



GZI Transport Limited

越秀交通有限公司

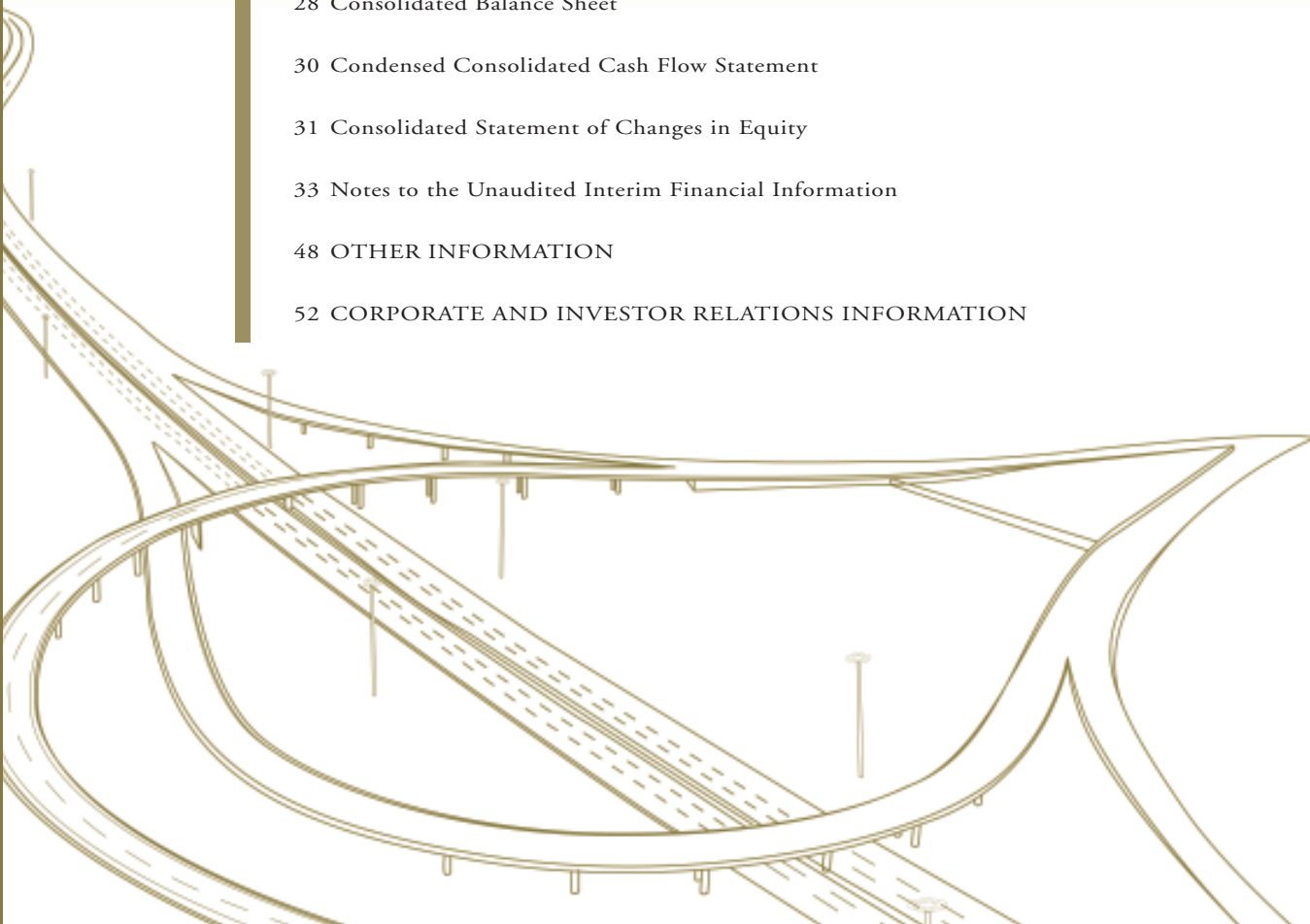
(Stock Code: 01052)

2009 Interim Report



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Financial Highlights

INCOME STATEMENT

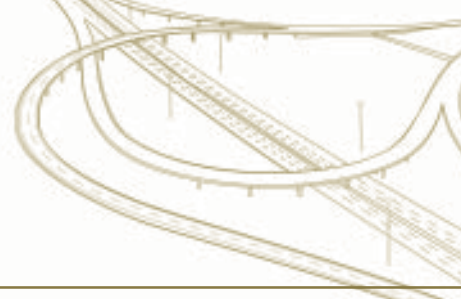
(HK\$'000)	Six months ended 30 June		
	2009	2008	Change %
Revenue	506,858	493,695	2.7
Earnings before interests, tax, depreciation and amortization ("EBITDA") ¹	512,599	554,037	-7.5
Profit before income tax	254,309	435,147	-41.6
Profit for the period	203,320	395,049	-48.5
Profit attributable to:			
Equity holders of the Company	176,264	329,958	-46.6
Minority interests	27,056	65,091	-58.4
Basic earnings per share for profit attributable to equity holders of the Company	HK\$0.1053	HK\$0.1972	-46.6
Dividend per share	HK\$0.04	HK\$0.08	-50.0

Note 1: EBITDA also excluded non-cash gains and losses

BALANCE SHEET

(HK\$'000)	30 June	31 December	Change %
	2009	2008	
Total Assets	12,668,758	12,149,853	4.3
Total Liabilities	2,626,031	2,097,476	25.2
Total Equity	10,042,727	10,052,377	-0.1
Equity attributable to:			
Equity holders of the Company	8,437,412	8,399,710	0.4
Minority interests	1,605,315	1,652,667	-2.9
Net assets per share to equity holders of the Company	HK\$5.04	HK\$5.02	0.4

Summary Information of Operating Toll Roads and Bridges

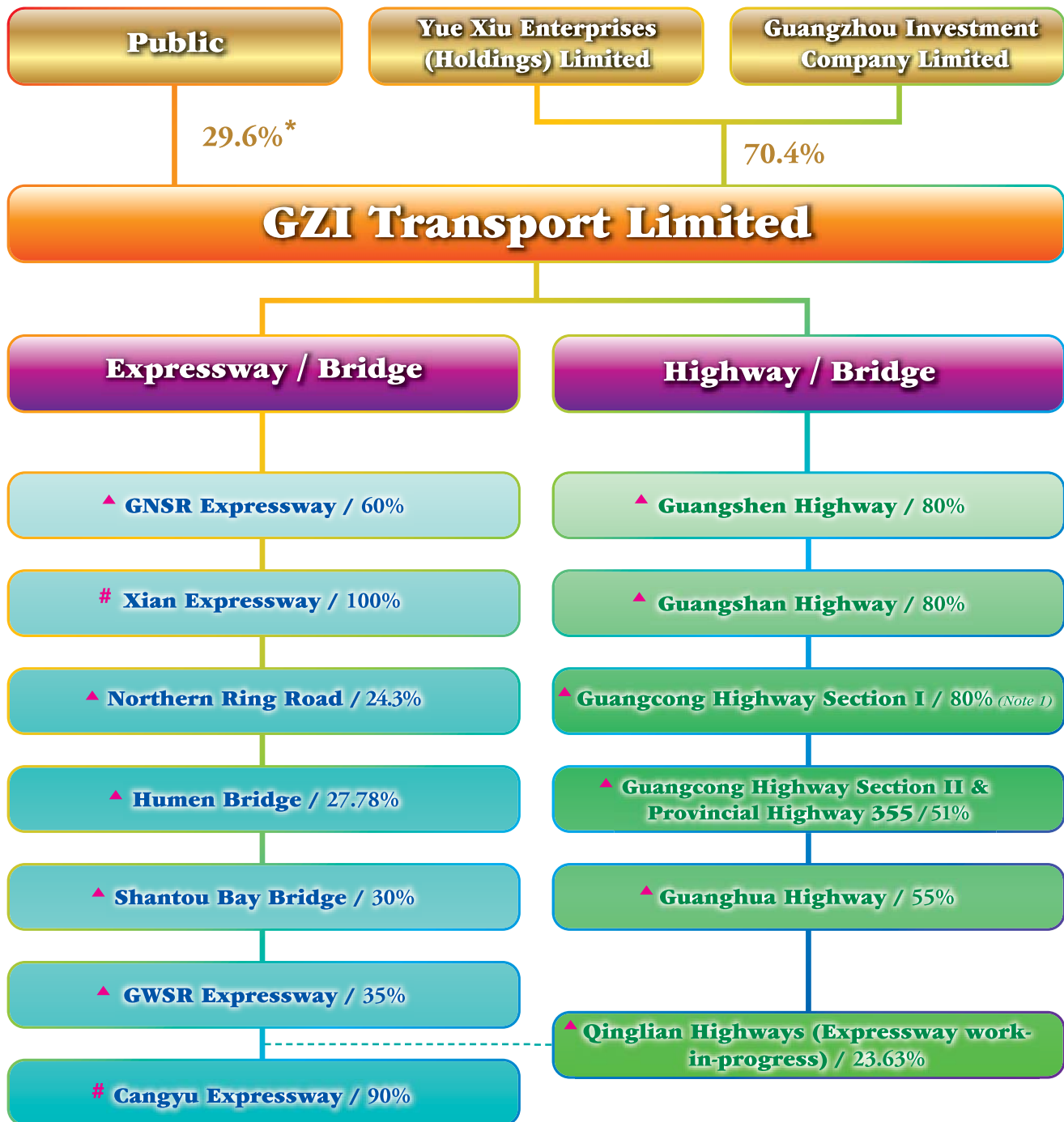


	Length (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
Guangshen Highway	23.1	6	1	Class I Highway	80.00	17
Guangshan Highway	64.0	4	2	Class I Highway	80.00	17
Guangcong Highway Section II & Provincial Highway 355	33.1	6	1	Class I Highway	51.00	17
Guanghua Highway	33.3	4	1	Class I Highway	51.00	17
Guanghua Highway	20.0	6	1	Class I Highway	55.00	18
GNSR Expressway	42.4	6	9	Expressway	60.00	23
Xian Expressway	20.1	4	3	Expressway	100.00	7
Cangyu Expressway	23.3	4	1	Expressway	90.00	21
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78	20
Northern Ring Road	22.0	6	11	Expressway	24.30	14
Qinglian Highways						
National Highway 107	253.0	2	4	Class II Highway	23.63	19
Highway Between Qingyuan and Lianzhou Cities ⁽¹⁾	215.2	4	5	Expressway work-in-progress	23.63	
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	19
GWSR Expressway⁽²⁾	39.6	6	5	Expressway	35.00	subject to approval

⁽¹⁾ Qinglian Class I Highway started to collect tolls in accordance with expressway toll fare standards on 1 July 2009.

