

**GRAND POWER LOGISTICS GROUP INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 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)	<b>March 31 2009</b>	<b>December 31 2008</b>
	Unaudited	Audited
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 2,179,493	\$ 3,441,256
Bank term deposits (Note 4)	4,696,654	4,693,680
Accounts receivable	20,500,801	24,050,004
Due from related parties (Note 6)	1,395,549	1,490,963
Deposits and prepaids (Note 7)	1,348,099	1,425,109
Short term investment (Note 5)	915,197	781,474
	31,035,793	35,882,486
<b>LONG TERM</b>		
Property, plant and equipment (Note 8)	1,114,688	1,170,921
Goodwill (Note 9)	1,165,013	1,165,013
	2,279,701	2,335,934
	\$ 33,315,494	\$ 38,218,420
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Bank overdraft (Note 10)	\$ 4,397,819	\$ 5,428,618
Bank loan (Note 10)	5,566,448	5,262,792
Accounts payable and accrued liabilities	10,408,566	14,582,761
Taxes payable	57,926	35,354
Due to directors	-	3,160
Due to related parties (Note 6)	41,111	46,159
Debentures (Note 11)	-	1,626,228
	20,471,870	26,985,072
<b>LONG TERM</b>		
Debentures (Note 11)	747,278	-
Future taxes	8,680	31,273
	21,227,828	27,016,345
<b>NON-CONTROLLING INTERESTS</b>		
	238,986	203,984
<b>SHAREHOLDERS' EQUITY</b>		
Equity component of convertible debentures	629,400	65,173
Common shares (Note 13)	14,316,728	14,316,728
Contributed surplus	853,026	836,710
Retained earnings		
Accumulated net (loss)/ income	(5,024,606)	(5,035,839)
Accumulated other comprehensive income/ (loss) (Note 14)	1,074,132	815,319
	11,848,680	10,998,091
	\$ 33,315,494	\$ 38,218,420

**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, COMPREHENSIVE INCOME AND RETAINED EARNINGS FOR THE THREE MONTHS ENDED

	<b>March 31, 2009</b>	<b>March 31, 2008</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>REVENUE</b>	\$ 25,431,055	\$ 23,059,663
<b>COST OF REVENUE</b>	22,928,446	21,937,251
<b>GROSS PROFIT</b>	2,502,609	1,122,412
<b>EXPENSES</b>		
General and administrative	2,276,137	1,643,686
Bank Interest	143,838	114,468
Amortization of property, plant and equipment	79,231	61,203
Interest on debentures	18,438	21,875
Stock based compensation (Note 13)	16,316	-
Amortization of deferred costs (Note 12)	12,070	11,323
Foreign exchange gain	(32,789)	-
	2,513,241	1,852,555
<b>LOSS FROM OPERATIONS</b>	(10,632)	(730,143)
<b>OTHER ITEMS</b>		
Unrealized gain on investment - Unit Trust	109,585	-
Sundry income	41,913	-
Interest income	2,307	24,717
Project expenses written off	(128,031)	-
Loss on disposal of property, plant and equipment	(4,283)	-
<b>INCOME/ (LOSS) BEFORE INCOME TAX</b>	10,859	(705,426)
<b>PROVISION FOR INCOME TAX</b>	(374)	-
<b>NET INCOME/ (LOSS) BEFORE NON CONTROLLING INTERESTS</b>	11,233	(705,426)
<b>MINORITY INTERESTS</b>	-	-
<b>NET INCOME/ (LOSS)</b>	11,233	(705,426)
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain on translating foreign operations	258,813	626,519
<b>COMPREHENSIVE INCOME/ (LOSS)</b>	270,046	(78,907)
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>		
Accumulated net (loss)/ income	(5,035,839)	2,550,722
Accumulated other comprehensive income/ (loss)	815,319	(1,477,168)
	(4,220,520)	1,073,554
<b>RETAINED EARNINGS, END OF PERIOD</b>		
Accumulated net (loss)/ income	(5,024,606)	1,845,295
Accumulated other comprehensive income/ (loss)	1,074,132	(850,649)
	(3,950,474)	994,646
<b>EARNINGS PER SHARE</b>		
Basic and Diluted (Note 16)	\$ 0.000	\$ (0.021)
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>		
Basic and Diluted	44,692,778	34,266,793

