GRAND POWER LOGISTICS GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

GRAND POWER LOGISTICS GROUP INC.

DECEMBER 31, 2009 and 2008

CONTENTS

	Page
MANAGEMENT'S REPORT	1
AUDITORS' REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	3
Consolidated Statements of Loss, Comprehensive Loss and Retained Earnings	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 24

GRAND POWER LOGISTICS GROUP INC.

MANAGEMENT'S REPORT TO SHAREHOLDERS

The management of Grand Power Logistics Group Inc. is responsible for the accompanying consolidated financial statements of Grand Power Logistics Group Inc. and all other information in this annual report. The statements reflect the results for the years ended December 31, 2009 and 2008, and the financial status of the Corporation as at these dates.

Management's responsibility includes ensuring that the consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles and that the appropriate systems of internal controls are in place to provide reasonable assurance as to the reliability of the financial information, as well as the safety of all the Corporation's assets.

The Board of Directors oversees management's responsibilities for the consolidated financial statements, through the activities of its Audit Committee. The Committee meets with management and the Corporation's auditors, DNTW Chartered Accountants to review the consolidated financial statements and recommend approval by the Board of Directors. The consolidated financial statements have been approved by the Board of Directors. The Audit Committee also meets periodically with management and the external auditors to review internal controls, audit results and accounting principles and practices.

The consolidated financial statements have been audited by DNTW Chartered Accountants who were appointed by the shareholders at the annual shareholders' meeting. Their report is printed separately.

(signed) Tong Ricky Chiu
President & Chief Executive Officer

(signed) Alan Chan
Chief Financial Officer

DNTW
Chartered Accountants, LLP

AUDITORS' REPORT

To the Shareholders of Grand Power Logistics Group Inc.

We have audited the consolidated balance sheets of Grand Power Logistics Group Inc. as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) DNTW
CHARTERED ACCOUNTANTS, LLP

Calgary, Alberta, Canada
April 9, 2010

GRAND POWER LOGISTICS GROUP INC.
CONSOLIDATED BALANCE SHEETS
AS AT

(Expressed in Canadian Dollars)		December 31 2009		December 31 2008
ASSETS				
CURRENT				
Cash	$	6,345,119	$	3,441,256
Bank term deposits (Note 4)		1,781,420		4,693,680
Accounts receivable		24,424,873		24,050,004
Due from related parties (Note 6)		780,815		1,490,963
Deposits and prepaids (Note 7)		1,298,209		1,425,109
Short term investment (Note 5)		1,098,939		781,474
		35,729,375		35,882,486
LONG TERM				
Property, plant and equipment (Note 8)		2,213,580		1,170,921
Goodwill (Note 10)		968,394		1,165,013
		3,181,974		2,335,934
	$	38,911,349	$	38,218,420
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Bank overdraft (Note 11)	$	2,303,616	$	5,428,618
Bank loan current portion(Note 11)		7,872,514		5,262,792
Accounts payable and accrued liabilities		14,819,365		14,582,761
Taxes payable		76,155		35,354
Due to directors (Note 9)		3,105		3,160
Due to related parties current portion (Note 6)		264,805		46,159
Debentures current portion (Note 13)		-		1,626,228
		25,339,560		26,985,072
LONG TERM				
Bank Loan (Note 11)		1,319,814		-
Due to related parties (Note 6)		376,453		-
Debentures (Note 13)		1,939,996		-
Future taxes (Note 12)		32,256		31,273
		29,008,079		27,016,345
NON-CONTROLLING INTERESTS		590,292		203,984
COMMITMENTS, CONTINGENCIES AND GUARANTEES (Note 23, 24)				
SHAREHOLDERS' EQUITY				
Equity component of convertible debentures (Note 13)		1,633,619		65,173
Common shares (Note 15)		14,335,600		14,316,728
Contributed surplus (Note 15)		858,465		836,710
Retained earnings				
Accumulated net income (loss)		(6,254,944)		(5,035,839)
Accumulated other comprehensive gain (loss) (Note 16)		(1,259,762)		815,319
		9,312,978		10,998,091
	$	38,911,349	$	38,218,420

Approved on Behalf of the Board

("signed") Ricky Chiu 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 LOSS, COMPREHENSIVE LOSS AND RETAINED EARNINGS
FOR THE YEAR ENDED

