capital Inc., a company owned by Alan P. Chan, a director and officer of the Corporation.

**7. DEPOSITS AND PREPAIDS**

	September 30, 2009	December 31, 2008
Deposits and advances	\$ 768,088	\$ 1,290,129
Prepayments	68,677	134,980
	<u>\$ 836,765</u>	<u>\$ 1,425,109</u>

**8. PROPERTY, PLANT AND EQUIPMENT**

As at September 30, 2009			
	Cost	Amortization	Net
Leasehold property	\$ 180,000	\$52,307	\$ 127,693
Leasehold improvements	91,917	33,318	58,599
Computer equipment, furniture & fixtures	872,352	440,435	431,917
Automotive equipment	268,917	165,975	102,942
	<u>\$ 1,413,186</u>	<u>\$ 557,265</u>	<u>\$ 721,151</u>

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<b>As at December 31, 2008</b>			
	<b>Cost</b>	<b>Amortization</b>	<b>Net</b>
Leasehold property	\$ 189,609	\$ 45,944	\$ 143,665
Leasehold improvements	427,072	200,490	226,582
Computer equipment, furniture & fixtures	986,892	305,732	681,160
Automotive equipment	243,139	123,625	119,514
	<b>\$ 1,846,712</b>	<b>\$ 675,791</b>	<b>\$ 1,170,921</b>

**9. GOODWILL**

The impairment test is on annual basis so there is no change in the quarter result. During the year 2006 and 2007, the Corporation acquired 100% and 51% equity interests in GP Macau and BSI Logistics respectively. In 2008, GP Macau was subject to a \$377,621 write down during the year ended December 31, 2008 as a result of an annual impairment test. The remaining balance of the goodwill arising from these acquisitions amounted to \$1,165,013 (2008 - \$1,165,013) as at September 30, 2009.

**10. BANKING FACILITIES**

Bank indebtedness as at September 30, 2009 and December 31, 2008 consisted of:

	<b>2009</b>	<b>2008</b>
Bank overdraft (CCBA) (1)	\$2,384,958	\$2,546,118
Bank overdraft (HSBC) (2)	1,628,680	2,882,500
	4,013,638	5,428,618
HSBC SpGS Loan	1,690,800	-
Accounts Receivable Factoring (HSBC)	4,897,943	5,262,792
	6,588,743	5,262,792
	<b>\$ 10,602,381</b>	<b>\$ 10,691,410</b>

(1) China Construction Bank (Asia)

(2) Hongkong and Shanghai Banking Corporation

The Corporation's subsidiary, GP Express, had arranged bank facilities as per the banking facility letter dated November 5, 2004, with the China Construction Bank (Asia) Corporation Ltd., (formerly named Bank of America (Asia) Ltd.). These facilities were subsequently superseded by facility letter dated June 25, 2008 as follows:

- (a) Bank Overdraft Line whereby GP Express was granted an overdraft facility of HK\$12,000,000 (\$1,800,000) (2008 - HK\$10,000,000 - \$1,580,000) at the higher of the prime Hong Kong dollar lending rate or 0.5% plus the quoted Hong Kong Interbank rate at the date of overdraft.
- (b) Additional Overdraft Line of HK\$9,900,000 (\$1,485,000) (2008 - HK\$9,900,000 - \$1,564,200) to be used against overdrafts on the Corporation's current account. Interest is charged at the higher of the prime lending rate minus 1% or 0.5% plus the quoted Hong Kong Interbank rate at the date of overdraft.
- (c) At September 30, 2009, the Corporation had utilized its overdraft lines to the amount of HK\$16,926,600 (\$2,384,958) (December 31, 2008 - HK\$16,114,672 - \$2,546,118).
- (d) Bank Guarantee Line for HK\$4,000,000 - \$600,000 (2008: HK\$4,000,000 - \$632,000) to be backed by acceptable Letters of Indemnity. At September 30, 2009 although the limit was HK\$4,000,000 (\$600,000), HK\$4,450,000 (\$667,500) had been utilized to support bank guarantees issued to airline companies, the bank allowed the excess HK\$450,000 (\$67,500) to reduced the Overdraft Lines In (a) and (b) above by an equal amount (2008 utilization - HK\$8,450,000 - \$1,335,100). Each guarantee issued is subject to a 1% flat handling commission.