⁽²⁾ The operating term of GWSR Expressway is subject to approval from the relevant regulatory authority.

Corporate Profile

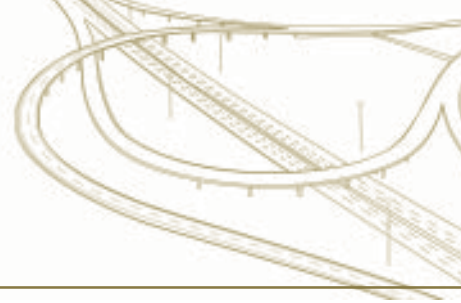


* as at 25 August 2009

▲ inside Guangdong Province

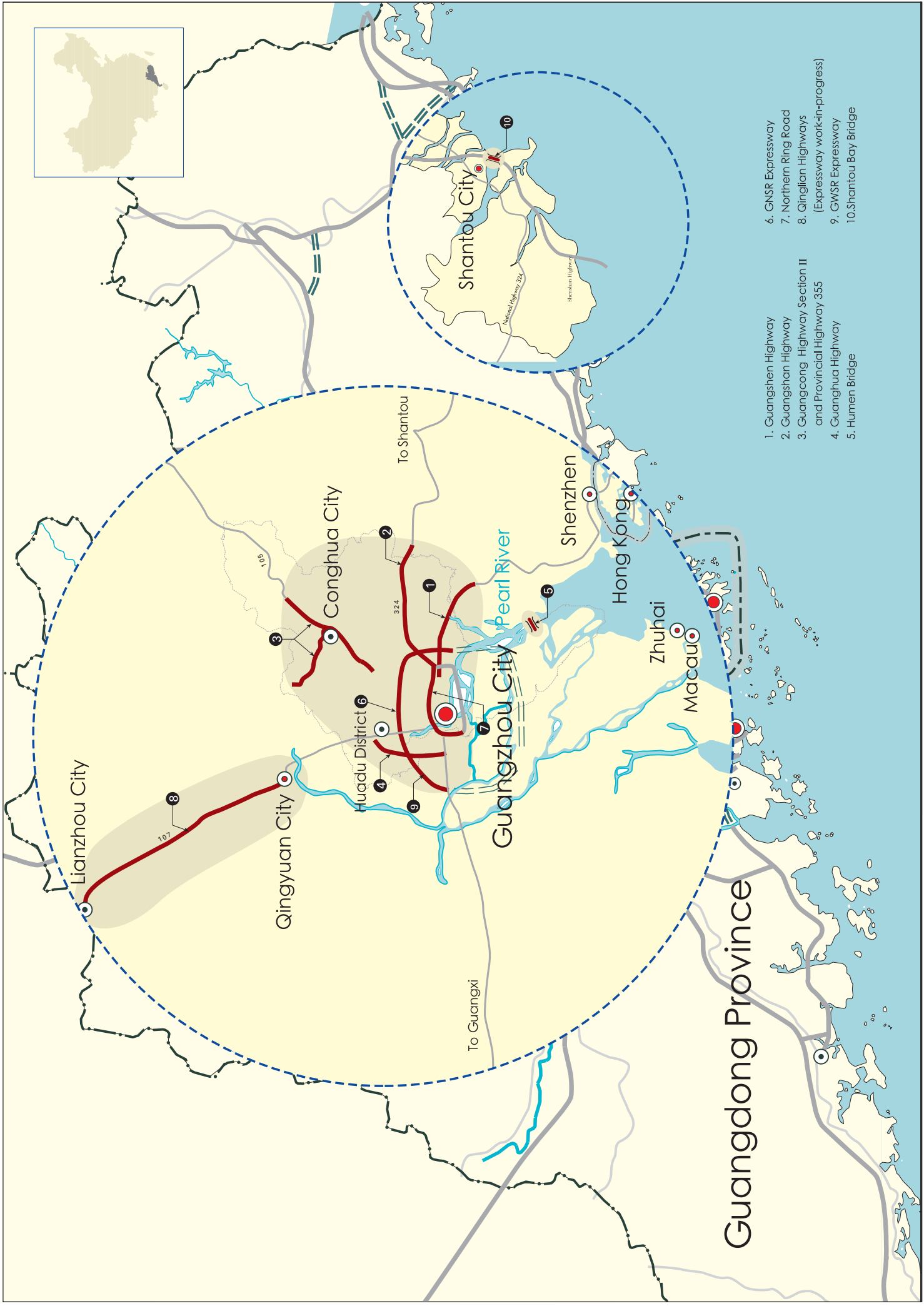
outside Guangdong Province

Note 1 : Toll collection ceased in January 2009. Guangzhou Taihe Highways Development Company Limited was classified as a disposal group held for sale.



GZI Transport Limited (“Company”) and its subsidiaries (collectively, “Group”) are principally engaged in investment, operation and management of toll expressways, national highways and bridges mainly located in Guangdong Province.

As at 30 June 2009, the Group had a total of 12 investments in its operating toll road and bridge projects which include expressways and bridges such as Guangzhou City Northern Ring Road (“Northern Ring Road”), Guangzhou Northern Second Ring Expressway (“GNSR Expressway”), Guangzhou Western Second Ring Expressway (“GWSR Expressway”), Guangdong Humen Bridge (“Humen Bridge”) and Shantou Bay Bridge, all of which are located within Guangdong Province; Guangshen Highway Guangzhou Section (“Guangshen Highway”) which connects Guangzhou City to Shenzhen City, and toll projects passing through Guangdong, Hunan and Jiangxi provinces such as Guangshan Highway along NH324 Guangzhou section (“Guangshan Highway”); Guangcong Highway connecting Tai Ping Chang, Conghua City and Wenquan (“Guangcong Highway II and Provincial Highway 355”) both along NH105 Guangzhou section and the juncture section between the crossing at Conghua City and Fogang County; Guanghua Highway and Qinglian Highways (Expressway work-in-progress) along NH107 Qingyuan to Lianzhou section, as well as Xian to Lintong Expressway in Shaanxi Province (“Xian Expressway”) and Cangyu Expressway in Guangxi Zhuang Autonomous Region (“Cangyu Expressway”). Total attributable length of the Group’s toll roads and bridges as at 30 June 2009 is approximately 317.3 km.



1. Guangshen Highway
2. Guangshan Highway
3. Guangcong Highway Section II and Provincial Highway 355
4. Guanghua Highway
5. Humen Bridge
6. GNSR Expressway
7. Northern Ring Road
8. Qinglian Highways (Expressway work-in-progress)
9. GWSR Expressway
10. Shantou Bay Bridge



1

Guangshen Highway

is a section of National Highway 107 and is one of the major roads connecting Guangzhou City and Shenzhen City. The total length is approximately 23.1 km, of which the section from Dashadi in Huangpu to Nangang measures approximately 11.7 km long with six lanes and the section from Nangang to Xintang measures approximately 11.4 km long with four lanes.



2

Guangshan Highway

is a section of National Highway 324 with a total length of approximately 64.0 km with four lanes and is one of the major highways connecting Guangzhou Municipality and the eastern region of Guangdong Province.



3

Guangdong Highway Section II & Provincial Highway 355

Guangdong Highway Section II measures approximately 33.1 km long with six lanes which connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast, where a hot spring resort is located. Provincial Highway 355 measures approximately 33.3 km long with four lanes which connects inter-provincial traffic between Guangdong and Hunan provinces.



4

Guanghua Highway

measures approximately 20.0 km with six lanes which is one of the major highways connecting the urban area of Guangzhou City and the suburb of Huadu District where the New Guangzhou Airport is located.



5

Humen Bridge

is an expressway of approximately 15.8 km long with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City. Its two ends are connected to the GS Superhighway and Guangzhou Zhuhai Eastern Expressway.



6

GNSR Expressway

is a six-lane 42.4 km expressway with nine intersections which connects eleven provincial, national highways and expressways in the north of Guangzhou Municipality.



7

Northern Ring Road

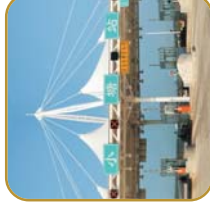
is located in the urban area of Guangzhou City with total length of approximately 22.0 km with six lanes. It links the GS Superhighway in the east and the Guangzhou Foshan Expressway in the west.