	December 31, 2009	December 31, 2008
REVENUE	$ 112,564,793	$ 141,998,476
COST OF REVENUE	103,090,727	134,859,554
GROSS PROFIT	9,474,066	7,138,922
EXPENSES		
General and administrative	8,761,510	9,903,382
Bad debts	1,256,543	1,861,704
Foreign exchange (gain)/ Loss	(885,588)	750,384
Bank Interest	551,405	542,728
Goodwill impairment (Note 10)	29,301	377,621
Amortization of property, plant and equipment	269,803	258,119
Interest on debentures (Note 13)	234,918	94,372
Amortization of deferred costs	61,542	44,323
Stock based compensation (Note 15)	21,755	43,510
	10,301,189	13,876,143
LOSS FROM OPERATIONS	(827,123)	(6,737,221)
OTHER ITEMS		
Interest income	117,651	110,545
Sundry income	33,605	93,854
Unrealized Gain/(loss) on investment - Unit Trust (Note 5)	470,532	(818,210)
Project expenses written off	(454,187)	(177,248)
Loss on disposal of property, plant and equipment	(203,625)	(22,826)
Impairment loss of fair value for investment of a subsidiary	(269,590)	-
LOSS BEFORE INCOME TAX	(1,132,737)	(7,551,106)
PROVISION FOR INCOME TAX (Note 12)	68,836	7,324
NET LOSS BEFORE NON CONTROLLING INTERESTS	(1,201,573)	(7,558,430)
MINORITY INTERESTS	17,532	28,131
NET LOSS	(1,219,105)	(7,586,561)
OTHER COMPREHENSIVE GAIN (LOSS)		
Unrealized gains/ (losses) on translating foreign operations	(2,075,081)	2,292,487
COMPREHENSIVE LOSS	(3,294,186)	(5,294,074)
RETAINED EARNINGS, BEGINNING OF PERIOD		
Accumulated net income/ (loss)	(5,035,839)	2,550,722
Accumulated other comprehensive gain/ (loss)	815,319	(1,477,168)
	(4,220,520)	1,073,554
RETAINED EARNINGS, END OF PERIOD		
Accumulated net income/ (loss)	(6,254,944)	(5,035,839)
Accumulated other comprehensive gain/ (loss)	(1,259,762)	815,319
	$ (7,514,706)	$ (4,220,520)
LOSS PER SHARE		
Basic and Diluted (Note 18)	$ (0.027)	$ (0.203)
WEIGHTED AVERAGE NUMBER OF SHARES		
Basic and Diluted (Note 18)	44,696,614	37,397,124

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

GRAND POWER LOGISTICS GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED

	December 31, 2009	December 31, 2008
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Net loss	$ (1,219,105)	$ (7,586,561)
Items not requiring an outlay of cash:		
Amortization of property, plant & equipment	269,803	258,119
Loss on disposal of property, plant & equipment	203,625	22,826
Amortization of deferred costs	61,542	44,323
Minority interest	17,532	28,131
Goodwill impairment (Note 10)	29,301	377,621
Bad debts	1,256,543	1,861,704
Project expenses written off	454,187	177,248
Impariment loss of fair value for investment of a subsidiary	269,590	-
Unrealized (Gain)/loss on investment - Unit Trust	(470,532)	818,210
Stock based compensation	21,755	43,510
	894,241	(3,954,869)
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	(1,631,412)	(2,580,444)
Due from related parties	710,148	(884,690)
Due to related parties	595,099	39,210
Deposits and prepaids	126,900	(703,676)
Accounts payable and accrued liabilities	236,604	4,322,645
Income taxes (refunded)/ payable	40,801	(38,296)
Due to directors	(55)	3,160
	78,085	157,909
	972,326	(3,796,960)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank term deposits	2,912,260	(89,775)
Share capital issuance (Note 15)	-	3,616,498
Share and debenture issuance costs (Note 15)	(146,056)	(239,836)
(Decrease) increase in bank overdraft	(3,125,002)	2,790,244
Increase (decrease) in bank loan	3,929,536	(2,393,002)
Convertible debenture repaid	(1,700,000)	-
Convertible debenture proceeds	3,688,000	-
Capital contribution into subsidiaries from non-controlling interests	84,541	-
	5,643,279	3,684,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of additional interest in subsidiary	(540)	-
Project expenses written off	(454,187)	(177,248)
Impairment loss of fair value of investment in a subsidiary	(269,590)	-
Additions to property, plant & equipment	(1,516,087)	(353,128)
Sales proceeds of property, plant & equipment	-	19,931
	(2,240,404)	(510,445)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,375,201	(623,276)
NET CASH AND CASH EQUIVALENTS, beginning of year	3,441,256	2,160,320
Foreign exchange gain (loss)	(1,471,338)	1,904,212
NET CASH AND CASH EQUIVALENTS, end of year	$ 6,345,119	$ 3,441,256

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

1. NATURE OF BUSINESS

Grand Power Logistics Group Inc. (the "Corporation") was incorporated under the Business Corporations Act (Alberta) on April 1, 2004 and is listed on the TSX Venture Exchange ("TSX-V") under the symbol "GPW".

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, and Guangzhou. GP Express also operates in other regions through subsidiaries and branch offices or supporting offices in Xiamen, Shanghai, Tianjin, Beijing and Los Angeles.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

(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 loss during 2009, it has taken steps to raise funding by private placements of the Corporation's shares and warrants, and improve its operating results for the first quarter of 2010. 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) 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. Management believes that the estimates used in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates. Significant areas requiring the use of management estimates include impairment assessment of goodwill, determination of the allowance for doubtful receivables, estimated useful lives of property, plant and equipment and valuation of fair value of stock options for calculation of stock based compensation expense.

(c) 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.

(d) Property, plant and equipment

Property, plant and equipment, is 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	20% - 50% straight line
Computer equipment, furniture & fixtures	20% - 33% straight line
Automotive equipment	33% straight line

(e) 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.

(f) 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.

(g) 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.

(h) 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 and China as self sustaining subsidiary and their functional currency are HK$, MOP and RMB respectively.

