

**Grand Power Logistics Group Inc.
Management's Discussion and Analysis
For the year ended December 31, 2009**

The information in this Management's Discussion and Analysis ("MD&A"), dated April 30, 2010 is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and the financial condition of Grand Power Logistics Group Inc. ("Grand Power Logistics" or the "Corporation" or "Company") and its subsidiaries, Grand Power Express International Ltd. of Hong Kong ("GP Express") and GP Express's subsidiaries.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Corporation for the years ended December 31, 2009 and 2008. All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward-looking Statements

Certain statements in this report, to the extent not based on historical events, are forward-looking statements based on certain assumptions and reflect Grand Power's current expectations. Forward-looking statements in this document include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond the Corporation's control, affect the operations, performance and results of the Corporation and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: current, pending and proposed legislative or regulatory developments in the jurisdictions where the Corporation operates, in particular in China; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the Logistics industries; technological change; fluctuation in currency value and changes in foreign exchange restrictions; changes in Chinese government support or restrictions on foreign investment; general economic conditions worldwide, as well as in China; the Corporation's success in developing and introducing new products and services, opening and operating new facilities, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels. This list of the factors that may affect any of the Corporation's forward-looking statements is not exhaustive. The Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise. Readers are cautioned not to put undue reliance on forward-looking statements.

1. Description of Business

Grand Power Logistics operates principally through its wholly owned Hong Kong based subsidiary, 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 are located in Macau, Shenzhen, Guangzhou, Shanghai, Xiamen, Tianjin and Beijing in China and in Los Angeles, California in the United States.

The key objective of the Corporation is to become a leading provider in logistics and related services in the Asia Pacific region and at the same time to increase its prominence in North America, Europe and elsewhere in the world as the Corporation expands its presence globally. In achieving its objective, the Corporation is continuously seeking opportunities to grow its revenue base and to capitalize on the industrialization of China as well as the growth of global commerce.

In order to achieve higher profit margin, the Corporation had shifted its strategy in 2009 to focus more effort in pursuing direct sales and sea-freight businesses from the traditional co-loading forwarding business.

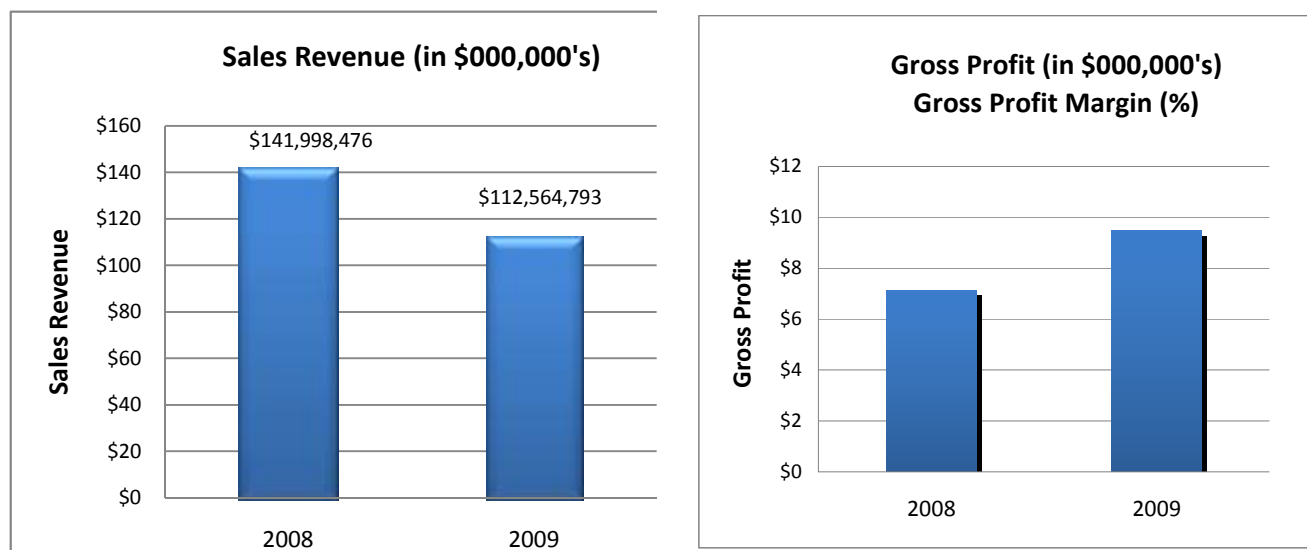
2. Overview of Operations and Financial Condition

For the year ended December 31, 2009, the Corporation continued to be negatively affected by the weak consumption markets in North America and Europe as a result of the economic crisis in 2008. The demand for exports from Hong Kong and China to these destinations continued to be stagnant. The decrease in oil prices is also accountable for the decrease in revenue. Nevertheless, the Corporation was successful in pursuing high profit margin business which although partly accounted for the decrease in the Corporation's total revenue, contributed to the increase in gross margin in 2009 compared to 2008.