8

Qinglian Highways (Expressway work-in-progress)

consist of a Class I Highway (reconstructing to an Expressway) of approximately 215.2 km long with four lanes and a Class II Highway of approximately 253.0 km long with two lanes. They are located in the northwestern part of Guangdong Province and is a major access connecting Guangdong Province and Hunan Province.



9

GWSR Expressway

is a 39.6 km expressway with six lanes in dual direction which connected to GNSR Expressway, Jingzhu Expressway, Guanghua Expressway, New Airport Expressway, Guangsan Expressway and National Highways 324, 321,105,106,107.



10

Shantou Bay Bridge

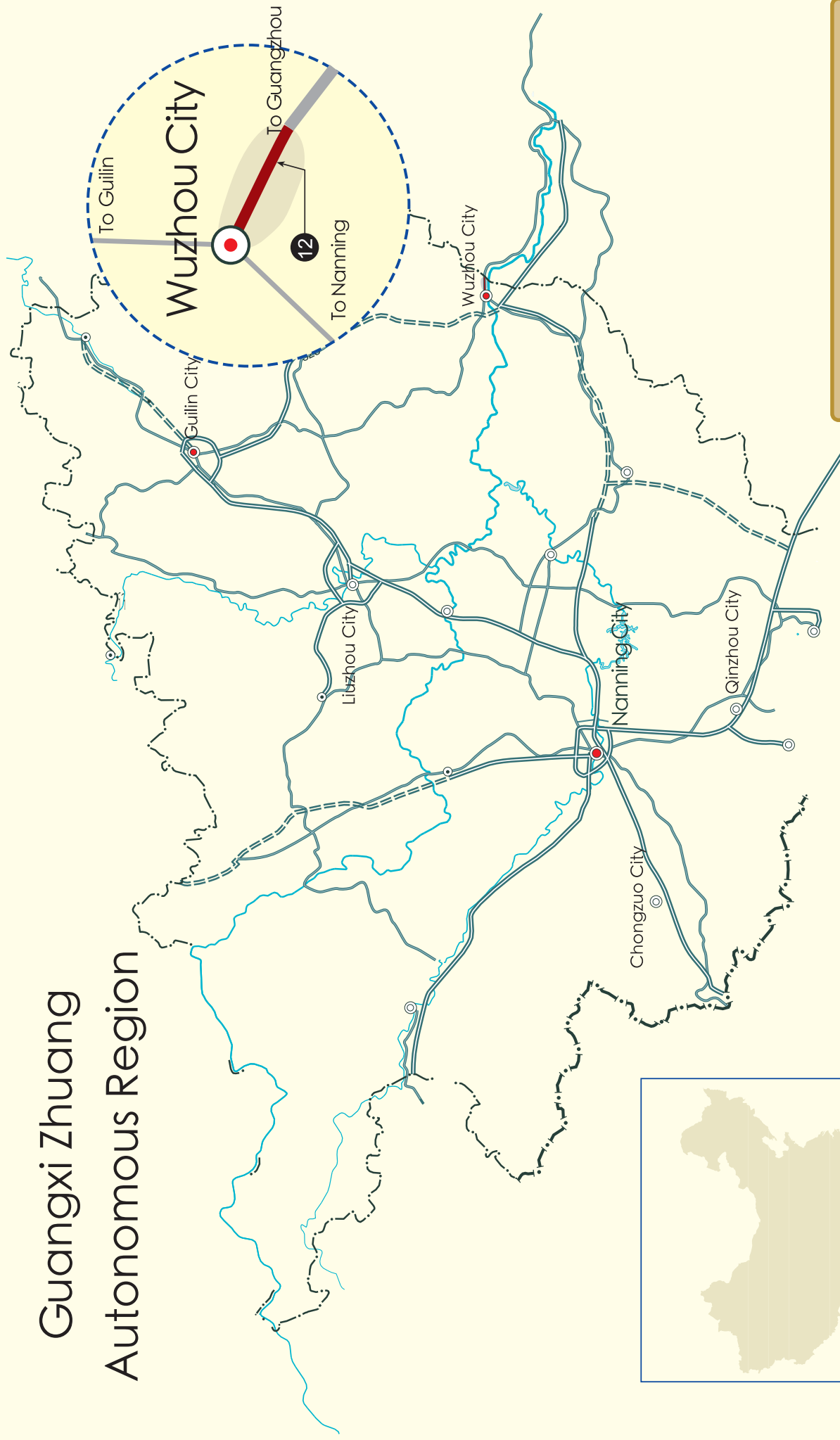
is a six-lane bridge of approximately 6.5 km long, located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the west and stretches over Shantou Harbour Huangsha Bay Sea Route linking Shanfen Expressway.



Xian Expressway

is a section of Xian Tongguan Expressway, a part of National Highway G045 between Lianyungang and Huoerguosi with a total length of approximately 20.1km with four lanes and intersects with Rao Cheng Expressway. It is also a major access connecting Xian City to the world famous historical relics and scenic spots such as Terra-Cotta Warriors and Huaqing Hot Spring.

Guangxi Zhuang Autonomous Region



12

Cangyu Expressway

is located in Cangyu County of Wuzhou City in Guangxi Zhuang Autonomous Region, linking the Cangyu County of Guangxi Zhuang Autonomous Region with the Yunan County of Guangdong Province. It also forms a part of the Guang Wu Expressway (from Guangzhou to Wuzhou) of approximately 23,334 km long with four-lane dual direction.

Management Discussion and Analysis

BUSINESS REVIEW

Toll summary of toll roads and bridges

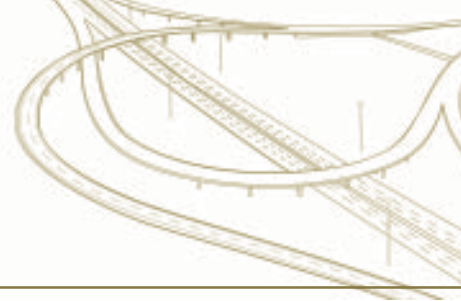
Six months ended 30 June 2009

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll fare per vehicle	
	(vehicle/day)	Change %	(RMB/day)	Change %	(RMB)	Change %
Expressways and Bridges						
GNSR Expressway ^(a)	82,531	5.8	1,499,169	15.9	18.2	9.5
Humen Bridge ^(b)	54,568	-20.9	2,239,080	-24.7	41.0	-4.8
Xian Expressway ^(a)	38,957	7.9	520,529	7.8	13.4	-0.1
Northern Ring Road ^(b)	157,187	-1.9	1,456,094	-8.7	9.3	-6.9
Shantou Bay Bridge ^(b)	12,034	2.0	447,423	3.0	37.2	1.0
GWSR Expressway ^(b)	11,000	23.4	371,899	32.2	33.8	7.1
Cangyu Expressway ^{(a) (1)}	3,109	N/A	76,713	N/A	24.7	N/A
Expressway work-in-progress						
Qinglian Highway ^(b)	24,693	154.3	458,713	277.8	18.6	48.6
Class I Highways and Bridges						
Guangshen Highway ^(a)	10,416	-28.6	69,642	-27.4	6.7	1.7
Guangshan Highway ^(a)	14,729	-21.7	141,516	-19.3	9.6	3.1
Guangcong Highway Section II & Provincial Highway 355 ^(a)	15,351	-8.1	111,354	-9.3	7.3	-1.3
Guanghua Highway ^(a)	6,991	-38.4	58,999	-38.8	8.4	-0.8

^(a) Subsidiary (consolidated in the financial statements)

^(b) Associate/Jointly Controlled Entity (equity accounted for in the financial statements)

⁽¹⁾ Acquisition of Cangyu Expressway was completed in mid January 2009.



Overview of Operating Performance

In spite of the outbreak of the global financial crisis in 2008 and the continuous implementation of the “green channel” toll fee waiver policy, the expressways of the Group, excluding Northern Ring Road and Humen Bridge, maintained growth in average daily toll traffic volume and average daily toll revenue in the first half of 2009 (“reporting period”) as the domestic economic stimulus policy began to pay off. The acquisition of the 90.0 percent equity interests in Cangyu Expressway linking Cangwu County of Wuzhou City in Guangxi Zhuang Autonomous Region to Yunan County of Guangdong Province was completed in mid January 2009, which further increased the proportion of expressway projects in the Group’s assets. As shown in the table below, proportion of revenue from expressways and bridges in total revenue increased from 62.0 percent in 2005 to 90.0 percent in the first half of 2009.

Revenue structure and proportion from 2005 to the first half of 2009

	First half of 2009	2008	2007	2006	2005
Class I highways	10%	18%	22%	27%	38%
Expressways and bridges	90%	82%	78%	73%	62%
Total	100%	100%	100%	100%	100%

(Note: attributable revenue figures of non-controlling expressways and bridges were used.)

During the reporting period, the Group managed to achieve growth of 2.7 percent in its operating revenue despite the deteriorating operating performance of Class I highways and the cessation of toll collection in the Taihe toll station of Guangcong Highway Section I, and Xiang Jiang Bridge II since January 2009.

Guangshen Highway, Guanghua Highway and Section I and Section II of Guangcong Highway operated by the Group recorded an impairment in their carrying values during the reporting period. The impairment is a result of the continuation of the adverse market conditions, especially the substantial drop in international trade/foreign consumption, which had affected the performance of these Class I highways of the Group. As a result, profit attributable to the equity holders of the Company decreased by 46.6 percent over the same period last year.