Utilizing this method, the consolidated statements of income and cash flows for the year ended December 31, 2009 and 2008, are translated into CDN dollars using an average rate for the year of CDN $0.1473 and CDN $0.1371 per HK$1.00, respectively. The consolidated balance sheets at December 31, 2009 and December 31, 2008 are translated into CDN dollars using the prevailing rate at December 31, 2009 of CDN $0.1349 and at December 31, 2008 of CDN $0.1580 per HK$1.00.

(i) 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. Dividend income is recognized when the right to receive payment is established.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 December 31, 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.
As December 31, 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 Corporation'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

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.

(p) Accounting changes

As of January 1, 2009, the Corporation adopted CICA section 3064, "Goodwill and Intangible Assets", which replaces section 3062, "Goodwill and Other Intangible Assets", and section 3450, "Research and Development Costs". This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition ad of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous CICA Handbook section 3062. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and its adoption did not have a material impact to the Corporation's financial position and results of operations.

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which applies to interim and annual financial statements for periods ending on or after January 20, 2009. This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of the financial assets and financial liabilities, including derivative instruments. The adoption of this standard had no impact on the Corporation's presentation of its financial position or results of operations as at December 31, 2009.

In June 2009, the CICA improved disclosures about financial instruments in the amendments to Section 3862, "Financial Instruments – Disclosures". The improved disclosures relate to the reliability of the inputs use in measurement of fair value. The amendments to Section 3862 apply to annual financial statements for fiscal years ending after September 30, 2009.

(q) Future Accounting Standards

In January 2009, the Canadian Accounting Standards Board issued a new standard for business combinations, CICA 1582 – Business Combinations, which is substantially converged with IFRS. The revised Canadian standard is effective for years beginning on or after January 1, 2011, with earlier adoption permitted. An entity adopting this section for a fiscal year beginning before January 1, 2011 shall disclose that fact and also is required to adopt CICA 1601 – Consolidated Financial

Statements and CICA 1602 – Non Controlling Interests effective at the same time. The Corporation is evaluating what impact this standard will have on the consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

For the Corporation, the conversion to IFRS will be required for interim and annual financial statements for the year ending December 31, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant difference in recognition, measurement and disclosures. The Corporation is currently evaluating the impact of the adoption of these new standards on its financial statements.

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 Ltd's issued share for a cost of HK$4,000 (CDN$630).

4. BANK TERM DEPOSITS

At December 31, 2009 the Corporation had bank term deposits in the amount of $1,781,420 (December 31, 2008 - $4,693,680). The term deposits mature on 11th January 2010 and to be rolled over on monthly basis with interest rate at 0.5% per annum.

The Corporation pledged the bank term deposits of $1,781,420 (December 31, 2008 - $4,693,680) as collateral for the banking facilities granted by the Hong Kong and Shanghai Banking Corporation Ltd and China Construction Bank (Asia) Corporation Ltd mentioned in Note 11.

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 Hong Kong and Shanghai Banking Corporation as part of the bank's security for the Corporation's banking facility as outlined in Note 11.

		2009		**2008**
Beginning balance	$	781,474	$	1,383,195
Foreign exchange (loss)/gain		(153,067)		216,489
Purchases		-		-
Unrealized gain / (loss) to fair value		470,532		(818,210)
Ending balance	$	1,098,939	$	781,474

6. RELATED PARTY TRANSACTIONS

The Corporation had the following transactions with related parties in the normal course of business and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties during the year:

(a) An agency agreement between GP Express and GP Express Holdings Inc. which 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$2,150,000 (CDN$316,740) and HK$1,600,000 (CDN$235,714) for the years ended December 31, 2009 and 2008 respectively. GP Express Holdings Inc. is 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 in the normal course of business at the agreed upon exchange amount. The agreement between GP Express and GP Express Holdings Inc. was terminated on 30 September 2009.

(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 was 80% owned by Wan Kee Chiu, a former director of the Corporation. These amounts are recorded in the normal course of business at the agreed upon exchange amount. The agreement between United Air Cargo and Golden Power was terminated on 30 September 2009.

(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.

(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(e) below, as well as loans and advances among the parties relating to forwarding operations, office expenses, travel and collection activities. Except for a loan of HK$ 6,000,000 (CDN$809,892) due to Bao Shinn Express Co Ltd which is unsecured, interest bearing at 5.5% per annum and repayable over 36 installments commencing from May 2009, these amounts are unsecured, bear no interest, and will be repaid in the normal course of business. As at December 31, 2009 and December 31, 2008, the amounts due from and to related parties were as follows:

	Due from		**Due to**	
	2009	**2008**	**2009**	**2008**
Golden Power International Express Co. Ltd. (1)	$649,658	$ 1,270,050	$ -	$ -
New United Trading Company Ltd. (2)	101,236	133,847	-	-
GP Express Holdings Inc. (3)	1,056	5,875	-	-
Bao Shinn Express Co Ltd (4)	-	47,402	641,258	-
InterPacific Capital Ltd. (5)	28,865	33,789	-	-
Grand Power Express Tourism Co Ltd (6)		-	-	46,159
	$780,815	$ 1,490,963	$641,258	$ 46,159

(1) Golden Power International Express Co. Ltd., 80%-owned by the estate of the late Mr. Wan Kee Chiu, a former director of the Corporation.
(2) New United Trading Company is owned by Lam In Wai, a director of the Corporation. Amount due from it represents deposit paid for using its Macau airline's airway bills to conduct business in Macau.
(3) The late Mr. Wan Kee Chiu was the major shareholder and a former director of the company.
(4) The late Mr. Wan Kee Chiu was the major shareholder and a former director of the company which provides travel services in Hong Kong. Amounts due to Bao Shinn Express Co. Ltd within 12 months are classified as current liability in the consolidated balance sheet, and those due over 12 months are classified as non current liability.
(5) 15% owned by Candace Wong, a director of the Corporation. The amount due from the company represents the recharges for sharing of offices in prior year.
(6) The late Mr. Wan Kee Chiu was the major shareholder and a former director of the company which provides travel services in Macau.