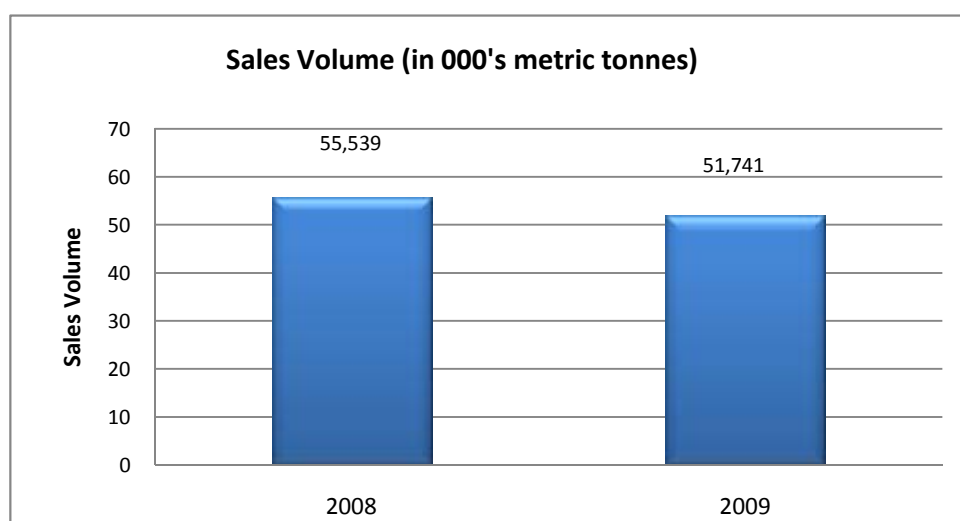
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Sales revenue for the twelve months ended December 31, 2009 decreased by 29,433,683 (20.7%) to \$112,564,793 from \$141,998,476 for the same period of last year. Gross profit increased by \$2,335,114(32.7%) to \$9,474,066 from \$7,138,922. Gross profit margin improved to 8.42% for the year 2009 compared to 5.03% for year 2008.

The net loss for the year 2009 was \$1,219,105 compared to a net loss of \$7,586,561 for 2008 for a reduction of \$6,367,456. During 2009, the Company undertook stringent measures to reduce its operating costs and thereby incurred some one-time non-recurring expenses totaling \$371,655 which included write-offs due to office renovations and relocations in Hong Kong and in China and redundancy costs. In addition, the Corporation has recorded a bad debt provision in the amount of \$1,256,543 for 2009 and had written off the preliminary project development expenses in a deep sea port project near Shanghai in the amount of \$454,187. These negative impacts were partially offset by the unrealized gain on investment in unit trust from mark-to-market mark up of \$470,532, and the foreign exchange gain of \$858,588. Collectively, including the bad debt provision, these non-operating or non-recurring items amounted to \$753,265 or 61.8% of the net loss in 2009. Excluding these items, the net loss for the year would have been reduced to \$465,840.



Tonnage shipped decreased by 3,798 tonnes (6.84%) to 51,741 tonnes for the twelve months ended December 31, 2009 compared to 55,539 tonnes for the corresponding period in 2008. The decrease was primarily due to the Corporation's effort in focusing more attention in developing its direct sales business versus co-loading business.



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The Corporation had working capital strengthened to \$10,389,815 at December 31, 2009, compared to \$8,897,414 at December 31, 2008.

In general, the increase in gross profit margin reflects the success of the Corporation's business strategy of focusing on development of direct sales business which yield higher profit margin instead of co-loading business, and the reduction of low yield business. Also, the reduction in oil prices during 2009 compared to 2008 resulted in lower fuel surcharge which is a flow through charge in the Corporations' revenue in which the charge is fully passed onto clients.

The operating results for the year of 2009 continued to be adversely impacted by the economic crisis which led the Corporation to take prudent measures, including undertaking comprehensive costs cutting program which results in one-time non-recurring operating expenses such as write-offs for office relocation, and setting up of bad debt provisions.