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 ENDED

	March 31, 2009	March 31, 2008
	Unaudited	Unaudited
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net income/ (loss)	\$ 11,233	\$ (705,427)
<b>Items not requiring an outlay of cash:</b>		
Amortization of property, plant & equipment	79,231	61,203
Loss on disposal of property, plant and equipment	4,283	-
Amortization of deferred costs	12,070	11,323
Unrealized gain on investment - Unit Trust	(109,585)	-
Project expenses written off	128,031	-
Stock based compensation	16,316	-
	141,579	(632,901)
<b>CHANGES (USED IN) PROVIDED BY NON-CASH WORKING CAPITAL</b>		
Accounts receivable	3,549,203	3,273,145
Due from related parties	95,414	(22,554)
Deposits and prepaids	77,010	(1,244,232)
Accounts payable and accrued liabilities	(4,174,195)	599,767
Income taxes payable	22,572	(17,565)
Due to director	(3,160)	-
Due to related parties	(5,048)	5,947
	(438,204)	2,594,508
	(296,625)	1,961,607
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank term deposits	(2,974)	1,868,956
Short term investment	-	(45,526)
Share and debenture issuance costs (Note 13)	(107,443)	-
Debenture issuance	1,487,000	-
Debenture redemption	(1,700,000)	-
(Decrease) increase in bank overdraft	(1,030,799)	15,338
Increase (decrease) in bank loan	303,656	(4,043,416)
	(1,050,560)	(2,204,648)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant & equipment	(27,281)	(161,080)
Sales proceeds of property, plant and equipment	29,590	-
	2,309	(161,080)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,344,876)	(404,121)
<b>NET CASH AND CASH EQUIVALENTS, beginning of period</b>	3,441,256	2,160,320
<b>Foreign exchange gain</b>	83,113	614,626
<b>NET CASH AND CASH EQUIVALENTS, end of period</b>	2,179,493	\$ 2,370,825

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 MONTHS ENDED MARCH 31 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 three month period ended March 31, 2009 are not necessarily indicative of the results that can be expected for the year ended December 31, 2009.

(a) Basis of presentation & going concern

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 incurred a significant loss during 2008, it has taken steps to improve its operating results for the first quarter of 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 three months ended March 31, 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. Management believes that the estimates used in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

(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.

(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.

**GRAND POWER LOGISTICS GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

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

Utilizing this method, the consolidated statements of income and cash flows for the three months ended March 31, 2009 and 2008 are translated into CDN dollars using an average rate for the period of CDN\$0.1606 and CDN\$0.1371 per HK\$1.00, respectively. The consolidated balance sheets at March 31, 2009 and December 31, 2008 are translated into CDN dollars using the prevailing rate at March 31, 2009 of CDN \$0.1626 and at December 31, 2008 of CDN \$0.1580 per HK\$1.00.

(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.

(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.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

(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 March 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.

At March 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 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

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

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.

**GRAND POWER LOGISTICS GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

(r) Adoption of new accounting policies

*Goodwill and Intangible Assets*

Effective January 1, 2009, the Corporation adopted CICA, Section 3064 “Goodwill and Intangible Assets”, which replaced Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development”. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This Section will apply to interim and annual financial statements on January 1, 2009 and will be adopted on a retrospective basis.

*Credit risk and fair value of financial assets and liabilities*

Effective January 1, 2009, the Corporation adopted Emerging issues committee abstract 173 – This abstract require entities to take both counterparty and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives.

*Financial Instruments – Disclosure and Presentation*

Effective January 1, 2008, the Corporation adopted two new CICA standards, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”, which replaced 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.

*Capital Disclosures*

As of January 1, 2008, the Corporation adopted CICA Section 1535 “Capital Disclosures” which requires additional disclosures of objectives, policies and processes for managing capital. In addition, disclosure includes whether companies have complied with externally imposed capital requirements.

(s) Future accounting changes

*International Financial Reporting Standards*

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.