The management anticipates the operating environment will continue to be very challenging in the second half of 2009.

One of the key challenges that the management will have to confront with is a major overhaul at the Northern Ring Road in anticipation of the Asian Games to be held in Guangzhou in 2010. The overhaul, which aims to provide a safer and more pleasant driving condition will take about approximately five months, and it is therefore expected that the traffic volume and toll revenue of Northern Ring Road in the second half of 2009 will be temporarily affected (for details, please refer to “Future Prospects and Development Strategy”).

Management Discussion and Analysis

Performance of Expressways and Bridges

GNSR Expressway

During the reporting period, the average daily toll traffic volume was 82,531 vehicles and the average daily toll revenue was RMB1,499,169, representing an increase of 5.8 percent and 15.9 percent over the first half of 2008 respectively.

The increases were due to the fact that upon the completion and opening to traffic of Guangzhou Eastern Second Ring Expressway in mid December 2008, the number of vehicles travelling to northern Guangdong, eastern Guangdong and western Guangdong areas or heading south to the Pearl River Delta (“PRD”) region from areas such as Huangpu and Panyu via the GNSR Expressway rose. Additionally, from mid March to May 2009, the Shabei to Huanfo interchange ramp of Northern Ring Road was closed temporarily for maintenance due to ground settlement, which also helped to divert traffic to GNSR Expressway. At the same time, there was a change in the vehicle type ratio in the first half of 2009; and the toll traffic percentage of vehicles belonging to Type V, which are charged a higher toll fee, increased by 13.4 percent as compared with the same period in 2008; while the toll traffic percentage of vehicles belonging to Type II decreased by 20.8 percent as compared with the same period last year. As a result, the weighted average toll fare per vehicle increased by 9.5 percent as compared with the same period last year.

However, the opening of the Phase III of Huanan Expressway in late June 2009 may divert part of the traffic from GNSR Expressway, even though currently the diversion effect has not been apparent. The management will monitor the situation closely.

Humen Bridge

During the reporting period, the average daily toll traffic volume was 54,568 vehicles and the average daily toll revenue was RMB2,239,080, representing a decrease of 20.9 percent and 24.7 percent over the first half of 2008 respectively.

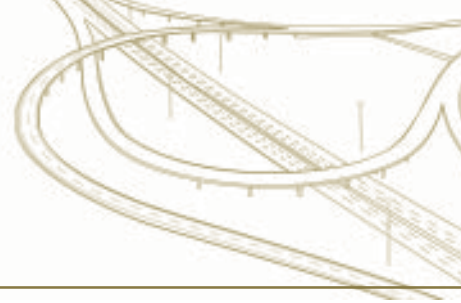
Due to the decrease in foreign demand as a result of the financial crisis, some of the factories and enterprises in the PRD were forced to close down, suspend production or move out, resulting in a marked decrease in the demand for logistics and transportation services. At the same time, given that Humen Bridge mainly catered to vehicles in the export industries and that traffic flow was boosted in the same period last year by the complete one-way closure of GS Superhighway then, the toll traffic volume and toll revenue of Humen Bridge declined significantly in the first half of 2009. These factors, plus the enhanced implementation of penalties to curb overloading since September 2008, caused a significant decrease of 39.0 percent in the toll traffic percentage of vehicles belonging to Type V as compared with the same period last year.

The management believes that impact of the economic stimulus policies adopted by the PRC government should gradually come through and the economic condition in the PRD region will continue to improve in the near future. Such improvement shall bode well for the Group’s toll road operation in the region.

Xian Expressway

During the reporting period, the average daily toll traffic volume was 38,957 vehicles and the average daily toll revenue was RMB520,529, representing an increase of 7.9 percent and 7.8 percent respectively as compared to the first half of 2008.

Reasons for the increase in traffic volume in the first half of 2009 included: (1) road condition was relatively favorable. In contrast to the abnormal decrease in traffic volume due to the snow storm during the same period last year, there was little rain and snow in Northwestern China and the Guanzhong area in 2009, which was favorable for land transportation. As such, traffic volume was normal; (2) expansive construction of roads in the vicinity of Xian Expressway resulted in a temporary inflow of additional vehicles into Xian Expressway; (3) the increase in development activities along Xian Expressway and the continued growth of the tourism industry in Xian led to traffic volume growth; and (4) the diversion effect of the traffic flow was not sufficiently apparent as the adjacent trunk expressways were not fully open to traffic yet.



On the other hand, the construction of the Guanting Flyover of the East Three Ring Road of Xian City and the Binhe Avenue section crossing Xian Expressway from 9 April to 9 September 2009 caused a two-way closure of a 1.5 km long section of Xian Expressway, which forced some vehicles to use the adjacent Huaqing Trunk Expressway.

Northern Ring Road

During the reporting period, the average daily toll traffic volume was 157,187 vehicles and the average daily toll revenue was RMB1,456,094, representing a decline of 1.9 percent and 8.7 percent respectively as compared to the first half of 2008.

Main reasons for the decline included: (1) non-local trucks above 5 tons were prohibited from using the Guangqing to Guangdan section of the Northern Ring Road with effect from the beginning of 2009, which resulted in a significant decrease of approximately 14.4 percent in the traffic volume of Type V trucks as compared to the same period last year;(2) the ramp towards Foshan of the Shabei exit of the Northern Ring Road was closed temporarily from mid March to mid April 2009 due to the construction of the Wuguang Railway; and the ramp towards Shabei of the Xunfengzhou exit of the Northern Ring Road was also closed temporarily from 25 April to May 2009. Accordingly, toll traffic volume decreased.

Shantou Bay Bridge

During the reporting period, the average daily toll traffic volume was 12,034 vehicles and the average daily toll revenue was RMB447,423, representing an increase of 2.0 percent and 3.0 percent respectively as compared to the first half of 2008.

Due to the financial crisis, more passenger vehicles operated by enterprises in Shantou City chose to use Queshi Bridge (parallel to Shantou Bay Bridge) which has implemented the “annual pass policy for local vehicles” with a view to save costs in the first half of 2009. Accordingly, the traffic volume of light-duty truck belonging to Type II and medium sized trucks and passenger vehicles belonging to Type III continued to decline in the first half of 2009. Despite the unfavorable economic condition, traffic volume of large and heavy vehicles belonging to Types IV and V, which had been the main source of revenue for Shantou Bay Bridge in the past two years, managed to register a stable average growth rate of approximately 7.8 percent in the first half of 2009. As a result, Shantou Bay Bridge managed to maintain growth in average daily toll traffic volume and average daily toll revenue in the first half of 2009. As the second quarter is a comparatively low season for the logistics industry and toll revenue of Shantou Bay Bridge in the second half of the year has generally been higher than that in the first half in recent years, the growth trend may continue in the second half of 2009.

GWSR Expressway

During the reporting period, the average daily toll traffic volume was 11,000 vehicles and the average daily toll revenue was RMB371,899, representing an increase of 23.4 percent and 32.2 percent respectively as compared to the first half of 2008.

In the first half of 2009, additional traffic signs were erected on the southern section of GWSR Expressway and Sanshui Second Bridge, entrances and exits of Guangqing Expressway, GNSR Expressway, Guangsan Expressway and Jiebei Expressway and junctions where logistics centers were mostly located, in order to attract vehicles in adjacent areas to use GWSR Expressway. As a result of this initiative and improvement in the adjacent road networks, GWSR Expressway continued to maintain stable growth in average daily toll traffic volume and average daily toll revenue in the first half of 2009.

Management Discussion and Analysis

Cangyu Expressway

During the reporting period, the average daily toll traffic volume was 3,109 vehicles and the average daily toll revenue was RMB76,713.

The Group completed the acquisition of a 90.0 percent equity interest in Cangyu Guihai Cangyu Expressway Co., Ltd. (Cangyu Expressway Co., Ltd.) from independent third parties in mid January 2009. For reference purpose only, the average daily toll traffic volume and average daily toll revenue of Cangyu Expressway Co., Ltd. during the reporting period increased by approximately 2.9 times and 4.9 times over the same period last year (prior to the acquisition). The strong increase was mainly due to: (1) the completion of a major overhaul and the re-opening of Provincial Highway 368 connecting Cangyu Expressway to Guangdong Province in late 2008 which contributed to an increase in the traffic volume of Cangyu Expressway; and (2) introduction of measures to strengthen toll management, install monitoring equipment, standardize and improve signboards at various junctions of Cangyu Expressway, and enhanced promotional efforts.

In addition, the Hekou to Pingtai section of Guangwu Expressway, which connects with Cangyu Expressway, is expected to be open to traffic next year and help further increase the traffic volume of Cangyu Expressway.

Performance of Expressway work-in-progress

Qinglian Highways (expressway work-in-progress)

During the reporting period, the average daily toll traffic volume was 24,693 vehicles and the average daily toll revenue was RMB458,713, representing a sharp increase of 154.3 percent and 277.8 percent respectively as compared to the first half of 2008. The sharp rise was mainly attributed to the completion of the reconstruction works of Qinglian Class I Highway's Fengtoulou to Lianzhou section and the Fengbu to Jingkou section (total length of approximately 188.0 km) in the first half of 2009 which have started to collect toll fee based on expressway rates effective from 1 July 2009. During the same period last year, that section was still under reconstruction stage.