Consolidated revenue for the fourth quarter of 2009 was \$47.9 million, up 10.8% from \$43.3 million for fourth quarter of 2008. The growth is due to general improvements in economic conditions around the world, resulting in higher demand for logistics services in China's import and export markets. Gross profit for the fourth quarter of 2009 was \$3.4 million, up 41.8% from \$2.4 million for the same period of 2008. Gross profit margins for the quarter were 7.2% compared to 5.6% for the corresponding period of 2008. The improvements were principally due to increased focus on higher margin services, including direct sales, warehousing, customs brokerage and ocean freight services.

The Corporation reported a net loss of \$0.6 million, or \$0.01 per fully diluted share, for the fourth quarter of 2009. This represents an improvement of \$4.4 million when compared to a net loss of \$4.9 million, or \$0.12 per fully diluted share, for the corresponding period of 2008. The improvement was attributable to a growth in revenue as well as to a reduction in operating expenses of 41.9% or \$2.9 million from \$6.5 million for the corresponding period of 2008.

The Corporation incurred a number of non-operating charges, including \$167,547 for a project expense write off and \$269,590 for an impairment loss during the fourth quarter of 2009. Excluding these charges totaling \$437,137, the Company generated an adjusted net loss of \$153,221 for the quarter.

Selected Business Highlights

On January 1, 2009, the Corporation acquired the remaining 40% interest of its subsidiary, Redcap Logistics Ltd. for a cost of HK\$4,000.

On March 23, 2009, the Corporation announced it had completed the final closing of its non-brokered private placement of convertible debentures; the aggregate gross proceeds received by the Corporation were \$1,487,000. The debentures carry interest at the rate of 10% per annum, payable quarterly; have a maturity date of two years from the date of closing. The debentures are convertible, at the option of the holder, into common shares of the Corporation at a conversion price of \$0.20 per share. Finders' fees in the aggregate of \$98,700 were paid in relation to the private placement. The proceeds from the closings of the private placement were used principally for payment of existing convertible debentures that matured on February 26 and March 13, 2009 respectively.

On April 16, 2009 the Corporation announced it had expanded its reach into key European markets through a joint venture agreement with European Cargo Service (ECS), one of Europe's largest air cargo companies. The joint venture will create the "Intercontinental Freight Alliance" (IFA), which will allow the Corporation to leverage on ECS's extensive network of General Sales and Services Agents (GSSA) throughout Europe, while ECS will utilize the Corporation's expertise and networks in Asia to enhance its global service offering. Approximately 440,000 tonnes of cargo was shipped from Europe to mainland China (excluding Hong Kong) in 2008. ECS and the Corporation estimate that IFA, if successful, could capture 15 to 20 per cent of that market within the first year of operation. By comparison, the Corporation shipped approximately 55,000 tonnes of cargo from all operations in 2008. IFA had anticipated commencement of operations in the second half of 2009. Due to the continued weak economic conditions in Europe, this project could be delayed to 2010.

On August 10, 2009, the Corporation announced it had completed the closing of another non-brokered private placement of convertible debentures (the "Debentures") for gross proceeds received by the Corporation of \$2,201,000. The Debentures will carry interest at the rate of 10% per annum, payable quarterly; will have a maturity date of two years from the date of closing; and will be convertible, at the option of the holder, into common shares of the Corporation at a conversion price of \$0.30 per share.

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On 27 August 2009, GP Express obtained a loan of HK\$12,000,000 (\$1,690,800) under the Special Loan Guarantee Scheme ("SpGS") from the Hongkong and Shanghai Banking Corporation ("HSBC"). SpGS is a program introduced by the Hong Kong government to support companies during the global financial crisis.

On November 24, 2009, the Corporation announced it has formed a joint venture company with Beijing Jinfeng Air Service Co. Ltd. The joint venture company is named Beijing Jinfeng International Logistics Ltd ("BSIL"). BSIL has secured the necessary government licenses to transport dangerous cargo and hazardous materials. The Corporation holds 45.9% equity interest in BSIL.

Subsequent Events

On January 29, 2010, the Corporation disposed of its entire 100% equity interest in its subsidiary, Parkway Global Limited, which holds 51% equity interest in BSI Logistics Limited, to BSI's third party minority shareholder based on the net asset value of BSI Logistics Limited as of December 31, 2009 for HK\$3,048,522.50(\$411,496).