(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 year 2009 and 2008 measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties were as follows:

	Sales		**Purchases**	
	2009	**2008**	**2009**	**2008**
Golden Power International Express Co. Ltd. (1)	$151,209	$ 419,751	$12,606	$68,099
Bao Shinn Express Co Ltd (4)	-	42,594	35,371	413,942
Bao Shinn International Express Co Ltd (2)	-	103,017	3,547	65,106
Bao Shinn Holidays Ltd.(6)	-	-	16,816	-
InterPacific Capital Ltd (5)	-	34,758	-	-
HK Airlines Holidays Travel Co. Ltd (7)	-	-	10,413	-
Mr. Chiu Wan Kee (8)	-	-	9,430	-
Mr. Chiu Tong, Ricky (8)	-	-	2,358	-

	$151,209	$930,520	$90,541	$1,231,663

(1), (4) and (5): footnotes as Note 6 (d) above

(2) Its holding company is Baoshinn Corp which is a listed company in USA. Lam In Wai and Ricky Chiu are the directors of the company. Bao Shinn International Express Co Ltd provides travel services in Hong Kong. Purchases in 2009 are made in the normal course of business for travel services.

(6) Bao Shinn Holidays Ltd. is 55% owned by (2) Bao Shinn International Express Co. Ltd. It provides travel services in Hong Kong. Purchases in 2009 are made in the normal course of business for travel services.

(7) HK Airlines Holidays Travel Co. Ltd. is 100% owned by (4) Bao Shinn Express Co. Ltd. It provides travel services in Hong Kong. Purchases in 2009 are made in the normal course of business for travel services.

(8) The Corporation paid rental payments to the late Mr. Chiu Wan Kee and Mr. Chiu Tong, Ricky for an office premise located in Macau.

(f) During the year 2009, the Corporation paid consulting fees of $45,000 (2008 - $45,000) to AC Capital Inc., a company owned by Alan P. Chan, a director and officer of the Corporation.

(g) During the year 2009, the Corporation purchased a property in the PRC from a director, Ricky Chiu at RMB 7,527,176 (CDN 1,016,033). The total purchase cost of the property, including taxes and government levies paid, is RMB 8,248,580 (CDN 1,113,410). The purchase consideration paid is pursuant to a valuation performed on the property by an independent valuation company and stated at the exchange amount.

7. DEPOSITS AND PREPAIDS

	2009	2008
Deposits and advances	$ 1,256,721	$ 1,290,129
Prepayments	41,488	134,980
	$ 1,298,209	**$ 1,425,109**

8. PROPERTY, PLANT AND EQUIPMENT

2009	Cost	Accumulated Amortization	Net
Leasehold property	$ 1,431,266	$ 47,098	$ 1,384,167
Leasehold improvements	130,138	38,178	91,960
Computer equipment, furniture & fixtures	755,323	379,403	375,920
Automotive equipment	512,798	151,266	361,533
	$ 2,829,525	**$ 615,945**	**$ 2,213,580**

2008	Cost	Accumulated Amortization	Net
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
	$ 1,846,712	**$ 675,791**	**$ 1,170,921**

9. DUE TO DIRECTORS

The amounts of $3,105 (2008 - $3,160) are due to Lam In Wai and Ricky Chiu for expense reimbursement.

10. GOODWILL

During the year 2006 and 2007, the Corporation acquired 100% and 51% equity interests in GP Macau and BSI Logistics respectively. As a result of the annual goodwill impairment test, no write-off is required in respect of GP Macau for the year ended December 31, 2009 (2008: $377,621). In respect of BSI Logistics, it is subject to a write-off in the amount of $29,301 for the year ended December 31, 2009 (2008: Nil) due to the sale of BSI Logistics in subsequent period (Note 26). The remaining balance of the goodwill arising from these acquisitions amounted to $968,394 (2008 - $1,165,013) as at December 31, 2009.