*Business Combinations*

In January 2009, the CICA issued section 1582, “Business Combinations,” which will replace CICA section 1581 of the same name. Under this guidance, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of the exchange. Currently the purchase price used is based on the market price of the shares for a reasonable period before and after the date the acquisition is agreed upon and announced. This new guidance generally requires all acquisition costs to be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings each period until settled. Currently only contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill is required to be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. Section 1582 is effective for the Corporation on January 1, 2011 with prospective application.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

**3. BUSINESS ACQUISITIONS**

During the first 3 months of 2009, the Corporation did not have any business acquisition activities.

**4. BANK TERM DEPOSITS**

At March 31, 2009 the Corporation had bank term deposits in the amount of \$4,696,654 (December 31, 2008 - \$4,693,680). The term deposits matured in Jan 2009 are 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 \$4,696,654 (December 31, 2008 - \$4,693,680) as a collateral for the banking facilities granted by the Hong Kong and Shanghai Banking Corporation Ltd., China Construction Bank (Asia) Corporation Ltd and China Construction Bank Ltd mentioned in Note 10.

**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 10.

	<b>2009</b>		<b>2008</b>	
Beginning balance	\$	781,474	\$	1,383,195
Foreign exchange gain		24,138		216,489
Unrealized gain/ (loss) to fair value		109,585		(818,210)
Ending balance	\$	915,197	\$	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 way bills to its customers in Guangzhou, China, Bangkok, Thai, Taipei and Taiwan where GP Express had no or currently has no branch offices. The fee paid to GP Express Holdings Inc. was HK\$830,000 (CDN\$133,298) and HK\$480,000 (CDN\$77,088) for the three months ended March 31, 2009 and 2008 respectively. GP Express Holdings Inc. is owned by Wan Kee Chiu, a director of the Corporation. These amounts are recorded at the agreed upon exchange amount.
- (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 act 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 director of the Corporation. These amounts are recorded at the agreed upon exchange amount.
- (c) Wan Kee Chiu and Tong (Ricky) Chiu facilitated obtaining 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 of the banking facility with HSBC. Wan Kee Chiu and Tong (Ricky) Chiu are directors of the Corporation.
- (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.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

At March 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)	\$ 1,128,716	\$ 1,270,050	\$ -	\$ -
New United Trading Company Ltd. (2)	121,958	133,847	-	-
GP Express Holdings Inc.	-	5,875	41,111	-
CAAC Pioneer Logistics (Macau) Co. Ltd.	84,074	-	-	-
CAAC Pioneer Logistics (Guangzhou) Co. Ltd.	60,801	-	-	-
Bao Shinn Express Co Ltd	-	47,402	-	-
InterPacific Capital Ltd. (5)	-	33,789	-	-
Grand Power Express Tourism Co Ltd (3)	-	-	-	46,159
	<b>\$ 1,395,549</b>	<b>\$ 1,490,963</b>	<b>\$ 41,111</b>	<b>\$ 46,159</b>

- (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. not registered to do this in Macau  
(3) Mr. Chiu Wan Kee is the major shareholder and director of the company which provides the travel services in Macao.  
(4) Its holding company is Baoshinn Corp which is listed company in USA, Lam In Wai, Ricky Chiu and Chiu Wan Kee are the directors of this company. Bao Shinn International Express Co Ltd provides travel services in Hong Kong.  
(5) 15% owned by Candace Wong, a wife of a director. The company provides the financial advisory services clients

- (e) Transactions made during the period are in the normal course of business involving sales and purchases between the Corporation and the related parties for the quarters ending March 31, 2009 and 2008 were as follows:

	Sales		Purchases	
	2009	2008	2009	2008
Golden Power International Express Co. Ltd. (1)	\$ 175,146	\$ 14,439	\$ 26,757	\$ 181
CAAC Pioneer Logistics (Macau) Co. Ltd.	33,092	-	-	-
Bao Shinn Express Co Ltd	-	11,016	-	-
Bao Shinn International Express Co Ltd (4)	-	45,634	-	22,620
InterPacific Capital Ltd (5)	-	32,644	-	-
	<b>\$ 208,238</b>	<b>\$103,733</b>	<b>\$26,757</b>	<b>\$22,801</b>

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

- (f) During the three months ended March 31, 2009, the Corporation paid consulting fees of \$11,250 (2007 - \$8,250) to AC Capital Inc., a company owned by Alan P. Chan, a director and officer of the Corporation.