On March 2, 2010, the Corporation announced that its joint venture with Beijing Jinfeng Air Service Co. (BJAS), has signed agreements with two major airline carriers to handle their dangerous cargo shipments in Northern China. The Corporation's joint venture partner, Beijing Jinfeng International Logistics Ltd. (BJIL), will provide ground transportation, loading, custom clearance and warehousing services. BJAS is a subsidiary of the China National Aviation Holdings Company (CNAH), a Hong Kong Exchange-listed company that owns Air China, the largest air carrier in China.

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 Company (each a 'Common Share') and one-half of one common share purchase warrant (each whole Common Share purchase warrant, a 'Warrant') of the Company. Each Warrant entitles the holder thereof to subscribe for one additional common share of the Company (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.

3. Selected Financial Information

	As at December 31, 2009	As at December 31, 2008	As at December 31, 2007
Total assets	\$38,911,349	\$38,218,420	\$35,375,170
Total liabilities	\$29,008,079	\$27,016,345	\$22,472,548
Non-controlling interest	\$590,292	\$203,984	\$262,449
Shareholders' equity	\$9,312,978	\$10,998,091	\$12,640,173
	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Revenue	\$112,564,793	\$141,998,476	\$99,624,998
Gross profit	\$9,474,066	\$7,138,922	\$6,958,840
Gross margin	8.42%	5.03%	6.99%
Net income/ (loss) after tax and minority interest	(\$1,219,105)	(\$7,586,561)	\$139,623
Cash flow provided by/ (used in) Operations	\$894,241	(\$3,954,869)	\$912,888
Retained earnings, end of period	(\$7,514,706)	(\$4,220,520)	\$1,073,554
Earnings loss per Share – basic & diluted	(\$0.027)	(0.203)	0.006

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Outstanding Share Data

As at December 31, 2009, the following is a summary of the outstanding equity securities and convertible securities issued by the Corporation:

	<u>Authorized</u>	<u>Outstanding</u>
Voting or equity securities issued and outstanding	Unlimited Common Shares	44,792,778 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Stock options to acquire up to 10% of outstanding Common Shares	1,590,000 Stock options to acquire 1,590,000 Common Shares
Securities convertible or exercisable into voting or equity securities – agent's option	None	None
Voting or equity securities issuable on conversion or exchange of outstanding securities – convertible debentures	Unlimited	\$3,668,000 Convertible Debentures convertible to 14,671,667 Common Shares

4. Results of Operations

Revenue

Revenue declined by 20.7% to \$112,564,793 for the year ended December 31, 2009 compared to \$141,998,476 for the corresponding period in 2008. The decline in revenue was mainly due to the global financial and economic crisis, the refocusing of the Corporation business strategy into pursuing higher profit margin business, the decrease in oil prices and the strengthening of Canadian currency.

In 2009, the Corporation generated \$80,026,547 (71.1%) of its revenue from its traditional co-loading air freight business, \$20,776,530 (18.5%) of revenue from its direct sales air freight business and \$11,761,716 (10.5%) of revenue from its ocean freight business.

Of the total revenue of \$112,564,793 in 2009, the Corporation generated \$33,175,995 (29.5 %) of revenue from its air-freight and ocean freight business in China. In comparison, the Corporation's China's freight business generated \$44,286,400 in 2008. The decline of revenue in China is due mainly to economic and financial crisis and the restructuring of the Company's business model to focus on developing a more profitable direct sales business and eliminating low yield businesses. Hong Kong is still the Corporation's largest operating centre, generating 65,502,015 (58.2%) of the Corporation's total revenue. Other regions accounted for 13,886,783 (12.3%) of revenue. In 2008, Hong Kong, China and other regions accounted for \$77,631,110 (54.67%), \$44,286,400 (31.18%), and \$20,080,966 (14.15%) respectively of the Corporation's total revenue.

Revenue for the fourth quarter of 2009 was \$47.9 million, up 10.8% from \$43.3 million for fourth quarter of 2008. The growth is due to general improvements in economic conditions around the world, resulting in higher demand for logistics services in China's import and export markets. Gross profit for the fourth quarter of 2009 was \$3.4 million, up 41.8% from \$2.4 million for the same period of 2008. Gross profit margins for the quarter were 7.2% compared to 5.6% for the corresponding period of 2008. The improvements were principally due to increased focus on higher margin services, including direct sales, warehousing, customs brokerage and ocean freight services.

