



裕程物流集團有限公司

Grand Power Logistics Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8489

2022

THIRD
QUARTERLY
REPORT

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*This report, for which the directors (collectively the “**Directors**” and individually a “**Director**”) of Grand Power Logistics Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will be available on the Company’s website at www.grandpowerexpress.com and will remain on the “Latest Listed Company Announcement” page on the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chiu Ricky Tong (*Chairman and Chief Executive Officer*)
Mr. Tse Chi Kwan Decky

Non-executive Directors

Ms. Wong Sheng Ning Candace
Mr. Heung Wai Keung

Independent non-executive Directors

Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
Mr. Yeung Kwong Wai
Mr. Yu Tak Chi Michael
(resigned on 2 November 2022)

COMPANY SECRETARY

Mr. Li Chun Fung

COMPLIANCE ADVISER

VBG Capital Limited

COMPLIANCE OFFICER

Mr. Chiu Ricky Tong

AUTHORISED REPRESENTATIVES

Mr. Chiu Ricky Tong
Mr. Tse Chi Kwan Decky

AUDIT COMMITTEE

Mr. Yeung Kwong Wai (*Chairman*)
(redesignated on 2 November 2022)
Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
(appointed on 2 November 2022)
Mr. Yu Tak Chi Michael
(resigned on 2 November 2022)

REMUNERATION COMMITTEE

Mr. Tam Ka Hei Raymond (*Chairman*)
Mr. Ng Hung Fai Myron
Mr. Yeung Kwong Wai
(appointed on 2 November 2022)
Mr. Yu Tak Chi Michael
(resigned on 2 November 2022)

NOMINATION COMMITTEE

Mr. Ng Hung Fai Myron (*Chairman*)
Mr. Tam Ka Hei Raymond
Mr. Yeung Kwong Wai
(appointed on 2 November 2022)
Mr. Yu Tak Chi Michael
(resigned on 2 November 2022)

FINANCIAL REPORTING COMMITTEE

Mr. Yeung Kwong Wai (*Chairman*)
Mr. Heung Wai Keung
Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
(appointed on 2 November 2022)
Mr. Yu Tak Chi Michael
(resigned on 2 November 2022)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

CFN Lawyers

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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IN HONG KONG**

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Hong Kong

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

Conyers Trust Company (Cayman)
Limited
Cricket Square, Hutchins Drive
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Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited
17/F, Far East Finance Centre
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Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong)
Limited
China CITIC Bank International Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE ADDRESS

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STOCK CODE

8489

THIRD QUARTERLY UNAUDITED RESULTS

HIGHLIGHTS (UNAUDITED)

- The revenue of the Group for the nine months ended 30 September 2022 (“**Q32022**”) was approximately HK\$517.8 million (nine months ended 30 September 2021 (“**Q32021**”): approximately HK\$538.1 million), representing a decrease of approximately 3.8% as compared with that of Q32021.
- The Group recorded a net loss of approximately HK\$8.8 million for Q32022 (Q32021: net profit of approximately HK\$14.9 million).
- The basic and diluted losses per share of the Company was approximately HK2.94 cents for Q32022 (Q32021: Basic and diluted earnings per share of the Company of approximately HK5.03 cents).

The board of Directors (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for Q32022, together with the comparative unaudited figures for Q32021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	151,184	233,340	517,774	538,065
Cost of services		(148,323)	(218,628)	(495,614)	(489,986)
Gross profit		2,861	14,712	22,160	48,079
Other income	4	396	18	463	1,660
Administrative and other operating expenses		(11,131)	(13,173)	(31,006)	(29,846)
Reversal of provision/(provision) for impairment loss on trade receivables		450	125	755	(774)
Finance costs	5	(343)	(202)	(1,206)	(733)
(Loss)/profit before income tax	5	(7,767)	1,480	(8,834)	18,386
Income tax credit/(expenses)	6	319	(350)	—	(3,455)
(Loss)/profit for the period		(7,448)	1,130	(8,834)	14,931
Other comprehensive income (loss): <i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on consolidation		(1,644)	528	(3,983)	800
Total comprehensive (loss)/income for the period		(9,092)	1,658	12,817	15,731
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Losses)/earnings per share attributable to owners of the Company					
Basic and diluted	7	(2.48)	0.38	(2.94)	5.03