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The above banking facilities were secured by charges over the accounts of GP Express in an unlimited amount, a first legal charge against a property owned by a related company owned by Wan Kee Chiu, a former director of the Corporation, a corporate guarantee in unlimited amount by the Corporation as well as a personal guarantee by Tong (Ricky) Chiu in the amount of HK\$22,122,000 (\$3,318,300).

The Corporation also had banking facilities with the Hongkong and Shanghai Banking Corporation (“HSBC”) and provided the bank with a guarantee of payment of the present and future indebtedness and liability of GP Express per a banking facility letter dated February 26, 2007. These facilities were subsequently superseded by new facilities as described in facility letters dated January 30, 2008, August 26, 2008 and January 16, 2009 as follows:

- (e) Bank overdraft line whereby GP Express was granted an overdraft facility in the amount of HK\$15,000,000 - \$2,250,000 (2008: HK\$25,000,000 - \$3,950,000) at the bank’s Best Lending Rate (5% at September 30, 2009 and 5% at December 31, 2008). At September 30, 2009 HK\$14,357,461 - \$2,153,619 (2008: HK\$16,257,790 - \$2,568,731) was utilized.
- (f) Bank Guarantee Line was granted in the amount of HK\$16,000,000 (\$2,400,000) with a sub-limit of HK\$2,000,000 (\$300,000) being shared by one of the subsidiary company, BSI Logistics Limited. The bank charges on this Guarantee Line were at the rate of 1% per annum on the guaranteed amount, with a minimum charge of HK\$1,500 (\$225). At September 30, 2009 HK\$14,160,000 (\$2,124,000) (2008: HK\$16,401,290 (\$2,591,404)) was utilized.
- (g) Based on the facility dated January 16, 2009, GP Express obtained the factoring services from HSBC at the maximum amount HK\$65,000,000 (\$9,750,000) by advance payment of GP Express’s qualified accounts receivable with a sub-limit of HK\$20,000,000 (\$3,000,000) each being shared by its subsidiary company, BSI Logistics Limited and Redcap (find the full name) up to 90 days credit period based on 70% (previously 75%) of the invoiced value. The discounting fee is charged at the rate of 0.25% per annum above the Hong Kong Best Lending rate which is 5% at September 30, 2009 (previously 0.25% per annum below the Hong Kong Best Lending rate which is 5.25% at December 31 2008.) The utilized factoring services as at September 30, 2009 amounted to HK\$33,094,813 (\$4,964,222) (2008: HK\$33,307,157 (\$5,262,792)).
- (h) On 27 August 2009, GP Express obtained a loan of HK\$12,000,000 (\$1,690,800) under the Special Loan Guarantee Scheme (SpGS) from HSBC. SpGS is a program introduced by the Hong Kong government to support companies during the global financial crisis. Loan under SpGS is 70% guaranteed by the Hong Kong government and the rest by Ricky Chiu’s personal guarantee. Interest on the loan is to be charged on a daily basis at 0.5% per annum below the bank’s best HKD lending rate. The loan will be repaid by 53 monthly installments of HK\$222,230 each plus a final installment of HK\$221,810.

The above banking facilities with the Hongkong and Shanghai Banking Corporation were secured by 27,017.31 units of unit trust in various Funds (2008: 26,996.33 units in various Funds), being a short term investment held by GP Express. It was further secured by an unlimited guarantee from the Corporation, a blanket counter indemnity by GP Express and the personal guarantee in the amount of HK\$11,000,000 (\$1,650,000) from Tong (Ricky) Chiu. In addition, undertakings to submit GP Express management accounts and aging accounts receivable analysis are required on quarterly basis. Also, GP Express is required to maintain a tangible net worth in excess of HK\$25,000,000 (\$3,750,000) at all times and to register the assignment of receivable in the Companies Registry of Hong Kong.

## **11. DEBENTURES**

Pursuant to non-brokered private placements on March 23, 2009, the Corporation issued \$1,487,000 of 10.0% unsecured convertible debentures. Each debenture is convertible at the option of the holder at a price of \$0.20 per common share at any time up to March 19, 2011. Interest is payable quarterly.

Pursuant to non-brokered private placements on August 10, 2009, the Corporation issued \$2,201,000 of 10.0% unsecured convertible debentures. Each debenture is convertible at the option of the holder at a price of \$0.30 per common share at any time up to July 9, 2011. Interest is payable quarterly.