Summary of Sales Revenues

Period	Gross Revenue	By Type			By Region		
		Co-loading	Direct Sales	Ocean Freight	Hong Kong	China	Other Regions
Q4 2009	\$47,912,390	\$29,305,448	\$13,868,476	\$4,738,466	\$31,671,380	\$11,369,099	\$4,871,911
Q3 2009	\$17,000,349	\$13,046,232	\$1,622,583	\$2,331,534	\$9,183,145	\$5,364,448	\$2,452,756

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Q2 2009	\$22,220,999	\$17,505,648	\$2,120,289	\$2,595,063	\$12,239,543	\$7,538,798	\$2,442,658
Q1 2009	\$25,431,055	\$20,169,218	\$3,165,183	\$2,096,654	\$12,407,947	\$8,903,650	\$4,119,458
Q4 2008	\$43,250,394	\$34,587,840	\$5,990,120	\$2,672,433	\$21,292,817	\$13,636,019	\$8,321,558
Q3 2008	\$39,997,321	\$35,500,529	\$2,148,755	\$2,348,037	\$22,164,375	\$17,832,946	-
Q2 2008	\$35,691,098	\$33,011,662	\$1,676,743	\$1,002,693	\$18,330,144	\$8,741,322	\$8,619,633
Q1 2008	\$23,059,663	\$22,073,245	\$835,890	\$150,528	\$14,681,401	\$4,076,113	\$4,302,149

Note:

1. Revenues from warehousing for Q1, Q2 and Q3 of 2008 of \$80,711, \$98,646 and \$117,063 respectively are included in the amounts for co-loading.
2. Revenue for other regions for Q3 2008 was included in the revenue for China.

Cost of Sales and Gross Profit

Cost of sales was \$103,090,727 for the year ended December 31, 2009 compared to \$134,859,554 for the corresponding period in 2008, for a decrease of 23.6%. This reduction in cost of sales corresponds with the decrease in revenues. For the year ended December 31, 2009, gross profit increased by 32.7% to \$9,474,066 from \$7,138,922 for the corresponding period in 2008 and gross profit margin increased to 8.42% from 5.03%.

The increase in gross margin in 2009 was primarily due to a number of factors, including the change of the Corporation's business strategy of focusing on the development of more profitable direct sales business, the reduction of low yield businesses, and the reduction in oil prices which translated into lower fuel surcharge being included in the Corporation's revenue as a flow through charge to clients.

It is expected that the gross margin will continue to grow in the coming quarters as the global economy improves after suffering the effects of the worldwide financial crisis, and as the Corporation continues to develop higher profit margin businesses while reducing its focus on the lower profit margin co-loading business.

Administrative, Sales, Marketing and Operating Expenses

General and administrative expenses, including sales, marketing and other operating expenses, but excluding stock-based compensation, amortization, foreign exchange gain or loss and interest expenses, for the year ended December 31, 2009 were \$8,761,510 compared to \$9,903,382 for the corresponding period in 2008, for a decrease of 11.5%. This decrease of expenses was primarily a result of the Corporation's comprehensive cost-cutting program and reduction in the number of employees. The Corporation's financial performance during the year demonstrates that the aggressive cost-cutting efforts had a tangible and positive impact throughout the Corporation.

Interest Expense

Interest expense for the year ended December 31, 2009 was comprised of interest due on the unsecured convertible debentures and interest associated with the banking facilities secured for GP Express for its operations. Interest on the debentures for the year 2009 was \$234,918 compared to \$93,472 for the corresponding period in 2008, for an increase of 251%. The increase in interest expense on the debentures was due to the higher interest rate and larger amount of new convertible debentures issued in March and August of this year. Interest expense on bank overdraft and bank loan for year was \$551,405 compared to \$542,728 for 2008. Despite of additional loan facility granted by bank during the year, the effective management of the Corporation's cash flows resulted in only a slight increase in bank interest expense in 2009 comparing to 2008.