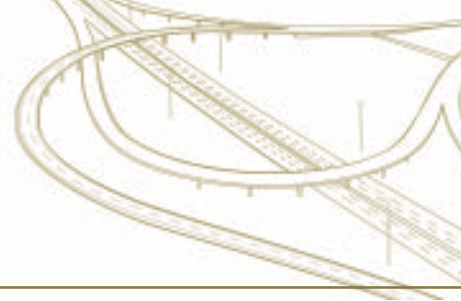
The Lianzhou to Fengbu section of Qinglian Class I Highway (Liannan Section) commenced its reconstruction works in the first half of 2009 pursuant to the planning adjustment of associated road network. The reconstruction works will be completed within two years.

Performance of Class I Highways

Guangshen Highway, Guangshan Highway, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway

During the reporting period, the average daily toll traffic volume and average daily toll revenue of the above-mentioned four Class I roads were 47,487 vehicles and RMB 381,511 respectively, representing a decline of 22.7 percent and 22.2 percent over the first half of 2008. The management of the Group anticipates that the performance of the above-mentioned four class I roads will continue to be affected by the gradual improvement in adjacent road network and the rapid development of the expressway network. As a result of the extension of the "green channel" toll free policy, tolls on whole carrier vehicles lawfully carrying fresh agricultural products and materials will continue to be waived. Also, policies aimed at clamping down on overloaded vehicles would continue to have an adverse impact on toll revenue.

The management of the Group expects that the proportion of toll revenue from Class I roads will further decrease as the Group actively increases its investment in expressways.



FINANCIAL REVIEW

Key Operating Results Figures

	Six months ended 30 June		
	2009 HK\$'000	2008 HK\$'000	Change %
Revenue	506,858	493,695	2.7
Operating profit before impairment losses on intangible operating rights	327,048	293,986	11.2
Finance costs - net	31,764	9,428	236.9
Net contributions from associates	142,592	169,673	-16.0
Loss from jointly controlled entity	(11,367)	(19,084)	-40.4
Income tax	50,989	40,098	27.2
Profit attributable to equity holders of the Company	176,264	329,958	-46.6

Analysis of operating results

Revenue

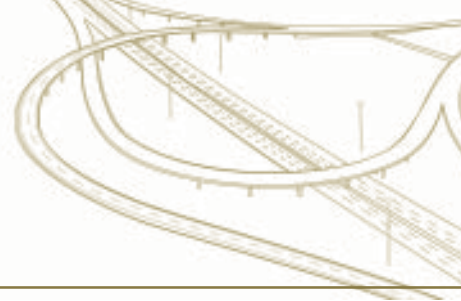
The Group reported revenue of HK\$506.9 million in the first half of 2009, a 2.7 percent growth over the same period in 2008. The revenue growth from GNSR Expressway (18.7 percent), Xian Expressway (10.7 percent) and revenue contribution from newly acquired Cangyu Expressway of approximately HK\$13.8 million have offset the loss in revenue caused by the cessation of toll operating rights in Guangcong Highway I and Xiang Jiang Bridge II since 1 January 2009.

Management Discussion and Analysis

Revenue structure and proportion

(HK.\$'000)	Revenue for the six months ended 30 June 2009	Proportion to total revenue %	Change %
Subsidiaries			
Guangshen Highway	14,293	2.8	-25.6
Guangshan Highway	29,045	5.7	-17.4
Guangcong Highway Section II & Provincial Highway 355	22,854	4.5	-7.1
Guanghua Highway	12,109	2.4	-37.4
GNSR Expressway	307,687	60.7	18.7
Xian Expressway	107,116	21.2	10.7
Cangyu Expressway ⁽¹⁾	13,754	2.7	N/A
Total	506,858	100.0	2.7
Associates & Jointly Controlled Entity (attributable to the Group)			
Humen Bridge	127,688	46.1	-22.9
Northern Ring Road	72,797	26.3	-6.5
Qinglian Highways	22,225	8.0	254.9
Shantou Bay Bridge	27,549	9.9	5.5
GWSR Expressway	26,714	9.7	35.4
Total	276,973	100.0	-6.3

- (1) The acquisition of Cangyu Expressway was completed in mid-January 2009. For comparison purpose, revenue for the first six months of 2009 grew by 290.6 percent when compared to the first six months of 2008.
- (2) Toll collection of Guangcong Highway Section I ceased on 1 January 2009.
- (3) Toll collection of Xiang Jiang Bridge II ceased on 1 January 2009.



Operating profit before impairment losses on intangible operating rights

The Group's operating profit before impairment losses on intangible operating rights in the first half of 2009 increased by 11.2 percent to HK\$327.0 million as compared with the first half of 2008. With the loss in operating profit contribution from Guangcong Highway I and Xiang Jiang Bridge II due to the cessation of their toll operating rights since 1 January 2009, there was an one-off gain on disposal of asset of approximately HK\$65.9 million (before minority share of HK\$13.0 million) related to Xiang Jiang Bridge II included in the first half of 2009. Compensation arrangement for Guangcong Highway Section I is expected to be finalized in the second half of 2009. GNSR Expressway has contributed HK\$212.3 million (23.6 percent growth as compared with first half of 2008) to the the Group in the first half of 2009. Cangyu Expressway which was acquired by the Group in mid January 2009 has contributed operating profit of HK\$22.1 million to the Group in the first half of 2009. Operating profit of Xian Expressway has dropped by 22.6 percent after an adjustment of approximately HK\$18.8 million applicable to prior years' operating expenses put through in the first half of 2009; otherwise its operating profit would have increased by 7.6 percent. Due to the stability of Renminbi-HK dollar exchange rate in the first half of 2009, a very minimal exchange gain was recognized from translation of monetary assets and liabilities in the current period as compared to approximately HK\$37.4 million exchange gain recognized in the first half of 2008.

Impairment losses on intangible operating rights

The Group has recorded impairment losses of approximately HK\$172.2 million (before minority share of HK\$52.7 million) in the first half of 2009 in respect of the Class I highways which profit contribution in aggregate represented approximately 3.0 percent (first half 2008: 8.1 percent) of the profit attributable to equity holders of the Company.

Finance costs — net

Finance costs (net of interest income) increased by 236.9 percent to HK\$31.8 million in the first half of 2009 mainly due to increase in gross finance costs and decrease in interest income. The gross finance costs in the first half 2009 amounted to HK\$41.3 million, 10.6 percent higher than the corresponding period in 2008. The higher finance costs incurred during the current period was due to additional interest of approximately HK\$12.4 million on the existing bank loan at the newly acquired Cangyu Expressway Co., Ltd. Bank interest income earned in the first half 2009 was lower than the corresponding period in 2008 as bank deposit rate over the period declined.

Share of profits less losses of associates and interest income on loans to associates

The overall net contributions from the Group's associates declined 16.0 percent in the first half of 2009 amounting to HK\$142.6 million. Net contributions from Humen Bridge and Northern Ring Road dropped 27.5 percent and 11.0 percent respectively in the first half of 2009 to HK\$89.2 million and HK\$35.7 million. With the completion of the re-construction works of approximately 188.0 km Qinglian Expressway, net contribution thereof jumped to HK\$4.4 million in the first half of 2009 as compared to the HK\$5.8 million deficit recorded in the first half of 2008. Shantou Bay Bridge's net contribution in the first half of 2009 showed a 8.6 percent rise as compared with the same period in 2008.

Share of loss of jointly controlled entity

Stepping into its third year of operation, operating loss of GWSR Expressway Co. in the first half of 2009 continued to narrow down to HK\$11.4 million, an improvement of 40.4 percent as compared with the first half of 2008.

Management Discussion and Analysis

Income tax

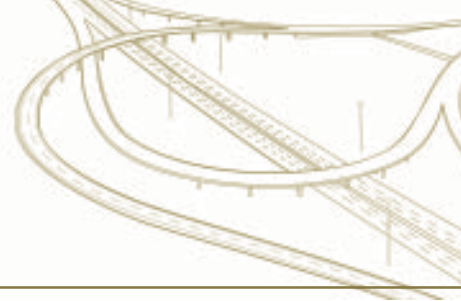
Total income tax of HK\$51.0 million in the first half of 2009 which represented a 27.2 percent increase as compared with the first half of 2008 was mainly due to the commencement of taxation at GNSR Expressway Co. and upward adjustment of the PRC income tax rate. Year 2009 is the first taxable year at GNSR Expressway Co. and its enterprise income tax incurred in the first half of 2009 amounted to approximately HK\$18.5 million. While the overall PRC taxable income level in the current period was comparatively lower than 2008, income tax rate applicable to the Group's PRC subsidiaries and associates in 2009 was increased to 20.0 percent (2008: 18.0 percent) under the 5 year transition period provided by the New Corporate Income Tax Law of the PRC.

Profit attributable to equity holders of the Company

The Group reported its profit attributable to equity holders in the first half of 2009 of approximately HK\$176.3 million, a drop of 46.6 percent over the same period last year. The acquisition of Cangyu Expressway Co., Ltd. in mid January 2009 contributed HK\$7.2 million to the Group's attributable profit, representing approximately 4.1 percent of the total attributable profit. Among our profit contributors, GNSR Expressway and Shantou Bay Bridge recorded their 2009 first half profit of HK\$102.3 million (20.7 percent growth) and HK\$13.2 million (8.6 percent growth) while Xian Expressway, Humen Bridge and Northern Ring Road declined by 24.5 percent, 27.5 percent and 11.0 percent respectively in the current period. The decline in profit of Xian Expressway was mainly due to the HK\$18.8 million adjustment mentioned earlier; otherwise, Xian Expressway would have recorded a profit growth of 12.5 percent.