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Reserves					Accumulated (losses) profits	Total
	Share capital	Share premium	Capital reserve	Translation reserve	Statutory reserve		
	HK\$'000	(Note a) HK\$'000	(Note b) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	—*	—*	97,438	(1,228)	110	6,176	102,496
Profit for the period	—	—	—	—	—	14,931	14,931
Other comprehensive income:							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	—	—	—	800	—	—	800
Total comprehensive income for the period	—	—	—	800	—	14,931	15,731
Issue of shares by way of share offer (Note c)	750	54,750	—	—	—	—	55,500
Capitalisation issue (Note d)	2,250	(2,250)	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(16,514)	—	—	—	—	(16,514)
At 30 September 2021 (unaudited)	3,000	35,986	97,438	(428)	110	21,107	157,213
At 1 January 2022 (audited)	3,000	35,986	97,438	246	110	29,156	165,936
Loss for the period	—	—	—	—	—	(8,834)	(8,834)
Other comprehensive loss:							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences on consolidation	—	—	—	(3,983)	—	—	(3,983)
Total comprehensive loss for the period	—	—	—	(3,983)	—	(8,834)	(12,817)
At 30 September 2022 (unaudited)	3,000	35,986	97,438	(3,737)	110	20,322	153,119

* Represent amounts less than HK\$1,000.

Note a: Share premium represents the excess of the net proceeds from issuance of the Company's share over its par value.

Note b: The capital reserve represents (i) the aggregate amount of the nominal value of the issued/registered capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any), after adjusting the issued/registered capital held by those attributable to the non-controlling interests prior to the reorganisation undergone for the share offer; and (ii) staff costs borne by Mr. Chiu Ricky Tong and Ms. Wong Sheng Ning Candace (together the "**Ultimate Controlling Party**") in prior years.

Note c: On 13 January 2021 the shares of the Company were listed on GEM of the Stock Exchange ("**GEM**") and 75,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.74 per share by way of share offer ("**Share Offer**"). The gross proceeds from the Share Offer amounted to HK\$55,000,000.

Note d: Pursuant to the resolutions in writing of the Company's shareholders passed on 11 December 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the Directors were authorised to allot and issue a total of 224,990,000 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$2,249,900 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 13 January 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Grand Power Logistics Group Limited (the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018 under the Companies Act of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange on 13 January 2021 (the “**Listing**” or “**Listing Date**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business and the Group’s headquarter is situated at Unit 611, 6/F, Tower 1 Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air-freight and ocean-freight forwarding services as an integrated logistics services provider.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial statements for the nine months ended 30 September 2022 (the “**Condensed Consolidated Financial Statements**”) have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in preparing the Condensed Consolidated Financial Statements are consistent with those adopted in preparing the annual report of the Company for the year ended 31 December 2021 except for the new and revised HKFRSs issued by the HKICPA that are effective for the current accounting period of the Group. At the date of authorisation of the Condensed Consolidated Financial Statements, the Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current period.

HKFRSs as at 30 September 2022

HKICPA has issued the following revised HKFRSs, which are effective for the financial year ending 31 December 2022:

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- **HKFRS 9 *Financial Instruments*:** clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - **HKFRS 16 *Leases*:** removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

The application of the amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in the Condensed Consolidated Financial Statements.