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Earnings after Taxes

In 2009, the net loss for the year amounted to \$1,219,105 compared to net loss of \$7,586,561 for the corresponding period of 2008. The improvement in earning is due to a number of positive factors. These factors include a higher gross profit margin due to the increased focus of the Corporation on the more profitable direct sales business, the reduction of low yield businesses, and the impact of the Corporation's comprehensive cost-cutting programs initiated since second half of 2008. The worldwide economic crisis started in 2008 continued to affect manufacturing activities in China throughout 2009 with a significant number of manufacturers closing down their operations. This had inevitably increased the credit risk of doing business in China. While the Corporation has taken necessary steps to mitigate the credit risk such as scaling down the business activities in Shanghai, and has taken actions including taking legal proceedings against customers with long overdue debts, as a prudent measure, the Corporation has recorded a bad debt provision in the amount of \$1,256,543 for 2009. In addition, same as previous year, the Corporation had written off the preliminary project development expenses in a deep sea port project near Shanghai in the amount of \$454,187. Furthermore, the Corporation incurred in the first half of 2009 one-time non-recurring expenses of \$371,655 which included write-offs due to office renovations and relocations in Hong Kong and in China and other redundancy costs. These negative impacts were partially offset by the unrealized gain on investment in unit trust from mark-to-market mark up of \$470,532, and the foreign exchange gain of \$858,588. Collectively, including the bad debt provision, these non-operating or non-recurring items amounted to \$753,265 or 62.7% of the net loss in 2009.

The net loss was \$0.6 million, or \$0.01 per fully diluted share, for the fourth quarter of 2009. This represents an improvement of \$4.4 million when compared to a net loss of \$4.9 million, or \$0.12 per fully diluted share, for the corresponding period of 2008. The improvement was attributable to a growth in revenue as well as to a reduction in operating expenses of 41.9% or \$2.9 million from \$6.5 million for the corresponding period of 2008.

The Corporation incurred a number of non-operating charges during the fourth quarter, including \$167,547 for a project expense write off and \$269,590 for an impairment loss during the fourth quarter of 2009. Excluding these charges totaling \$437,137, the Company generated an adjusted net loss of \$153,221 for the quarter.

Cash Flow from Operations

Although the Corporation had an operating loss for the year, it generated positive cash flow from its operations for the year ended December 31, 2009 of \$894,241 compared to a negative cash flow of \$3,954,869 for the corresponding period in 2008.

5. Summary of Quarterly Results

	Gross Revenue	Gross Profit	Gross Profit Margin	Net Earnings/(Loss)	Earnings (Loss) per Share	
					Basic	Diluted
Q4 2009	\$47,912,390	\$3,436,475	7.17%	(\$590,358)	(\$0.013)	(\$0.013)
Q3 2009	\$17,000,349	\$1,861,198	10.95%	\$9,133	\$0.000	\$0.000
Q2 2009	\$22,220,999	\$1,673,784	7.53%	(\$649,113)	(\$0.015)	(\$0.015)
Q1 2009	\$25,431,055	\$2,502,609	9.84%	\$11,233	(\$0.000)	(\$0.000)
Q4 2008	\$43,250,394	\$2,423,822	5.60%	(\$4,946,191)	(\$0.124)	(\$0.124)
Q3 2008	\$39,997,321	\$2,075,219	5.19%	(\$866,865)	(\$0.023)	(\$0.023)
Q2 2008	\$35,691,098	\$1,517,469	4.25%	(\$1,068,078)	(\$0.030)	(\$0.030)
Q1 2008	\$23,059,663	\$1,122,412	4.87%	(\$705,426)	(\$0.021)	(\$0.021)

With the global economy recovering from the financial crisis and together with the effect of seasonal factor and the increase of export from China, there is a notable improvement in the Corporation's fourth quarter results compared to previous quarters in 2009.

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6. Liquidity and Capital Resources

Capitalization

	December 31, 2009	December 31, 2008
Cash, Term Deposits, and Short Term Investments	\$9,225,478	\$8,916,410
Debt (bank loan, overdraft line & debentures)	\$13,435,940	\$12,317,638
Shareholders' Equity (Share Capital, Equity Component of Convertible Debentures & Contributed surplus)	\$16,827,684	\$15,218,611
Retained Earnings	(\$7,514,706)	(\$4,220,520)
Total Shareholders' Equity (excluding minority interest)	\$9,312,978	\$10,998,091
Total Capitalization ¹	\$22,748,918	\$23,315,729
Coverage Ratios:		
Debt to Total Capitalization ²	59.06%	52.83%
Net Debt to Total Capitalization ³	18.50%	14.59%
Interest Coverage Ratio ⁴	N/A	N/A

1. Total Capitalization is defined as debt plus total shareholder's equity.

2. Debt to Total Capitalization is equal to debt divided by total capitalization.

3. Net Debt to Total Capitalization is equal to debt minus cash, term deposit and short term investment divided by Total Capitalization.