Interim dividend

The Directors resolved to declare an interim dividend for 2009 of HK\$0.04 (2008: HK\$0.08) per share payable on 22 October 2009 to shareholders whose names appear on the register of members on 6 October 2009. Interim dividend payout ratio will be 38.0 percent (2008: 40.6 percent).



Key Financial Position Figures

	(Unaudited) 30 June 2009 HK\$'000	31 December 2008 HK\$'000	Change %
Non-current assets	10,007,225	9,728,456	2.9
Non-current liabilities	2,242,942	1,795,386	24.9
Bank balances and cash	2,275,945	2,378,898	-4.3
Total borrowings	1,514,735	1,114,943	35.9
Bank borrowings	1,174,170	759,723	54.6
Current ratio (excluding assets held for sale)	6.2 times	8.0 times	
Interest coverage	12 times	15 times	
Capital and reserves attributable to the Company's equity holders	8,437,412	8,399,710	0.4

Analysis of financial position

Non-current assets

The Group is principally engaged in investment in and development, operation and management of toll highways and bridges. The non-current assets are mainly intangible operating rights in toll expressways and bridges. As at 30 June 2009, non-current assets related to the PRC subsidiary holding Guangcong Highway I amounted to approximately HK\$303.2 million was reclassified to current assets as "assets held for sale" leaving the Group's non-current assets balance amounting to HK\$10.0 billion; which was 2.9 percent higher than the figure as at 31 December 2008. Such increase was mainly derived from the acquisition of Cangyu Expressway Co., Ltd. in mid January 2009.

Non-current liabilities

As at 30 June 2009, the Group's non-current liabilities increased by 24.9 percent to HK\$2.2 billion. Non-current liabilities of the Group included long term borrowings (i.e. maturity beyond one year) of HK\$1.37 billion (31 December 2008: HK\$978.9 million) and deferred income tax liabilities of HK\$872.2 million (31 December 2008: HK\$816.5 million). Long term borrowings included long term bank borrowings of approximately HK\$1.03 billion (31 December 2008: HK\$623.7 million) and loans from minority shareholders of subsidiaries of HK\$340.6 million (31 December 2008: HK\$355.2 million) which are all denominated in Rmb. The increase in long term bank borrowings was mainly due to bank loan from the newly acquired Cangyu Expressway Co., Ltd. of approximately HK\$437.1 million. The decrease in the loans from minority shareholders of subsidiaries was due to the written off of a loan from a minority shareholder of the subsidiary holding Xiang Jiang Bridge II. Deferred income tax liabilities at 30 June 2009 increased mainly due to deferred tax liability which arose from fair value adjustment created in the acquisition of Cangyu Expressway Co., Ltd. of HK\$38.3 million and the current period provision of deferred income tax.

Management Discussion and Analysis

Cash flows

The Group's bank balances and cash as at 30 June 2009 amounted to approximately HK\$2.3 billion which was very similar to the level as at 30 June 2008 and 31 December 2008.

Net cash generated from operating activities during the period ended 30 June 2009 amounted to approximately HK\$307.4 million (30 June 2008: HK\$336.9 million) which was after deduction of interest expenses of approximately HK\$50.1 million (30 June 2008: HK\$37.4 million) and China enterprise income tax of approximately HK\$25.0 million (30 June 2008: HK\$20.5 million).

Net cash used in investing activities during the period ended 30 June 2009 amounted to approximately HK\$143.2 million (30 June 2008: HK\$59.2 million). On the outflow side, capital expenditures amounted to approximately HK\$262.4 million (30 June 2008: HK\$196.5 million). On the inflow side, investment returns from associates amounted to approximately HK\$108.7 million (30 June 2008: HK\$108.9 million); bank interest income amounted to approximately HK\$9.7 million (30 June 2008: HK\$27.9 million).

Net cash used in financing activities during the period ended 30 June 2009 amounted to approximately HK\$241.5 million (30 June 2008: HK\$257.8 million). Apart from the initial bank loan of approximately HK\$431.6 million brought into the Group upon the acquisition of Cangyu Expressway Co., Ltd., new bank loans drawn by Cangyu Expressway Co., Ltd. during the current period amounted to approximately HK\$5.6 million (30 June 2008: nil). Cash used in financing activities was mainly repayments of bank loans amounting to approximately HK\$22.7 million (30 June 2008: HK\$81.2 million); investment returns to minority shareholders of subsidiaries of approximately HK\$90.5 million (30 June 2008: HK\$46.9 million); and dividends paid of HK\$133.9 million (30 June 2008: HK\$129.7 million).

Current ratio

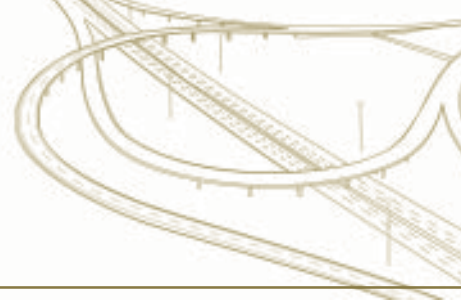
Excluding the assets and liabilities classified as held for sale, the current ratio (current assets over current liabilities) as at 30 June 2009 was 6.2 times (31 December 2008: 8.0 times). Bank balances and cash are the major components of the Group's current assets. Included in the Group's current liabilities as at 30 June 2009 was a short term bank borrowing (i.e. maturity within one year) of approximately HK\$144.0 million (31 December 2008: HK\$136.1 million). In the opinion of the management, with such a large amount of cash sitting on the balance sheet at 30 June 2009 coupled with a stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an issue for the Group.

Interest coverage

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cashflow effect). With the increase in gross finance costs, interest coverage for the six months ended 30 June 2009 was 12 times (Corresponding period in 2008: 15 times).

Capital expenditures and investments

The acquisition of a 90.0 percent equity interest in Cangyu Expressway Co., Ltd. was completed in mid January 2009 with relevant capital expenditure of approximately HK\$184.5 million (31 December 2008: balance consideration paid for the acquisition of additional 2.78 percent equity interest in Humen Bridge Co. of HK\$193.5 million apart from the deposit paid in late 2007 of approximately HK\$17.4 million). During the current period, balance of the capital injection into GWSR Expressway Co. of approximately HK\$71.4 million was paid. Additions to interests in toll highways and bridges and other fixed assets during the current period amounted to HK\$6.5 million (31 December 2008: HK\$3.0 million).



Capital structures

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Bank borrowings	1,174,170	759,723
Loans from minority shareholders	340,565	355,220
Total borrowings	1,514,735	1,114,943
Capital and reserves attributable to Company's equity holders	8,437,412	8,399,710
Total capitalization	9,952,147	9,514,653
Gross gearing ratio (total borrowings/total capitalization)	15.2%	11.7%

Bank borrowings of the Group as at 30 June 2009 amounted to approximately HK\$1.17 billion which were RMB floating rate loans obtained in mainland China and secured by way of pledge of the respective toll collection rights of subsidiaries holding the toll expressways. About 12.3 percent of total bank borrowings amounting to approximately HK\$144.0 million are repayable within one year and about 87.7 percent or approximately HK\$1.03 billion are long term. The effective interest rate of these bank borrowings as at 30 June 2009 was 6.42 percent (31 December 2008: 6.72 percent) per annum.

Loans from minority shareholders are part of capital contributions made by minority shareholders in respect of their respective equity shareholdings in certain subsidiaries in accordance with the terms of the relevant joint venture agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. During the current period, a loan amounting to approximately HK\$15.4 million was waived by a minority shareholder. Except for minority shareholder's loan of one subsidiary in the amount of approximately HK\$146.3 million which bore interest at the prevailing RMB long term lending rate of 5.94 percent per annum, the rest were interest-free loans stated at fair values.

As at 30 June 2009, the capital and reserves attributable to the Company's equity holders amounted to HK\$8.4 billion, accounting for 84.8 percent of the Group's total capitalisation. As at 31 December 2008, the capital and reserves attributable to the Company's equity holders amounted to HK\$8.4 billion, accounting for 88.3 percent of the Group's total capitalisation. Capital and reserves attributable to the Company's equity holders as at 30 June 2009 was 0.4 percent higher than that as at 31 December 2008, which was due to the increase in net profit retained for the period after appropriation of 2008 final dividend.

Management Discussion and Analysis

TREASURY POLICIES

The Group has always been prudent in its treasury policies, maintaining high liquidity and low financial gearing. As at 30 June 2009, the Group's bank balances and cash amounted to HK\$2.3 billion and its gearing ratio (total borrowings to total capitalization) stood at 15.2 percent.

A substantial portion of the Group's cash and cash equivalents was derived from the HK\$2.19 billion proceeds raised by way of an open offer last August 2007. The Group's principal operations are in China and most of the income is denominated in RMB. The main cash outflows in Hong Kong were related to cash dividend payments to shareholders and Hong Kong head office administrative expenditures. The Group will capitalize on the different levels of liquidity offered by both Hong Kong and China in implementing its financing strategy.

Management considers that with the Group's current bank borrowings which are denominated in RMB and that no speculative derivative or structured product transactions, collateralized debt obligations or off-balance sheet liabilities have been entered into by the Group, currency exposure is minimal. However, management will from time to time closely review and monitor the currency exposure of its HK dollar and US dollar denominated bank balances and cash at 30 June 2009 of HK\$1.77 billion. The Group will adopt appropriate hedging strategy such as currency swaps as and when it considers appropriate to hedge its currency risks.