The preparation of the Condensed Consolidated Financial Statements required the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Condensed Consolidated Financial Statements have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers				
within HKFRS 15				
Air-freight forwarding services	132,211	214,120	444,299	503,616
Ocean-freight forwarding services	18,973	19,220	73,475	34,449
	151,184	233,340	517,774	538,065

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition:				
— Over time				
Air-freight forwarding services	132,211	214,120	444,299	503,616
Ocean-freight forwarding services	18,973	19,220	73,475	34,449
	151,184	233,340	517,774	538,065

Segment information

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- 1) Air-freight forwarding segment: provision of air-freight forwarding services; and
- 2) Ocean-freight forwarding segment: provision of ocean-freight forwarding services.

Segment revenue and results

Segment revenue represents revenue derived from provision of (i) air-freight forwarding services and (ii) ocean-freight forwarding services.

Segment results represent the gross profit reported by each segment without allocation of other income, administration and other operating expenses, provision for impairment loss on trade receivables, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable segments for the period is as follows:

	Air-freight forwarding HK\$'000 (Unaudited)	Ocean-freight forwarding HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Nine months ended			
30 September 2022			
Revenue			
Export	443,799	73,444	517,243
Import	500	31	531
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Segment revenue	444,299	73,475	517,774
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Segment results	19,625	2,535	22,160
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Unallocated income and expenses:			
Other income			463
Administrative and other operating expenses			(31,006)
Reversal of provision for impairment loss on trade receivables			755
Finance costs			(1,206)
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Loss before income tax			(8,834)
Income tax expenses			—
<hr/>			
Loss for the period			(8,834)
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	Air-freight forwarding HK\$'000 (Unaudited)	Ocean-freight forwarding HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Nine months ended			
30 September 2021			
Revenue			
Export	503,480	33,286	536,766
Import	136	1,163	1,299
Segment revenue	503,616	34,449	538,065
Segment results	46,059	2,020	48,079
Unallocated income and expenses:			
Other income			1,660
Administrative and other operating expenses			(29,846)
Provision for impairment loss on trade receivables			(774)
Finance costs			(733)
Listing expenses			—
Profit before income tax			18,386
Income tax expenses			(3,455)
Profit for the period			14,931

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the revenue is presented based on the export shipments by destination and import shipments by origin.

Location of revenue

Revenue generated from export shipments by destination

	Nine months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Europe	189,304	217,451
Asia	43,582	57,219
North America	246,269	246,641
Others	38,088	15,455
	517,243	536,766

Revenue generated from import shipments by origin

	Nine months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Europe	20	1,212
Asia	484	13
North America	27	1
Others	—	73
	531	1,299

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group is as follows:

	Nine months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A from air freight forwarding segment	121,188	174,426
Customer B from air freight forwarding segment	65,016	61,010
Customer C from air freight forwarding segment	61,860	—*
	248,064	235,436

* This customer contributed less than 10% of the total revenue of the Group for the period.

4. OTHER INCOME

	Three months ended		Nine months ended	
	30 September	2021	30 September	2021
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	32	3	95	14
Recovery of bad debts previously written off	—	—	4	18
Reversal of impairment loss on trade receivables	—	—	—	1,566
Sundry income	364	15	364	62
	396	18	463	1,660

5. PROFIT BEFORE INCOME TAX

This is stated after charging (crediting):

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Finance costs				
Interest on interest-bearing borrowings	329	198	1,164	714
Interest on lease liabilities	14	4	42	19
	343	202	1,206	733

Staff costs (including directors' emoluments)

Salaries, discretionary bonus, allowance and other benefits in kind

Contributions to defined contribution plans

Total staff costs

3,317	3,546	11,410	9,664
241	253	715	624

3,558	3,799	12,125	10,288
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Other items

Depreciation

Exchange loss/(gain), net

Recovery of bad debts previously written off

Reversal of impairment loss on trade receivables, net

376	647	1,161	1,933
45	(28)	(187)	67
—	(9)	(4)	(27)
—	—	(278)	(792)

6. INCOME TAX CREDIT/(EXPENSES)

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax				
Hong Kong profits tax				
Current year	319	(350)	—	(3,455)

Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the nine months ended 30 September 2022 and 2021.

The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax of those jurisdictions.