**7. DEPOSITS AND PREPAIDS**

	March 31, 2009	December 31, 2008
Deposits and advances	\$ 1,229,130	\$ 1,290,129
Prepayments	118,969	134,980
	<b>\$ 1,348,099</b>	<b>\$ 1,425,109</b>

**8. PROPERTY, PLANT AND EQUIPMENT**

As at March 31, 2009			
	Cost	Amortization	Net
Leasehold property	\$ 195,132	\$ 47,282	\$ 147,850
Leasehold improvements	439,511	225,050	214,461
Computer equipment, furniture & fixtures	976,995	333,784	643,211
Automotive equipment	250,220	141,054	109,166
	<b>\$ 1,861,858</b>	<b>\$ 747,170</b>	<b>\$ 1,114,688</b>

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

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

### 10. BANKING FACILITIES

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

	<b>2009</b>	<b>2008</b>
Bank overdraft (CCBA) (1)	\$2,601,977	\$2,546,118
Bank overdraft (HSBC) (2)	1,795,842	2,882,500
	4,397,819	5,428,618
Accounts Receivable Factoring (HSBC)	5,566,448	5,262,792
	<b>\$ 9,964,267</b>	<b>\$ 10,691,410</b>

(1) China Construction Bank (Asia)

(2) Hong Kong Shanghai Banking Corporation

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

- (a) Bank Overdraft Line whereb GP Express was granted an overdraft facility of HK\$12,000,000 (\$1,951,320) (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 (\$1,609,839) (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 March 31, 2009, the Corporation had utilized its overdraft lines to the amount of HK\$16,001,334 (\$2,601,977) (December 31, 2008 - HK\$16,114,672 - \$2,546,118).
- (d) Bank Guarantee Line for HK\$20,000,000 -\$3,252,200 (2008: HK\$4,000,000 - \$632,000) to be backed by acceptable Letters of Indemnity. At March 31, 2009 although the limit was HK\$4,000,000 (\$650,440), HK\$4,450,000 (\$723,615) had been utilized to support bank guarantees issued to airline companies, the bank allowed the excess HK\$450,000 (\$73,175) 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.

**GRAND POWER LOGISTICS GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

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 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 (\$3,597,258).

The Corporation also had banking facilities with the Hong Kong and Shanghai Banking Corporation and provided the bank with a guarantee of payment of the present and future indebtedness and liability of GP Express per a letter dated February 26, 2007 and substituted by the new facility letter on January 30, 2008, August 26, 2008 and January 16, 2009 as below:

- (e) Bank overdraft line whereby GP Express was revised an overdraft facility in the amount of HK\$12,000,000 - \$1,951,320 (2008: HK\$25,000,000 - \$3,950,000) at the bank's Best Lending Rate (5% as at March 31, 2009) plus 1%. At March 31, 2009 HK\$11,043,861 - \$1,795,842 (2008: HK\$16,257,790 - \$2,568,730) was utilized.
- (f) Bank Guarantee Line was revised in the amount of HK\$18,000,000 (\$2,926,980) with a sub-limit of HK\$2,000,000 (\$325,220) being shared by one of the subsidiary company, BSI Logistics Limited. The bank charges on this Guarantee Line was at the rate of 2% per annum on the guaranteed amount, with a minimum charge of HK\$1,500 (\$244). At March 31, 2009 HK\$16,401,290 (\$2,667,014) (2008: HK\$16,401,290 (\$2,591,404)) was utilized.
- (g) On August 8, 2007 facility letter was substituted by letter dated January 16, 2009, GP Express obtained the factoring services from Hong Kong and Shanghai Banking Corporation at the maximum amount HK\$65,000,000 (\$10,569,650) by advance payment of GP Express's qualified accounts receivable with a sub-limit of HK\$20,000,000 (\$3,252,200) each being shared by its subsidiary company, BSI Logistics Limited and Redcap Logistics Limited up to 90 days credit period based on 70% 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 March 31, 2009. The utilized factoring services as at March 31, 2009 amounted to HK\$34,231,890 (\$5,566,448) (2008 : HK\$33,307,157 (\$5,262,792)).