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The convertible debenture is classified according to its components. The debt liability represented by the debenture is classified as long term debt, while the portion of the debenture attributable to the convertibility of the debenture into equity and the fair value of the warrants is classified under "Equity component of convertible debenture" and forms part of Shareholders' Equity.

The value of the equity component of the May 23, 2011 convertible debentures was determined by valuing the conversion option using the Black-Scholes method with the follow assumptions: 1.05% risk-free interest rate, 175% volatility, 1 year expected average period to exercise.

The value of the equity component of the July 10, 2011 convertible debentures was determined by valuing the conversion option using the Black-Scholes method with the follow assumptions: 1.16% risk-free interest rate, 164% volatility, 1 year expected average period to exercise.

The following summarizes the debenture components as at September 30, 2009:

	<b>2009</b>
Unsecured 10.0% convertible debentures maturing March 19, 2011 and July 9, 2011, interest payable quarterly	
Amount raised by private placement, March 19, 2009	\$ 1,487,000
Amount raised by private placement, July 9, 2009	2,201,000
Debentures at period end	3,688,000
Less: equity component of convertible debentures attributable to conversion	1,655,750
Debentures, net of equity portion before deferred cost	2,032,250
Less: deferred cost (Note 12)	109,617
<b>Debentures, net of equity portion (Long term liability)</b>	<b>\$ 1,922,633</b>

Debenture interest for the 9 months ended September 30, 2009 amounted to \$142,032.

At September 30, 2009, the Corporation had future payments as follows, assuming non-conversion of the debentures:

2011	\$ 3,688,000
------	--------------

## **12. DEFERRED COSTS**

	<b>2009</b>	<b>2008</b>
Deferred debenture expenses	\$ 10,999	\$ 63,086
Add: deferred debenture expenses current year	146,055	-
Less: share issuance expense re converted debentures	-	7,764
Less: amortization	47,437	44,323
<b>Unamortized debenture expenses</b>	<b>\$ 109,617</b>	<b>\$ 10,999</b>

Deferred costs represent expenses incurred in the private placement of the Corporation's \$2,000,000 convertible debenture that is now fully converted or repaid, and the deferred debenture expenses were fully amortized by March 31, 2009. The 2009 additions relate to the \$1,487,000 convertible debentures issued during the 3 months ended March 31, 2009 and \$2,201,000 convertible debentures issued during the 3 months ended September 30, 2009 will be amortized over the remaining life of the debenture.

During the 9 months ended September 30, 2009, \$Nil (2008 - \$2,115,050) debentures were converted into common shares.

In accordance with the CICA handbook section 3855, these transactions costs are attributable to the carrying amount of the debentures.

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**13. SHARE CAPITAL**

Authorized  
 Unlimited Common shares  
 Unlimited Preferred shares, issuable in series

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Issued Common shares	Number	Number	\$	\$
Balance, beginning of year	44,692,778	34,154,615	\$14,316,728	\$10,700,230
Conversion of debentures	-	416,663	-	247,600 <sup>(1)</sup>
For cash by private placement	-	10,121,500	-	3,535,050
	44,692,778	44,692,778	14,316,728	14,482,880
Less share issue expenses	-	-	-	166,152
	<b>44,692,778</b>	<b>44,692,778</b>	<b>14,316,728</b>	<b>14,316,728</b>

On November 5, 2008, the Corporation issued 7,100,000 common shares at a price of \$0.20 per Common Share pursuant to a non-brokered private placement financing in the amount of \$1,420,000. Associated share issuance costs were \$16,450.

On May 27, 2008, the Corporation issued 3,021,500 common shares at a price of \$0.70 per Common Share pursuant to a non-brokered private placement financing in the amount of \$2,115,050. Associated share issuance costs were \$118,239.

During the year 2008, 416,663 common shares were issued pursuant to the conversion of \$247,600 of debentures (\$250,000 less equity component of the warrant). As a result, amounts of \$239,584 and \$8,016 were reallocated to share capital from the "Debenture" account and the "Equity component of convertible debentures" account, respectively. In addition, \$7,764 was reallocated from deferred debenture expenses to share issuance costs to reflect the weighted pro-rata portion of deferred costs attributable to the common shares arising from the conversions.