The Group's entities established in the PRC are subject to enterprise income tax of the PRC at a statutory rate of 25% during the nine months ended 30 September 2022 and 2021.

7. (LOSSES)/EARNINGS PER SHARE

The calculation of the basic and diluted (losses)/earnings per share is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company used in basic and diluted earnings (losses) per share calculation	(7,448)	1,130	(8,834)	14,931
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Number of shares:</i>				
Weighted average number of ordinary shares for basic and diluted earnings (losses) per share calculation	300,000	300,000	300,000	296,703

The weighted average number of ordinary shares for the purpose of calculating basic and diluted (losses)/earnings per share was on the basis as if the Capitalisation Issue had been effective on 1 January 2021.

Diluted (losses)/earnings per share are same as the basic (losses)/earnings per share as there were no potential dilutive ordinary shares outstanding during the nine months ended 30 September 2022 and 2021.

8. DIVIDEND

No dividend was paid or declared by the Company during the nine months ended 30 September 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a long-established freight forwarder headquartered in Hong Kong, with sales force in Hong Kong and six regional offices in the PRC, including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Suzhou, focusing on the market in Hong Kong, the PRC and Macau.

The Group is principally engaged in providing air and ocean export and import freight forwarding services, which involve arranging shipment upon receipt of booking instructions from its customers, obtaining cargo space from cargo space suppliers (including airlines, shipping liners and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). The Group also arranges ancillary logistics services to its air freight forwarding services, including cargo pick up, cargo handling at ports and local transportation and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of its customers.

REVENUE

The Group derives its revenue from two business segments, namely air freight forwarding services and ocean freight forwarding services, which include both import and export of goods. For Q32022, the Group recorded a revenue of approximately HK\$517.8 million (Q32021: approximately HK\$538.1 million), representing a decrease of approximately 3.8% as compared with that of Q32021.

The table below sets forth the breakdown of the Group's revenue by business segment for the periods indicated:

	Q32022 (Unaudited)		Q32021 (Unaudited)	
	HK\$'000	%	HK\$'000	%
Air freight forwarding	444,299	85.8	503,616	93.6
Ocean freight forwarding	73,475	14.2	34,449	6.4
	517,774	100.0	538,065	100.0

Air freight forwarding

The Group's business focus is the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa).

The Group's revenue from air freight forwarding segment decreased by approximately 11.8% to approximately HK\$444.3 million for Q32022 (Q32021: approximately HK\$503.6 million). Such decrease was primarily because of decrease in demand for the freight services of the Group which was affected by the decrease in volume of Hong Kong's total exports of goods in the face of the difficult economic environment.

Ocean freight forwarding

The Group's revenue from ocean freight forwarding segment increased by approximately 113.3% to approximately HK\$73.5 million for Q32022 (Q32021: approximately HK\$34.4 million). Such increase was primarily because of the increase in demand for the Group's ocean freight forwarding services as well as the continuous increase in cost of services which led to an increase in selling prices.

Cost of services

The Group's cost of services mainly include the cost of cargo spaces, security charge, terminal charge and fuel surcharge.

The Group's cost of services increased by approximately 1.1% to approximately HK\$495.6 million for Q32022 (Q32021: approximately HK\$490.0 million). Such increase was due to the steep increase in the cost of freight services along the industry chain in Q32022 as compared to Q32021 caused by the continuous outbreak of the highly transmissible Omicron variant in Hong Kong and the Mainland China, the tight lockdown and custom blockade in the Mainland China imposed by the government, the cancellation of cargo flights by airlines and the surging logistics costs.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 53.8% to approximately HK\$22.2 million for Q32022 (Q32021: approximately HK\$48.1 million), which was primarily reflected by (i) the overall decrease in demand for the freight services of the Group which was affected by the decrease in volume of Hong Kong's total exports of goods in the face of the difficult economic environment; and (ii) the substantial increase in cost of services and the inability of the Group to transfer the surging logistics costs to its customers. Accordingly, the Group's gross profit margin decreased from approximately 8.9% for Q32021 to approximately 4.3% for Q32022.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprise staff costs, entertainment and travelling expenses, depreciation, office expenses, rent and rates, legal and professional fees, bank charges, internet and computer expenses and others such as storage charges.