4. Interest Coverage on debt is equal to earnings before interest expense, stock based compensation and taxes divided by total interest expense.

The Corporation had working capital of \$10,389,814 at December 31, 2009, compared to \$8,897,414 at December 31, 2008.

Contractual Obligations

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Debt (Bank O/D + Loan)	\$11,495,944	\$10,176,130	\$1,319,814	-	-
Convertible Debentures	\$1,939,996	-	\$1,939,996	-	-
Capital Lease Obligations	\$62,136	\$23,756	\$38,380	-	-
Total Contractual Obligations	\$13,498,076	\$10,199,886	\$3,298,190	-	-

Banking Facilities

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

	2009	2008
Bank overdraft (CCBA) (1)	2,275,053	\$2,546,118
Bank overdraft (HSBC) (2)	28,563	2,882,500
HSBC SpGS Loan	2,303,616	5,428,618
Accounts Receivable Factoring (HSBC)	1,619,784	-
	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

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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:

- (a) 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 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.
- (b) 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.
- (c) 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)).
- (d) On 27 August 2009, GP Express obtained a loan of HK\$12,000,000 (\$1,616,784) 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.

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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.

Financing Activities

On March 23, 2009, the Corporation announced it has completed the final closing on its non-brokered private placement of convertible debentures and that the aggregate gross proceeds received by the Corporation was \$1,487,000. The Debentures carry interest at the rate of 10% per annum, payable quarterly; have a maturity date of two years from the date of closing; and are convertible, at the option of the holder, into common shares of the Corporation at a conversion price of \$0.20 per share. Finders' fees in the aggregate of \$98,700 were paid in relation to the private placement. The proceeds from the closings of the private placement were used principally for payment of existing convertible debentures that matured on February 26 and March 13, 2009.

On August 10, 2009, the Corporation announced it has completed the closing of another non-brokered private placement of convertible debentures (the "Debentures") for gross proceeds received by the Corporation of \$2,201,000. The Debentures will carry interest at the rate of 10% per annum, payable quarterly; will have a maturity date of two years from the date of closing; and will be convertible, at the option of the holder, into common shares of the Corporation at a conversion price of \$0.30 per share. Finders' fees in the aggregate of \$15,100 were paid in relation to this closing of the private placement.

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. 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. 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 due to the passing of Wan Kee Chiu.
- (b) An agency agreement dated April 1, 2003, between United Air Cargo and Golden Power International Express Co. Ltd. ("Golden Power"), provided that United Air Cargo acts as the agent of Golden Power in Macau in providing air freight service between the PRC and Taiwan for Golden Power's customers, at a fee payable by Golden Power of US\$10,000 per month. Golden Power is 80% owned by Wan Kee Chiu, a former director of the Corporation. Mr Wan Kee Chiu passed away in June, 2009. References to Mr Chiu's role as director in this report refer to the time up until his passing. Assets owned by Mr Chiu as referenced in this report are now owned by his estate. These amounts

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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 due to the passing of Wan Kee Chiu.

- (c) Wan Kee Chiu and Tong (Ricky) Chiu facilitated the obtaining of bank lines for the Corporation with the China Construction Bank (Asia) Corporation Ltd., (formerly name Bank of America (Asia) Ltd.) by providing security in the form of deposits and personal guarantee. In Jan 2009, Tong (Ricky) Chiu provided his personal guarantee for renewal the banking facility with HSBC. Tong (Ricky) Chiu is a director of the Corporation. Due to the passing of Wan Kee Chiu, a former director of the Corporation, the personal guarantee is now provided solely by Tong (Ricky) Chiu.
- (d) The amounts due from and to related companies represent accounts receivable and payable on sales and purchases made in the normal course of business, as described in Note 6(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. 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) 100%-owned by Lam In Wai, a director of the Corporation, facilitates collection and payment of funds for United Air Cargo & Express Ltd. as United Air Cargo & Express Ltd. is not registered to do this in Macau.
(3) 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 payable 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 company provides the financial advisory services clients
(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, 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) BaoShinn 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.

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- (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.
- (i) 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.

8. 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 is on the "mark to the market" value due to their immediate or short term nature. The fair value of amounts due to and from related parties is determined according to its book value at the year end rate conversion to Canadian dollar.

(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 rate fluctuation risk.

(b) Credit Risk

The Corporation has trade receivables that are generally settled 60-90 days after the close of the preceding month. The Corporation deals with pre-approved customers and any 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, Renminbi and Macao pataca through its subsidiaries of GP Express, GP Express' subsidiaries in China 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, Renminbi 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.