(a) Stock Option Plan

The Corporation has a Stock Option Incentive Plan. Under the Stock Option Plan, the aggregate number of shares to be delivered upon the exercise of options granted thereunder may not exceed 10% of the issued Common Shares of the Corporation at the time of granting the options; no one individual shall, during any 12 months period, be granted options which exceed 5% of the issued outstanding Common Shares of the Corporation at the time of granting of the option; and the exercise price can only be at such price permitted by the stock exchange on which the Corporation's shares are listed. The options under the Stock Option Plan are non-assignable (except in the event of death) and are exercisable for a term of up to five years. Options granted under the Stock Option Plan terminate within 90 days in the event that an optionee ceases to be an employee, director or officer of the Corporation or within one year after the death of such optionee. The Board of directors may, at its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

At the completion of the 2004 reverse take-over acquisition and the prospectus issue of debentures and shares, the Corporation granted options which bore immediate vesting provisions to certain directors, officers and employees. There are 1,125,000 of these options outstanding and they are exercisable at a price of \$0.35 per share until October 31, 2009. During 2005, 150,000 options were issued, at an exercise price of \$0.38 per share, to a party providing investor relations services for the Corporation. During February 2006, these 150,000 share options were exercised.

During 2007 the Corporation issued 1,790,000 options of which 790,000 exercisable at \$0.70, 500,000 exercisable at \$0.75 and 500,000 exercisable at \$0.89. These options were exercisable immediately and will expire on February 21, 2012, December 12, 2012 and December 13, 2010 respectively.

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During the year ended December 31, 2008, the Corporation issued 200,000 options which are exercisable at \$0.70. These options are vested quarterly throughout a one-year term from May 1, 2008 and will expire on April 30, 2011.

As at September 30, 2009, the following options were outstanding and exercisable:

	Number of Options		Weighted Average Price	
	2009	2008	2009	2008
Balance, beginning of year	3,115,000	2,915,000	\$0.612	\$0.606
Granted	-	200,000	-	0.700
<b>Balance as at the end of year</b>	<b>3,115,000</b>	<b>3,115,000</b>	<b>\$ 0.612</b>	<b>\$ 0.612</b>

(b) Stock Based Compensation

The Corporation follows the recommendations of the CICA Handbook Section 3870 for stock based compensation. Under this standard the fair value of an option is calculated at the grant date, and expensed equally over the vesting term of the option. The Corporation records the cumulative stock based compensation as contributed surplus. Upon exercise of an option, contributed surplus is reduced and share capital is increased by the amount of accumulated stock based compensation attributed to the exercised option. The resultant stock based compensation for the reporting year is \$43,510 (2007 : 620,200), which has been reflected in the income statement.

The fair value of options granted in 2008 was \$65,266 (2007 – \$620,200). This value was estimated on the date of grant using the Modified Black-Scholes option pricing model, and is subject to a high degree of uncertainty due to the minimal trading history of the common shares. The following assumptions were used:

	2009	2008
Risk-free interest rate	N/A	2.90%
Estimated hold period prior to exercise	N/A	3 yrs
Expected volatility in the price of the common shares	N/A	82%
<b>Dividend yield</b>	<b>Nil</b>	<b>Nil</b>

**14. FOREIGN CURRENCY TRANSLATION**

The following is a continuity schedule of the currency translation adjustment account included in comprehensive loss:

	September 30, 2009	December 31, 2008
Opening balance	\$ 815,319	\$ (1,477,168)
Comprehensive (loss)/ gain	(955,357)	2,292,487
<b>Ending balance</b>	<b>\$ (140,038)</b>	<b>\$ 815,319</b>

Unrealized translation adjustments arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self-sustaining foreign operations. For the nine month period ended September 30, 2009, an unrealized currency translation loss of \$931,163 (2008: gain of \$1,246,986) resulted primarily from changes in the exchange rates of the Canadian dollar against the Hong Kong dollar during the period.

**15. SUPPLEMENTARY CASH FLOW INFORMATION**

	2009	2008
Interest paid	\$ 551,155	\$ 276,816
Interest income	17,563	44,711
Taxes refund	351	-

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**16. EARNINGS PER SHARE**

	<b>2009</b>	<b>2008</b>
Numerator:		
Net income (loss) for the period	(628,747)	(1,773,505)
Basic earnings (loss) for the period	(628,747)	(1,773,505)
Interest reduction assuming conversion of debentures	N/A	N/A
Diluted earnings for the period	(628,747)	(1,773,505)
Denominator:		
Weighted average number of shares outstanding - basic	44,692,778	34,415,830
Effect of convertible debentures and options	N/A	N/A
Weighted average number of shares outstanding - diluted	44,692,778	34,415,830
Earnings per share:		
Basic and diluted	(0.014)	(0.030)

For the 2009 and 2008 calculations, including the additional shares that would be issued if the convertible debenture had been converted and otherwise paid on the convertible debentures to earnings would be anti-dilutive. Therefore these amounts were not included in the 2009 and 2008 calculations.