The Group's administrative and other operating expenses increased by approximately 4.0% to approximately HK\$31.0 million for Q32022 (Q32021: approximately HK\$29.8 million). The increase was mainly attributable to the increase in staff costs during Q32022.

Loss for the period

Due to the above factors, the Group recorded a net loss of approximately HK\$8.8 million for Q32022, against a net profit of approximately HK\$14.9 million recorded for Q32021.

Capital structure

As at 30 September 2022, the capital structure of the Group was mainly based on the equity attributable to the shareholders of the Company (the "**Shareholders**") (including share capital and reserves). The total number of issued ordinary shares was 300,000,000 with a par value of HK\$0.01 each (30 September 2021: 300,000,000 shares).

Reserves

Details of the movements in the reserves of the Group during Q32022 are set out in the Condensed Consolidated Statement of Changes in Equity on page 7 of this report.

OUTLOOK AND PROSPECTS

As disclosed in the “Hong Kong Economy” website of the HKSAR Government, the Hong Kong economy showed a widened year-on-year contraction in the third quarter of 2022. The worsened external environment and continued disruptions to cross-boundary cargo flows dealt a serious blow to Hong Kong’s exports. The value of merchandise exports continued to fall sharply from a year earlier in the third quarter of 2022 amid the deteriorating external environment and continued disruptions to cross-boundary land transportation. Looking forward, Hong Kong’s export performance will remain under immense pressure, as the elevated inflation in major advanced economies and more aggressive monetary policy tightening in response continue to dampen global demand.

Subject to any further development of the pandemic subsequent to the date of this report, further changes in economic conditions may have an impact on the future financial results of the Group. The Group will continue to closely monitor the situation and react actively to its impact on the financial position and operating results of the Group. Looking forward, with the aim of further developing its business and continuing its growth, the Group will continue to implement the following strategies and gradually utilise the net proceeds in accordance with the intended purpose as disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 30 December 2020 (the “**Prospectus**”):

- strengthen the Group’s market position in Hong Kong and the PRC by purchasing more cargo spaces in order to cater for its customers’ demand;
- expand the Group’s reach to potential customers in the PRC by establishing new offices in the PRC; and
- continue to improve the Group’s ability to obtain cargo spaces through closer collaboration with airlines.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any member of the Group had purchased, sold or redeemed any of the shares of the Company during Q32022.

DIVIDEND

The Directors did not recommend the payment of any dividend for Q32022 (Q32021: Nil).

USE OF PROCEEDS

The net proceeds (after deducting related expenses) raised by the Company from its Listing on GEM on 13 January 2021 were approximately HK\$5.2 million (based on the final offer price of HK\$0.74 per share).

No material changes had occurred in respect of the business objectives as set out in the Prospectus during Q32022.

	Amount of net proceeds allocated	Percentage of total amount	Amount utilised during Q32022	Amount utilised up to 30 September 2022	Remaining balance as at 30 September 2022	Expected time frame for remaining unused net proceeds
	HK\$ million (approximate)	(%) (approximate)	HK\$ million (approximate)	HK\$ million (approximate)	HK\$ million (approximate)	(Note)
Further developing the Group's air freight forwarding business						
— Financing the Group's additional payment obligation to procure new cargo spaces	3.1	59.7	0.9	2.6	0.5	By 31 December 2022
— Placing bank guarantee	1.0	19.2	—	1.0	—	—
Open new regional office in the PRC						
— Initial setup costs	0.4	7.7	—	0.4	—	—
— Recurring costs	0.1	1.9	—	0.1	—	—
Undertaking charter flights	0.5	9.6	—	0.5	—	—
General working capital	0.1	1.9	—	0.1	—	—
Total	5.2	100.0	0.9	4.7	0.5	