	Acquisition of BSI Logistics	Acquisition of GP Macau	Total
Goodwill as at 01.01.2009	$ 25,199	$ 1,139,814	$ 1,165,013
Additions	-	-	-
Disposals	(29,301)	-	(29,301)
Exchange reserve	4,102	(171,420)	(167,318)
Goodwill as at 31.12.2009	$ -	$ 968,394	$ 968,394

11. BANKING FACILITIES

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

	2009	**2008**
Bank overdraft (CCBA) (1) (c)	2,275,053	$2,546,118
Bank overdraft (HSBC) (2) (e)	28,563	2,882,500
	2,303,616	5,428,618
HSBC SpGS Loan (h)	1,619,784	-
Accounts Receivable Factoring (HSBC) (g)	7,572,543	5,262,792
	9,192,327	5,262,792
	$11,495,943	**$ 10,691,410**

(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. These facilities were subsequently superseded by facility letter dated June 25, 2008 and June 29, 2009 and December 29, 2009 as follows:

(a) Bank Overdraft Line whereby GP Express was granted an overdraft facility of HK$10,000,000 ($1,349,820) (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 ($1,336,321) (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 December 31, 2009, the Corporation had utilized its overdraft lines to the amount of HK$16,854,492 ($2,275,053) (December 31, 2008 - HK$16,114,672 ($2,546,118)).

(d) Bank Guarantee Line for HK$4,000,000 ($539,928) (2008: HK$4,000,000 ($632,000)) to be backed by acceptable Letters of Indemnity. At December 31, 2009, HK$3,700,000 had been utilized to support bank guarantees issued to airline companies. Each guarantee issued is subject to a 1% flat handling commission.

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 Tong (Ricky) Chiu, 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 ($2,986,072).

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 ($2,024,730) (2008: HK$25,000,000 ($3,950,000)) at 1% over the the bank's Best Lending Rate (5% at December 31, 2009 and 5% at December 31, 2008). At December 31, 2009 HK$211,608 ($28,563) (2008: HK$16,257,790 ($2,568,730)) 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 2% per annum on the guaranteed amount, with a minimum charge of HK$1,500 ($202). At December 31, 2009 HK$12,610,000 ($1,702,123) (2008: HK$16,401,290 ($2,591,404)) was utilized.

(g) 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 Logistics Limited up to 90 days credit period based on 70% (previously 75%) of the invoiced value. The discounting fee is charged at the rate of 0.75% per annum above the Hong Kong Best Lending rate which is 5% at December 31, 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 December 31, 2009 amounted to HK$56,100,397 ($7,572,543) (2008: HK$33,307,157 ($5,262,792)).

(h) On 27 August 2009, GP Express obtained a loan of HK$12,000,000 ($1,619,784) 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.

At December 31, 2009, the repayment of the principal of the SpGS loan falls due as follow:

	HK$	**CDN$**
2010	2,222,300	299,970
2011	2,666,760	359,965
2012	2,666,760	359,965
2013	2,666,760	359,965
2014	1,777,420	239,919
Total	**12,000,000**	**1,619,784**

The above banking facilities with the Hongkong and Shanghai Banking Corporation were secured by 27,043.43 units of unit trust in various funds (2008: 26,996.33 units in various funds), being a short term investment held by GP Express, and GP Express's bank term deposits of $1,781,420 (2008 - $4,693,680) (Note 4). 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$14,000,000 ($2,015,748) 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.

12. INCOME TAXES

The Corporation has operations in Canada, USA, Hong Kong, Macau, and China, the latter being low tax rate jurisdictions. Unremitted earnings of foreign subsidiaries included in the consolidated retained earnings aggregate to $3,773,143 at December 31, 2009 and $3,927,000 at December 31, 2008. These earnings, which reflect full provision for foreign income taxes, are indefinitely re-invested in self-sustaining foreign operations.

The provision for income taxes consists of the following:

Current tax	**2009**	**2008**
Canada	$ -	$ -
Foreign - Asia	62,789	22,386
	$62,789	$22,386
Future tax	**2009**	**2008**
Canada	$ -	$ -
Foreign – Asia	6,047	(15,062)
	6,047	(15,062)
Income tax expense	**$ 68,836**	**$ 7,324**

The Corporation is subject to income taxes in Canada while the subsidiaries, GP Express and its subsidiaries are subject to their relevant income tax laws.

A reconciliation of the tax computed at the Canadian statutory rate to the provisions for income taxes for the Corporation is as follows:

	2009	**2007**
Reconciliation of variance from statutory income tax rate:	29.0%	29.5%
Income taxes at statutory rates	$(328,494)	$(2,079,829)
Lower tax rates on earnings for foreign subsidiaries	181,330	438,008
Utilization of prior unrecognized foreign losses	(304,841)	-
Temporary differences between book and tax items for foreign subsidiaries	43,615	(19,853)
Unrealized foreign exchange losses	95,850	83,200
Foreign subsidiary earnings in non-taxable jurisdiction(s)	330,530	31,944
Stock based compensation	6,309	12,835
Non-taxable capital losses (gains) in foreign jurisdicti-on	-	367,568
Other Items	358,774	(317,412)
Deductible items booked to share capital	43,087	30,984
Canadian rate reduction on valuation allowance	(20,573)	(3,945)
Change in valuation allowance	(377,897)	1,449,176
Income tax expense - current	**$68,836**	**$ 7,324**

A summary of the future income tax asset is as follows:

	2009	**2008**
Issuance costs capitalized	$88,670	$ 132,392
Net operating losses carried forward in Canada	997,562	770,256
Net operating losses carried forward in other jurisdictions	729,621	1,313,567
Unrealized foreign exchange	87,822	78,760
Other	5,427	
Total	1,731,723	2,294,975
Valuation allowance for future tax asset	1,731,723	(2,294,975)
	$ -	**$ -**

A summary of the future income tax liability is as follows:

	2009	**2008**
Excess of book values over tax values	**$**	**$ 26,603**

The Corporation has long term non-capital losses carried forward in various jurisdictions with the following benefits assigned:

		Year of Expiry	**Losses Benefit**
Canada	Grand Power Logistics Group Inc.	2014	344,000
		2015	604,000
		2026	469,000
		2027	732,000
		2028	807,000
		2029	808,000
HK	Grand Power Express International Limited.	n/a	2,037,000
Shanghai	Grand Power Express Forwarder Co Ltd.	n/a	1,617,000
China and others	Various entities	5 years to unlimited	2,953,000
US	Grand Power Express International USA Corp.	n/a	

The Corporation, as the parent company, will treat income repatriated from GP Express as taxable surplus and provision for taxes will be made at the statutory rates. The parent has no intention or need to repatriate earnings in the foreseeable future.

13. DEBENTURES

Pursuant to non-brokered private placements on March 6, 2007 and March 13, 2007, the Corporation issued $1,000,000 of 5.0% unsecured convertible debentures each, for a total of $2,000,000. Each debenture was convertible at the option of the holder at a price of $0.60 per common share at any time up to February 26, 2009 and March 13, 2009 respectively. Interest was payable semi-annually. The Corporation issued 600,000 warrants to the debenture holders for each debenture issuance for a total of 1,200,000 warrants. The warrants expired February 26, 2009 and March 13, 2009 respectively and were exercisable at $0.60 and $0.65 per share respectively. The Corporation could have forced conversion of the debentures at any time after the trading price of the common shares had closed at $0.75 or higher for 10 consecutive trading days. These debentures were fully converted, repaid and amortized by March 31, 2009.

The value of the debt liability was determined by discounting the principal and future interest payments at a discount rate representing the estimated borrowing rate which would be available to the Corporation for similar debentures without conversion rights and the balance was allocated between the conversion rights and the fair value of the warrants estimated using the Black-Scholes option pricing model.

The following summarizes the debenture components as at December 31, 2009:

	2009	**2008**
Unsecured 5.0% convertible debentures maturing February 26, 2009 and March 13, 2009, interest payable semi annually		
Remaining amount raised by private placement, March 6, 2007	$ 752,400	$ 1,000,000
Remaining amount raised by private placement, March 13, 2007	950,000	950,000
Less: Debentures converted to common shares	-	247,600(1)
Debentures at year end	1,702,400	1,702,400
Less: equity component of convertible debentures attributable to conversion	54,508	54,508
Less: equity component of convertible debentures attributable to warrants	10,665	10,665
Debentures, net of equity portion before deferred cost	$1,637,227	$1,637,227
Less: deferred cost (Note 12)	-	10,999
Less: debenture matured	1,637,227	-
Debentures, net of equity portion (Current liability)	**-**	**$1,626,228**

(1) This amount represents $250,000 of debentures converted to common shares less the equity component of the warrants.

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 20, 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.

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 March 20, 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 9, 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 December 31, 2009:

	2009
Unsecured 10.0% convertible debentures maturing March 20, 2011 and July 9, 2011, interest payable quarterly	
Amount raised by private placement, March 20, 2011	$ 1,487,000
Amount raised by private placement, July 9, 2011	2,201,000
Less: amount converted to common shares	20,000
Debentures at period end	3,668,000
Less: equity component of convertible debentures attributable to conversion	1,633,619
Debentures, net of equity portion before deferred cost	2,034,381
Less: deferred cost (Note 12)	94,385
Debentures, net of equity portion (Long term liability)	**$ 1,939,996**

Debenture interest for the year ended December 31, 2009 amounted to $234,918 (2008 – $94,372).

At December 31, 2009, the Corporation had future payments as follows, assuming no conversion of the debentures:

2011	$ 3,668,000

14. DEFERRED COSTS

	2009	**2008**
Deferred debenture expenses	$ 10,999	$ 63,086
Add: deferred debenture expenses current year	146,056	-
Less: share issuance expense re converted debentures	1,128	7,764
Less: amortization	61,542	44,323
Unamortized debenture expenses	**$ 94,385**	**$ 10,999**

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 year ended December 31, 2009, $20,000 (2008 - $250,000) 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.

15. SHARE CAPITAL

Authorized
Unlimited Common shares
Unlimited Preferred shares, issuable in series

	2009	**2008**	**2009**	**2008**
Issued Common shares	Number	Number	$	$
Balance, beginning of year	44,692,778	34,154,615	$14,316,728	$10,700,230
Conversion of debentures	100,000	416,663	20,000	247,600
For cash by private placement	-	10,121,500	-	3,535,050
	44,792,778	44,692,778	14,336,728	14,482,880
Less share issue expenses	-	-	1,128	166,152
	44,792,778	**44,692,778**	**14,335,600**	**14,316,728**

On December 18, 2009, the Corporation issued 100,000 common shares pursuant to the conversion of $20,000 of debentures. As a result, amounts of $11,419 and $8,581 were reallocated to share capital from the "Debenture" account and the "Equity component of convertible debentures" account, respectively. In addition, $1,128 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.

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 were 1,125,000 of these options outstanding and they were exercisable at a price of $0.35 per share until October 31, 2009 at which time these options expired unexercised.