**17. SEGMENTED INFORMATION**

The Corporation's operations are based primarily in Hong Kong, Macau and China through its self-sustaining subsidiary, GP Express. Their functional currency in these areas is Hong Kong Dollar. Certain management and administrative functions are also conducted in Canada by the Corporation and its subsidiaries. However the majority of the revenues, gross profit, assets and liabilities are attributable to the Corporation's operations in the Asia Pacific region. Management is of the opinion that the Corporation operates as a single reporting unit.

**18. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments include cash, term deposits, short term investments, accounts receivable, bank overdrafts, bank loans, accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to their immediate or short term nature. The fair value of amounts due to and from related parties are recorded at the agreed upon exchange amount.

(a) Interest Rate Risk

The Corporation is exposed to interest rate risk as a result of its bank overdraft and bank loan facilities. The Corporation's debenture bears a simple interest rate and therefore does not have an interest fluctuation risk (See Note 13 - Debentures).

(b) Credit Risk

The Corporation has trade receivables that are generally settled after 60-90 days from the close of the preceding month. The Corporation deals with pre-approved customers and outstanding amounts are monitored on an ongoing basis. Management believes adequate allowances have been made for doubtful accounts.

(c) Foreign Exchange

All sales and expenditures for the Corporation are primarily incurred in Hong Kong dollars and Macao pataca through its subsidiaries, GP Express and United Air Cargo. The currency translation of the intercompany loan between the Corporation and GP Express, which is stated in \$CDN, and the results of GP Express' operations are materially affected by currency exchange rate fluctuations between the Hong Kong dollar and Macao pataca vis-à-vis each other and against the Canadian dollar, thus impacting the Corporation's reported cumulative translation adjustment on a consolidated basis.

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During the year 2008 and 2007, the Corporation expanded its business into China. Transactions in China are conducted in the local currency, Renminbi (RMB). This results in the possibility of foreign currency gains and losses.

The Corporation is exposed to currency risk as its subsidiaries' functional currency is Hong Kong Dollars. Unfavourable changes in the applicable exchange rates may result in a decrease or increase in accumulated other comprehensive loss.

Additionally, expansion in the China may result in the Corporation having realized gains and losses on foreign exchange due to the RMB vis a vis the Hong Kong Dollars. These will impact directly on the Corporation's income statement.

**19. OPERATING ENVIRONMENT**

To the extent that the business of GP Express is located in Asia, its business, operations and financial position of GP Express are subject, to the economic, political and legal conditions in Asia. There is no assurance that future changes in such conditions will not have an adverse impact on GP Express.

Participation in the China market was a major corporate initiative during the 2008 year. The company had recruited a team of logistics experts in the locations of Beijing, Tianjin, Shanghai, Xiamen and Guangzhou for promoting the company business. Due to finance crisis impact at the 4<sup>th</sup> quarter, the Corporation had implemented the reconstruction plan in China by down size the over expanded locations.

The Corporation utilizes the services of a limited number of airlines to conduct the majority of its business.

**20. MATERIAL CONTRACTS**

(a) GP Express entered into a lease agreement, for office premises in Hong Kong with Oceanic Rich Ltd. from August 1, 2006 to June 4, 2009 at a lease payment of CDN20,059 (HK\$153,551) per month.

(b) GP Express entered into a lease agreement, for office premises in Hong Kong with United Hero Investment Ltd. from April 15, 2009 to April 14, 2011 at a lease payment of CDN\$10,611(HK\$70,458) per month.

(c) Contracts with related parties are listed in Note 6.

**21. COMMITMENTS**

At December 31, 2008, the Corporation had future aggregate minimum lease payments in respect of land and building under non-cancelable operating leases as follows:

	<b>HK\$</b>	<b>CDN\$</b>
2009	926,777	139,563
2010 – 2013	2,300,564	346,442
<b>Total</b>	<b>3,227,341</b>	<b>486,005</b>

**22. COMPARATIVE FIGURES**

Certain figures have been reclassified to conform to the current year's presentation.