The above banking facilities with the Hong Kong and Shanghai Banking Corporation were secured by 26,996.33 units trust in various Funds (2008: 26,996.33 units trusts 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 (\$1,788,710) 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 (\$4,065,250) 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 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.

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 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.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

The following summarizes the debenture components as at March 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 <sup>(1)</sup>
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	-
<b>Debentures, net of equity portion (Current liability)</b>	<b>-</b>	<b>\$1,626,228</b>

(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 23, 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 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 following summarizes the debenture components as at March 31, 2009:

	2009
Unsecured 10.0% convertible debentures maturing March 23, 2011, interest payable quarterly	
Amount raised by private placement, March 23, 2009	\$ 1,487,000
Debentures at period end	1,487,000
Less: equity component of convertible debentures attributable to conversion	629,400
Debentures, net of equity portion before deferred cost	\$857,600
Less: deferred cost (Note 12)	110,322
<b>Debentures, net of equity portion (Long term liability)</b>	<b>\$747,278</b>

Debenture interest for the 3 months ended March 31, 2009 amounted to \$18,438.

At March 31, 2009, the Corporation had future payments as follows, assuming non-conversion of the debentures:

2011	\$ 1,487,000
------	--------------

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

**12. DEFERRED COSTS**

	<b>2009</b>	<b>2008</b>
Deferred debenture expenses	\$10,999	\$63,086
Add: deferred debenture expenses current year	111,393	-
Less: share issuance expense re converted debentures	-	7,764
Less: amortization	12,070	44,323
<b>Unamortized debenture expenses</b>	<b>\$ 110,322</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 will be amortized over the remaining life of the debenture.

During the 3 months ended March 31, 2009, \$Nil (2008 - \$250,000) debentures were converted into common shares. During the 3 months ended March 31, 2009, an amount of \$12,070 (2008 - \$28,923) was amortized, with the resulting balance to be expensed over the remaining life of the debentures.

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

**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.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

(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.

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 March 31, 2009, the following options were outstanding and 3,065,000 are exercisable:

	<b>Number of Options</b>		<b>Weighted Average Price</b>	
	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:

	<b>2009</b>	<b>2008</b>
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>

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

**14. FOREIGN CURRENCY TRANSLATION**

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

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Opening balance	\$ 815,319	\$ (1,477,168)
Comprehensive gain	258,813	2,292,487
<b>Ending balance</b>	<b>\$ 1,074,132</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 period ended March 31, 2009, an unrealized currency translation gain of \$258,813 (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 period.

**15. SUPPLEMENTARY CASH FLOW INFORMATION**

	<b>2009</b>	<b>2008</b>
Interest paid	\$ 164,676	\$ 136,343
Interest income	2,307	24,717
Tax refunded	374	-

**16. EARNINGS PER SHARE**

	<b>2009</b>	<b>2008</b>
Numerator:		
Net income (loss) for the period	11,233	(705,426)
Basic earnings (loss) for the period	11,233	(705,426)
Interest reduction assuming conversion of debentures	N/A	N/A
Diluted earnings for the period	11,233	(705,426)
Denominator:		
Weighted average number of shares outstanding - basic	44,692,778	34,266,793
Effect of convertible debentures and options	N/A	N/A
Weighted average number of shares outstanding - diluted	44,692,778	34,266,793
Earnings per share:		
Basic and diluted	0.000	(0.021)

For the 2009 and 2008 calculations, including the additional shares that would be issued if the convertible debenture had been converted 7,435,000 (2008 - 2,833,333) more shares and adding the interest \$13,078 (2008 - \$94,372) 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 area are 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.

**GRAND POWER LOGISTICS GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

**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.

During 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 HK\$153,551 (\$20,059) per month.

**GRAND POWER LOGISTICS GROUP INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31 2009 AND 2008**

**UNAUDITED**

(b) GP Express entered into a new 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 HK\$70,458 (\$11,316) 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	2,395,587	378,503
2010 – 2013	2,151,915	340,003
<b>Total</b>	<b>4,547,502</b>	<b>718,506</b>

**22. SUBSEQUENT EVENTS**

There is no major subsequent events occurred.

**23. COMPARATIVE FIGURES**

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