During 2007 the Corporation issued 1,790,000 options of which 790,000 are 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. 200,000 of these options were cancelled during 2009.
During the year ended December 31, 2008, the Corporation issued 200,000 options which are exercisable at $0.70. These options were vested quarterly throughout a one-year term from May 1, 2008. These options were cancelled during 2009.

As at December 31, 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	$0.606
Granted	-	200,000	-	0.700
Less expired	1,525,000	-	0.440	-
Balance as at the end of year	**1,590,000**	**3,115,000**	**$ 0.780**	**$ 0.612**

(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 $21,755 (2008 - $43,510), which has been reflected in the income statement.

The fair value of options granted in 2009 was $Nil (2008 – $65,266). 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%
Dividend yield	**Nil**	**Nil**

16. FOREIGN CURRENCY TRANSLATION

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

	2009	**2008**
Opening balance	$ 815,319	$ (1,477,168)
Comprehensive gain/ (loss)	(2,075,081)	2,292,487
Ending balance	**$ (1,259,762)**	**$ $ 815,319**

Unrealized translation adjustments arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self-sustaining foreign operations. For the year ended December 31, 2009, an unrealized currency translation loss of $2,075,081 (2008: gain of 2,292,487) resulted primarily from changes in the exchange rates of the Canadian dollar against the Hong Kong dollar during the year.

17. SUPPLEMENTARY CASH FLOW INFORMATION

	2009	2008
Interest paid	$ 786,323	$ 633,303
Interest income	117,651	110,545
Taxes paid	21,988	7,324
Taxes refunded	-	-

18. LOSS PER SHARE

	2009	2008
Numerator:		
Net income (loss) for the period	(1,219,105)	(7,586,561)
Basic earnings (loss) for the period	(1,219,105)	(7,586,561)
Interest reduction assuming conversion of debentures	N/A	N/A
Diluted earnings for the period	(1,219,105)	(7,586,561)
Denominator:		
Weighted average number of shares outstanding - basic	44,696,614	37,397,124
Effect of convertible debentures and options	N/A	N/A
Weighted average number of shares outstanding - diluted	44,696,614	37,397,124
Earnings per share:		
Basic and diluted	(0.027)	(0.203)

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.

19. 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 this 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.

20. 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

Interest rate risk refers to the risk that interest expense on floating rate debt will vary as a result of changes in underlying interest rates.

The Corporation is exposed to interest rate risk as a result of its floating rate on bank overdraft and bank loan facilities. The Corporation currently does not hold any financial instrument to mitigate the risk. However, the Corporation’s management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. Bank overdraft and loans are at variable rate, and therefore expose the Corporation to cash flow interest-rate risk. The Corporation's debenture bears a simple interest rate and therefore does not have an interest fluctuation risk (See Note 13 - Debentures).

As at December 31, 2009, the floating rate portion of the Corporation's long-term debt represents 47% of the total, while the fixed rate portion represents 53%. All else being equal, a hypothetical variation of +1.0% in the prime interest rate on the floating rate portion of the Corporation's short-term bank loans and long-term debt held as at December 31, 2009, would have a negative impact of $144,959 on net income. A hypothetical variation of -1.0% in the prime interest rate would have the opposite impact on net income.

(b) Credit Risk

Credit risk refers to the risk that counterparty will fail to fulfill its obligations under a contract and, as a result, will cause the Corporation to suffer a loss. This risk is mitigated through credit policies that limit transactions according to counterparties' credit quality.

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. In addition, the Corporation reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Corporations' management believes adequate allowances have been made for doubtful accounts. There is no concentration of credit risk with respect to accounts receivable from third party customers as the Corporation has a large number of customers. The Corporation's maximum exposure to credit risk associated with financial assets is the total carrying value of those assets.

(c) Price Risk

The Corporation's short term investments are classified as investments held for trading. The Corporation is exposed to equity price risk for those investments mark to market value. Management intends to manage this exposure by maintaining a portfolio of investments with different risk profiles.

As at December 31, 2009, all else being equal, a hypothetical variation of +10.0% in the equity price on the Corporation's short-term investment held would have a positive impact of $190,894 on net income. A hypothetical variation -10.0% in the equity price would have the opposite impact on net income.

(d) Foreign Exchange Risk

All sales and expenditures for the Corporation are primarily incurred in Hong Kong dollars, Macao pataca and Renminbi (RMB) through its subsidiaries in the respective locations.. 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, Macao pataca and RMB vis-à-vis each other and against the Canadian dollar, thus impacting the Corporation's reported cumulative translation adjustment on a consolidated basis.

The Corporation is exposed to currency risk as its subsidiaries' functional currency is Hong Kong Dollars. Unfavorable changes in the applicable exchange rates may result in a decrease or increase in accumulated other comprehensive loss. These will impact directly on the Corporation's income statement.

During 2009, all else being equal, a hypothetical strengthening of 5.0% of the HK dollar against the Canadian dollar would have a positive impact of $465,649 on other comprehensive income. A hypothetical weakening of 5.0% of the HK dollar against the Canadian dollar would have the opposite impact on other comprehensive income.

The Corporation currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises or to balance those assets and loans that are denominated in foreign currencies.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its current obligations when they fall due. The Corporation measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Corporation. The Corporation believes that it has sufficient access to capital through operating cash flows and existing banking facilities to meet the financial obligations as and when they fall due.