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the market conditions.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Capacity/ Nature of Interest	Total Number of Shares held (L) <i>(Note 1)</i>	Approximate Percentage of Shareholding
Mr. Chiu Ricky Tong ("Mr. Chiu")	Interest in controlled corporations <i>(Note 2)</i>	225,000,000	75%
Ms. Wong Sheng Ning Candace ("Ms. Wong")	Interest of spouse <i>(Note 3)</i>	225,000,000	75%

Notes:

1. The letter “L” denotes the entity/person’s long position in the shares.
2. These 225,000,000 shares are held as to 50% by Peak Connect International Limited (“**Peak Connect**”) and 50% by Profit Virtue Worldwide Limited (“**Profit Virtue**”). Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively. Profit Virtue is wholly owned by Mr. Chiu. Therefore, Mr. Chiu is deemed to be interested in all the shares held by Peak Connect and Profit Virtue for the purpose of the SFO.
3. Ms. Wong is the spouse of Mr. Chiu, and is therefore deemed to be interested in all the shares in which Mr. Chiu has interest for the purpose of the SFO.

Save as disclosed above, as at 30 September 2022, none of the Director nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2022, so far as the Directors are aware, the following persons/entities (other than the Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO, or otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/ Nature of Interest	Total Number of Shares held (L) (Note 1)	Approximate Percentage of Shareholding
Profit Virtue (Note 2)	Beneficial owner	112,500,000	37.5%
Peak Connect (Note 2)	Beneficial owner	112,500,000	37.5%

Notes:

1. The letter "L" denotes the entity/person's long position in the shares.
2. For details, please refer to Note 2 in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above.

Save as disclosed above, as at 30 September 2022, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations” above, had notified the Company of an interest or short position in the shares, underlying shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

The Directors were not aware of any business or interest of Directors nor the controlling Shareholders nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during Q32022.

CORPORATE GOVERNANCE CODE

During Q32022, the Company had applied the principles and complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in part 2 of Appendix 15 to the GEM Listing Rules, save and except the deviation below:

Chairman and Chief Executive Officer

Pursuant to paragraph C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company are currently both performed by Mr. Chiu. The Board believes that having Mr. Chiu acting as both the chairman and chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further, in view of Mr. Chiu's experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board believes that it is to the benefit of the Group and its business prospects that Mr. Chiu continues to act as both the chairman and chief executive officer. The Board considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises seven other experienced and high-caliber individuals including one other executive Director, two non-executive Directors and four independent non-executive Directors, who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Company will consult appropriate Board committees and senior management. Considering the present size and the scope of business of the Group, the Board considers that it is not in best interest of the Company and Shareholders as a whole to separate the roles of the chairman and the chief executive officer, because such separation would render the decision-making process of the Company less efficient than the current structure. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from paragraph C.2.1 of the CG Code is appropriate in such circumstances.

In order to maintain good corporate governance and to fully comply with paragraph C.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman of the Board and chief executive separately.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Pursuant to rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

The Company had made specific enquiries to all Directors, whom had confirmed that they complied with the required standards of dealings set out in the Model Code during Q32022. In addition, the Company was not aware of any non-compliance of the Model Code by the senior management of the Group during Q32022.

INTERESTS OF COMPLIANCE ADVISER

As notified by VBG Capital Limited (“**VBG**”), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and VBG dated 11 December 2020, neither VBG nor any of its directors, employees and close associates (as defined in the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules during Q32022 and up to the date of this report.

AUDIT COMMITTEE

This report including the Group’s unaudited consolidated financial statements for Q32022 has been reviewed by the audit committee of the Company (the “**Audit Committee**”). The Audit Committee is of the opinion that the unaudited consolidated financial statements of the Group for Q32022 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board

Grand Power Logistics Group Limited

CHIU Ricky Tong

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 11 November 2022