The Group's policy on interest rate risk management is to monitor and review from time to time the interest rate fluctuation, and refinance at a lower cost for existing loans or enter into new bank facilities when favourable pricing opportunities arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

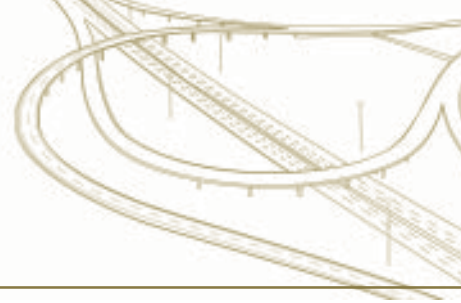
The Group has no material capital commitments and significant contingent liabilities as at 30 June 2009.

EMPLOYEES

As at 30 June 2009, the Group had approximately 1,232 employees of which about 1,011 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which would award its employees according to the performance of the Group and individual employees.

FUTURE PROSPECTS AND DEVELOPMENT STRATEGY

In recent years, the Group's various investment projects have been able to generate stable and considerable profit and cash flow. After successfully raising funds through a rights issue in August 2007, the Group has secured ample funding for future investment purposes. As at 30 June 2009, the balance of the Group's cash and bank deposits amounted to HK\$2.3 billion. As such, the Group will explore mature projects in target areas as well as new projects with satisfactory return and good development prospects, so as to enhance the overall asset size, profitability, and risk profile. In addition, the Group will continue to enhance its internal management control and increase its strength in operational management.



Principal investment focus: PRD region

The projects in which the Company has invested mainly focus on PRD region of Guangdong province, especially the peripheral area of Guangzhou city. The Group has accumulated rich and practical experience in the construction and operation of expressways and bridges locally and has cultivated key management talents in such areas of expertise.

Projects such as the GNSR Expressway, Humen Bridge, Northern Ring Road, Xian Expressway and Shantou Bay Bridge are a major and stable source of revenue of the Group. They have shown good development trends, with both GWSR Expressway and Cangyu Expressway expected to be growth drivers of the Group.

Against the background of rapid economic development, the construction of highways in Guangdong province is still unable to satisfy the continuous growth in demand for passenger and cargo turnovers. The PRD region, especially the peripheral area of Guangzhou city, still suffers from frequent traffic congestion. In view of this, Guangdong province plans to invest RMB 220 billion to expand expressways within the province from 3,520km to 5,500km from 2008 to 2012. As a result, the construction of highways in the region still has much room for investment. This is in line with the Group's strategy of increasing its investment in highways as well as the proportion of revenue and profit from the highway sector.

With the prospect of economic conditions becoming less volatile, the economic development of Mainland China, especially PRD region is expected to further gain strength in the second half of 2009. In order to cope with the impact from the financial crisis on China's economy, in addition to the RMB 4,000 billion group policies implemented by the government, investment policies for infrastructure are also being relaxed. It is therefore expected that investment in highway infrastructure projects in China will accelerate. The Group looks to capitalize on such opportunities by expanding its investment in Guangdong province, especially highway infrastructure projects in the PRD, so as to further optimize its investment portfolio and solidify its development scale.

Regions being studied: The Pan-Bohai region and the central and western regions

The Group has closely monitored the development of economic hotspots in the PRC and has actively sought to expand its expressway projects. Investment in projects such as Xian Expressway in Shaanxi province has incurred satisfactory returns to the shareholders. Currently, the Group is monitoring developments in the following regions:

- Pan-Bohai region: at the forefront of economic output and development speed in China.

With Beijing and Tianjin as its centre, the Pan-Bohai region possesses outstanding advantages in economic and infrastructure developments. With support from central government's policies in recent years, the economic development of Tianjin City has sustained rapid growth. In the first half of 2009, the GDP of Tianjin grew by 16.2% over the same period last year, among which, the gross retail sales proceeds grew by 20.7% and fixed assets investment by 45.4% over the same period last year. Taking into account the fact the traffic volume of expressways is closely related to the economic development of the area, the Group is keen to explore investment opportunities in the region.

- Central and western regions: low investment cost and favourable policies

The economy development of central and western regions has been slower than that in the Eastern coastal areas. However, with the "Western development program" proposed by the central government and a series of favourable policies, the economic growth speed of those areas has started to pick up. For instance, in the first half of 2009, the GDP of Guangxi Zhuang Autonomous Region grew by 13.5% over the same period last year, considerably higher than the overall growth level in China. In addition, since the economic development of those areas has been relatively slow, the investment cost of highways is comparatively lower and the policies for highway toll fee are relatively more favourable. The Group successfully acquired Cangyu Expressway in Wuzhou Autonomous Region in mid-January 2009 and the management is currently looking out for highway projects which are relatively mature but with improvement potential.

Management Discussion and Analysis

Exploring other related infrastructure projects

In view of the fact that China has vowed to invest heavily in infrastructure projects in recent years, the Group also pays close attention to large scale projects such as ports and terminals, in addition to its principal focus on highway infrastructure.

Meeting challenges

Looking forward to the second half of 2009, the Group will still have to confront such challenges as: (1) the Northern Ring Road going through a major overhaul in order to welcome the Asian Games to be held in Guangzhou in 2010. At the same time, the Guangqing to Cencun section of Northern Ring Road is undergoing a dual-direction closure for maintenance from July 2009 which will last for about five months. During the dual-direction closure of Northern Ring Road, vehicles will have to make a detour to GNSR Expressway and GWSR Expressway, and thus it is expected that the traffic volume of these two expressways would increase. Currently, we are not able to estimate whether such an increase would be sufficient to offset the adverse effects suffered by Northern Ring Road; (2) the opening to traffic upon construction completion of the trunk expressway near Xian Expressway and its likely diversion effect. It is expected that the growth rate of traffic volume and toll revenue of Xian Expressway may gradually slow down in the second half of 2009 as a result.

The Group will continue to actively seek investment opportunities and raise the proportion of expressways in its investment portfolio. At the same time, the Group will explore opportunities in other infrastructure projects. In terms of operation and management, the Group will strive to improve its management system, build up its internal control, and enhance its capability so as to create greater value for its shareholders.

By order of the Board

Zhang Zhaoxing

Chairman

Hong Kong, 25 August 2009

Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GZI TRANSPORT LIMITED *(incorporated in Bermuda with limited liability)*

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 47, which comprises the consolidated balance sheet of GZI Transport Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2009 and the related consolidated statements of income, comprehensive income and changes in equity and condensed consolidated cash flow statement for the six months then ended and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2009

Consolidated Income Statement

For the six months ended 30 June 2009

		(Unaudited)	
		Six months ended 30 June	
	Note	2009 HK\$'000	2008 HK\$'000
Revenue	5	506,858	493,695
Other income		1,494	5,590
Other gains	6	81,557	37,438
Business tax		(17,304)	(18,119)
Amortisation of intangible operating rights	12	(97,954)	(113,877)
Toll highways and bridges operating expenses	7	(91,098)	(59,081)
General and administrative expenses	7	(49,231)	(49,294)
Impairment losses on goodwill	14	(1,474)	(2,366)
Loss for the period of disposal group	16	(5,800)	—
Operating profit before impairment losses on intangible operating rights		327,048	293,986
Impairment losses on intangible operating rights	11	(172,200)	—
Interest income on loans to associates		17	4,632
Finance costs – net		(31,764)	(9,428)
Share of profits less losses of associates		142,575	165,041
Share of loss of jointly controlled entity		(11,367)	(19,084)
Profit before income tax		254,309	435,147
Income tax	8	(50,989)	(40,098)
Profit for the period		203,320	395,049
Attributable to:			
Equity holders of the Company		176,264	329,958
Minority interests		27,056	65,091
		203,320	395,049
Earnings per share for profit attributable to equity holders of the Company	9		
– Basic and diluted		HK10.53 cents	HK19.72 cents
Interim dividend	10	66,926	133,853

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	203,320	395,049
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	—	9,983
Currency translation differences	(5,689)	424,902
	<u>197,631</u>	<u>829,934</u>
Total comprehensive income for the period	197,631	829,934
Total comprehensive income attributable to:		
Equity holders of the Company	171,555	674,299
Minority interests	26,076	155,635
	<u>197,631</u>	<u>829,934</u>

Consolidated Balance Sheet

As at 30 June 2009

	Note	(Unaudited) As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
ASSETS			
Non-current assets			
Intangible operating rights	12	7,015,025	7,048,250
Leasehold land	12	656	665
Property, plant and equipment	12	60,486	37,629
Investment properties	12	8,800	8,800
Investment in jointly controlled entity		329,220	269,151
Investments in associates		2,121,411	2,090,232
Available-for-sale financial assets		147,735	147,735
Other non-current receivables	13	167,748	—
Goodwill	14	156,144	125,994
		<u>10,007,225</u>	<u>9,728,456</u>
Current assets			
Trade receivables	15	13,240	12,304
Other receivables, deposits and prepayments		69,153	30,195
Bank balances and cash		2,275,945	2,378,898
		<u>2,358,338</u>	<u>2,421,397</u>
Assets classified as held for sale	16	303,195	—
Total assets		<u><u>12,668,758</u></u>	<u><u>12,149,853</u></u>