21. 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.

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

22. MATERIAL CONTRACTS

(a) GP Express entered into a lease agreement, for office premises in Hong Kong with United Hero Investment Limited from April 15, 2009 to April 14, 2011 at a lease payment of CDN10,379 (HK$70,458) per month.

(b) GP Express's subsidiary companies in China have entered into lease agreements with various parties for office premises in places of their operations. The amounts of outstanding obligations as of December 31, 2009 to make payments pursuant to these lease agreements are included in the amount disclosed in Note 23.

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

23. COMMITMENTS

At December 31, 2009, the Corporation had future aggregate minimum lease payments in respect of land and building under non-cancelable operating leases as follows:

	HK$	CDN$
2010	3,065,634	413,805
2011 – 2014	1,957,420	264,216
Total	**5,023,054**	**678,021**

At December 31, 2009, the Corporation had future commitment in respect of capital injection of a subsidiary company in the PRC falling due as follows:

	HK$	CDN$
2010	-	-
2011 – 2014	33,643,311	4,541,241
Total	**33,643,311**	**4,541,241**

At December 31, 2009, the Corporation had future aggregate minimum payments in respect of services under non-cancelable contracts as follows:

	HK$	CDN$
2010	112,843	15,232
2011 – 2014	3,032	409
Total	**115,875**	**15,641**

24. CONTINGENT LIABILITIES

At December 31, 2009, the Corporation has given corporate guarantees to banks in respect of bank guarantees issued by banks to third parties which amounted to HK$16,310,000 – CDN$2,201,556 (2008: HK$20,581,290 – CDN$3,251,843).

At December 31, 2009, the Corporation's subsidiary company in Macau, Grand Power Express Forwarders Company Limited has agreed to provide a supplier either banking guarantee or standby letter of credit up to MOP1,600,000 – CDN$209,681 (2008: MOP1,600,000 – CDN$245,437).

25. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are:

- To safeguard the Corporations' ability as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Corporation includes the follow in its capital:

- Shareholder's equity;
- Long-term debt including the current portion;
- Cash and cash equivalents and short-term investments.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio (gearing ratio). This ratio is calculated as net debt / adjusted capital. Net debt is calculated as total debt (as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. common shares, non-controlling interests).

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2008.

26. SUBSEQUENT EVENTS

On January 4, 2010, Lumen Corporation Limited, a wholly owned subsidiary company of the Corporation, entered into an agreement with Castle Island Limited to purchase a property situated in Hong Kong at a consideration of HK$15,500,000 from Castle Island Limited, in which Mr. Chiu Tong Ricky is the sole shareholder and director.

On January 29, 2010, the Corporation disposed of its entire 100% equity interest in its subsidiary, Parkway Global Limited ('Parkway'), which holds 51% equity interest in BSI Logistics Limited ('BSI'), to BSI's third party minority shareholder based on the net asset value of BSI as of December 31, 2009 for HK$3,048,522.50 (CDN 411,496). Parkway and BSI collectively hereinafter referred to as the 'Disposed Group', contributed $26,521,078 of revenue and $402,380 of profit before taxation for the year ended December 31, 2009 to the Corporation. The combined net assets disposed contained in the consolidated financial statements as of December 31, 2009 are:

Net assets disposed:	**$**
Property, plant and equipment	30,996
Accounts receivable	6,872,428
Deposits and prepaid	15,648
Due from related parties	26,145
Cash and bank term deposits	343,953
Due to Disposed Group	80,139
Taxes payable	(76,155)
Accounts payable and accrued liabilities	(4,445,502)
Bank loan	(2,042,013)
Future taxes	(137)
Non-controlling interests	(395,358)
Amount due from Disposed Group written off	157,525
Total assets disposed:	**$ 567,669**

On March 31, 2010, the Corporation announced it has completed a private placement of 6,666,833 units priced at $0.30 per Unit, as hereinafter defined, for gross proceeds of $2 million. Each Unit is comprised of one common share of the Corporation (each a ‘Common Share’) and one-half of one common share purchase warrant (each whole Common Share purchase warrant, a ‘Warrant’) of the Corporation. Each Warrant entitles the holder thereof to subscribe for one additional common share of the Corporation (each a ‘Warrant Share’) at an exercise price of $0.42 per Warrant Share at any time prior to the March 31, 2012. The Units sold under this private placement, including the Common Shares and Warrant Shares, are subject to a statutory four month hold period. Finders’ fees in the aggregate of $118,793 were paid in relation to the private placement. The proceeds from the private placement will be primarily used to finance the GP Express’s daily operations.

Subsequent to the year end, GP Express is notified that it is being involved in a legal case in the PRC in which the plaintiff is claiming damages, costs and interest against five defendants, including GP Express, in relation to the alleged damages amounting to USD 648,024 for loss on the plaintiff’s export shipments to the United States of America in March 2009. The Corporation has reported the case to its insurance company and appointed legal counsel in the PRC to deal with this case. Up to the date of this Financial Statements, there is no judgment received from the competent court of the PRC and the Corporation’s management considers that it is premature to conclude on the likelihood of the outcome of this legal case. Accordingly, no provision has been made in the financial statements.

27. COMPARATIVE FIGURES

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