The Corporation had a significant portion of business conducted in China. Transactions in China are conducted in the local currency, Renminbi (RMB). As a result, there's possibility of foreign currency gains and losses related to the operations in China.

The Corporation is exposed to currency risk as the functional currency of its subsidiaries is HK\$. Unfavourable changes in the exchange rates may result in a decrease or increase in accumulated other comprehensive loss.

Additionally, operations in China may result in the Corporation having realized gains and losses on foreign exchange due to the RMB vis a vis the HK\$. These will impact directly on the Corporation's income.

9. Risk Management and Uncertainties

The Corporation does not, on its own, generate any operating revenue. All revenues and net earnings are derived from Grand Power's subsidiary, GP Express, and the subsidiaries of GP Express.

However on a consolidated basis, the Corporation is exposed to market risk from changes in interest rates, foreign currency exchange rates, global commerce, business competition, governmental regulations and retention of key personnel. The Corporation does not engage in speculative trading activities. All of these market risks are subject to the vagaries of the market and they will arise from time to time in the normal course of business.

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To the extent that the business of GP Express is located in Asia, the business, operations and financial position of GP Express are subject, to a significant degree, 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 number of airlines to conduct the majority of its business.

The Corporation manages the risk arising from these exposures on an ongoing basis. It maintains appropriate internal process and controls to ensure business activities, including accounts receivable, are tracked, managed and reported on a timely basis. In addition, management will continue to improve its cost structure and to enhance its responsiveness to changing customer needs in this competitive environment.

The Corporation generated the revenue through the cargo export from Asia which is being affected by the global financial crisis. In order to pass through this difficult period, the Corporation has implemented a cost saving plan.

10. Basis of Presentation and Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Accordingly they 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. The 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, 2009. Operating results for the year ended December 31, 2009 are not necessarily indicative of the results that can be expected for the future years.

(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.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries for the years ended December 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.

(d) Foreign currency translation

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

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

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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 period 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 of CDN \$0.1349 and CDN \$0.1580 per HK\$1.00, respectively.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

11. Conversion to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for the fiscal years beginning on or after January 1, 2011, replacing the current Canadian standards and interpretations as Canadian generally accepted account principles (Canadian GAAP) for publicly accountable companies. The transition to IFRS may materially affect Grand Power's reported financial position and results of operations. Grand Power has initiated the process to identify the differences in accounting standards that are relevant to Grand Power's businesses. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

12. Basis of Presentation and Going Concern

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that maybe necessary to the carrying values and classification of assets and liabilities, should the Corporation be unable to continue as a going concern. Such adjustments could be material.

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In 2009, the Corporation recorded a loss of \$1,219,105 compared to a net loss of \$7,586,561 in 2008. As explained in this Management's Discussion and Analysis, expenses of non-recurring or non-operating in nature contributed to 61.8% of the net loss in 2009. The Corporation has a working capital of \$10,389,814 at the end of 2009 and was able to complete a non-brokered private placement on March 31, 2010 in the amount of \$2 million. .

The Corporation initiated a cost reduction program in the second half of 2008 to reduce its operating cost and delayed or put on hold its capital driven expansion activities in China. As a result, the Corporation achieved significant improvement in its operating results for the year. The Corporation expects that its operating results will continue to improve in the coming quarters. The Corporation believes that it has the ability to continue as a going concern.

13. Outlook

The Corporation plans to continue with its strategy to focus on development of direct sales which yield higher gross profit margin than the co-loading business and to carry out its cost reduction program with the goal of further improving the Corporation's operating results.

In addition, the Corporation will continue to pursue the following strategies:

- Increase margins in the Company's core air-freight business by increasing higher-margin, direct sales business while negotiating volume discounts on the cost of air cargo space with airlines;
- Expand and gain higher market shares in ocean freight business to help diversify the Corporation's businesses to gradually establish a balanced portfolio of air-freight and sea-freight customer base; and
- Strengthen the control over treasury function to optimize the Corporation's cash flows to reduce interest costs.

With the encouraging operating results achieved in the fourth quarter of 2009, the Corporation expects that both revenue and gross profit margin will continue to improve in 2010.

14. Additional Information

Additional information relating to Grand Power Logistics Group Inc., including the Corporation's most recent Financial Statements, is available at the SEDAR website at www.sedar.com.