Consolidated Balance Sheet

As at 30 June 2009

	Note	(Unaudited) As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	167,316	167,316
Reserves		8,270,096	8,232,394
		<u>8,437,412</u>	<u>8,399,710</u>
Minority interests		1,605,315	1,652,667
Total equity		<u>10,042,727</u>	<u>10,052,377</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	1,370,750	978,873
Deferred income tax liabilities	19	872,192	816,513
		<u>2,242,942</u>	<u>1,795,386</u>
Current liabilities			
Trade and other payables and accrued charges	20	125,319	141,108
Amount due to a minority shareholder of subsidiaries		61,064	11,340
Amounts due to holding companies		32,477	3,066
Current income tax liabilities		14,583	10,506
Borrowings due within one year	18	143,985	136,070
		<u>377,428</u>	<u>302,090</u>
Liabilities associated with assets classified as held for sale	16	5,661	—
Total liabilities		<u>2,626,031</u>	<u>2,097,476</u>
Total equity and liabilities		<u>12,668,758</u>	<u>12,149,853</u>
Net current assets		<u>2,278,444</u>	<u>2,119,307</u>
Total assets less current liabilities		<u>12,285,669</u>	<u>11,847,763</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from operating activities	307,363	336,945
Net cash used in investing activities	(143,169)	(59,233)
Net cash used in financing activities	(241,482)	(257,756)
(Decrease)/increase in cash and cash equivalents	(77,288)	19,956
Cash and cash equivalents at 1 January	2,378,898	2,293,016
Effect of foreign exchange rate changes	—	18,718
Cash and cash equivalents at 30 June	<u>2,301,610</u>	<u>2,331,690</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash in the consolidated balance sheet	2,275,945	2,331,690
Bank balances and cash classified as assets held for sale (note 16)	<u>25,665</u>	—
Cash and cash equivalents at 30 June	<u>2,301,610</u>	<u>2,331,690</u>

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	(Unaudited)								Minority interests	Total
	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Exchange fluctuation reserve	Statutory reserves	Available-for-sale financial assets reserve	Retained earnings	Asset revaluation reserve (note)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	167,316	2,698,176	1,705,497	799,732	37,104	43,700	2,298,767	649,418	1,652,667	10,052,377
Profit for the period	—	—	—	—	—	—	176,264	—	27,056	203,320
Currency translation differences	—	—	—	(4,709)	—	—	—	—	(980)	(5,689)
Total comprehensive income for the period ended 30 June 2009	—	—	—	(4,709)	—	—	176,264	—	26,076	197,631
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	17,080	17,080
Transfer	—	—	—	—	8,666	—	(1,606)	(7,060)	—	—
2008 dividend	—	—	—	—	—	—	(133,853)	—	(90,508)	(224,361)
	—	—	—	—	8,666	—	(135,459)	(7,060)	(73,428)	(207,281)
At 30 June 2009	167,316	2,698,176	1,705,497	795,023	45,770	43,700	2,339,572	642,358	1,605,315	10,042,727

Note: The asset revaluation reserve represents fair value adjustment of the 40% equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Limited") held by the Group as a result of further acquisition of 20% additional equity interest in GNSR Expressway Limited in 2007.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	(Unaudited)								Minority interests	Total
	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Exchange fluctuation reserve	Statutory reserves	Available-for-sale financial assets fair value reserve	Retained earnings	Asset revaluation reserve (note)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2008										
As previously reported	167,316	2,698,176	1,705,497	447,335	28,839	32,586	2,050,174	651,332	1,502,450	9,283,705
Effect of adoption of HK(IFRIC)-Int 12	—	—	—	—	—	—	(89,066)	—	(13,722)	(102,788)
As restated	<u>167,316</u>	<u>2,698,176</u>	<u>1,705,497</u>	<u>447,335</u>	<u>28,839</u>	<u>32,586</u>	<u>1,961,108</u>	<u>651,332</u>	<u>1,488,728</u>	<u>9,180,917</u>
Profit for the period	—	—	—	—	—	—	329,958	—	65,091	395,049
Increase in fair value of available-for-sale financial assets	—	—	—	—	—	9,983	—	—	—	9,983
Currency translation differences	—	—	—	334,358	—	—	—	—	90,544	424,902
Total comprehensive income for the period ended 30 June 2009	<u>—</u>	<u>—</u>	<u>—</u>	<u>334,358</u>	<u>—</u>	<u>9,983</u>	<u>329,958</u>	<u>—</u>	<u>155,635</u>	<u>829,934</u>
Transfer	—	—	—	—	2,171	—	12,765	(14,936)	—	—
2007 dividend	—	—	—	—	—	—	(129,670)	—	(46,924)	(176,594)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,171</u>	<u>—</u>	<u>(116,905)</u>	<u>(14,936)</u>	<u>(46,924)</u>	<u>(176,594)</u>
At 30 June 2008	<u>167,316</u>	<u>2,698,176</u>	<u>1,705,497</u>	<u>781,693</u>	<u>31,010</u>	<u>42,569</u>	<u>2,174,161</u>	<u>636,396</u>	<u>1,597,439</u>	<u>9,834,257</u>

Notes to the Unaudited Interim Financial Information

1 GENERAL INFORMATION

GZI Transport Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in the operation and management of toll highways and bridges in mainland China.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This interim financial information was approved for issue by the Board of Directors of the Company on 25 August 2009.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 December 2008, except for changes in accounting policies as mentioned below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for adoption for the financial year beginning 1 January 2009 for the Group.

HKAS 1 (revised)	Presentation of Financial Statements
HKAS 23 (amendment)	Borrowing Costs
HKAS 32 and HKAS 1 (amendment)	Financial Instruments: Presentation
HKFRS 2 (amendments)	Share-based Payments
HKFRS 8	Operating Segments

The adoption of these new standards and amendments to standards do not have significant impact on the Group’s interim financial information except for HKAS 1 (revised) and HKFRS 8 which require additional disclosures in the financial statements.

HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses that is “non-owner changes in equity” in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Notes to the Unaudited Interim Financial Information

3 ACCOUNTING POLICIES (CONTINUED)

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This did not result in an increase in the number of reportable segments presented.

The HKICPA has made amendments to a number of HKFRS in May 2009 in response to the annual improvement projects which do not have any significant impact on the Group's accounting policies and financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (revised)	Business Combinations	1 July 2009
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owner	1 July 2009
HK(IFRIC)-Int 18	Transfer of Assets from Customers	1 July 2009

Management is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial positions.

Notes to the Unaudited Interim Financial Information

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

Impairment of intangible operating rights

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise.

As at 30 June 2009, management identified impairment indicator for the intangible operating rights of certain Class I highways which the Group operates. The impairment is a result of the continuation of the adverse market conditions. During the period, impairment loss of HK\$172.2 million is charged to the consolidated income statement in accordance with HKAS 36 “Impairment” (note 11).

Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 8.

Current income tax and deferred income tax

The Group is subject to income tax in mainland China. Significant judgement is required in determining the amount of the provision for income tax and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

Notes to the Unaudited Interim Financial Information

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 0% to 65%. The wide range of growth rates is due to the fact that traffic volumes of certain toll highways and bridges of the Group have become saturated; while a toll highway owned by the Group's jointly controlled entity commenced operation in late 2006 and it is forecasted that the growth rate of this toll highway would remain at a high level in the coming years.

5 REVENUE

Revenue recognised for the period represents toll revenue on highways and bridges.

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group's internal reporting in order to assess performance of the Group's toll highways and bridges projects in mainland China. The Board of Directors assesses the performance of the single operating segment based on a measure of profit after tax.

No segment analysis of the Group's revenue and contribution to operating profit is presented as the Group's financial information already provide the management information on the assessment of the performance of the Group.

6 OTHER GAINS

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Exchange gain	234	37,427
Waiver of bank loan interest expenses	15,467	—
Gain on disposal of an intangible operating right (note 13)	65,856	—
Others	—	11
	<u>81,557</u>	<u>37,438</u>

Notes to the Unaudited Interim Financial Information

7 EXPENSES BY NATURE

Expenses included in toll highways and bridges operating expenses and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Amortisation of prepaid operating lease payments	9	9
Depreciation of property, plant and equipment	5,620	2,717
Toll highways and bridges maintenance expenses	55,710	34,720
Staff costs (including Directors' remuneration)		
– Wages and salaries	45,594	43,510
– Pension costs (defined contribution plans)	2,758	2,313
– Social security costs	4,326	2,972
– Staff welfare	7,471	3,605
	<u>7,471</u>	<u>3,605</u>

8 INCOME TAX

- (a) No provision for Hong Kong profits tax has been made for the period as the Group has no income assessable to Hong Kong profits tax during the period (2008: Nil).
- (b) During the six months ended 30 June 2009, China's enterprises income tax was provided on the profits of the Group's subsidiaries, associates and jointly controlled entity in mainland China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises are subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate of 25% over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the six months ended 30 June 2009 is 20% (2008: 18%).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the period, withholding income tax was provided for undistributed profit of the Group's associates in the PRC at tax rates of 5% or 10% (2008: 10%). No provision for withholding income tax was made for undistributed profit of the Group's subsidiaries in the PRC since the Group had sufficient cash surplus as at 30 June 2009 and would not demand for dividend distribution from the subsidiaries in the PRC in the coming future. The Group monitors the dividend pay-out policy and would consider adjusting the provision for the withholding income tax when there is change in the dividend pay-out policy. The corresponding unprovided withholding income tax in relation to undistributed profit, recognised based on HKFRS, of the Group's subsidiaries in the PRC as at 30 June 2009 amounted to HK\$50.5 million.

Notes to the Unaudited Interim Financial Information

8 INCOME TAX (CONTINUED)

(c) The amount of income tax charged to the consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current income tax		
PRC enterprise income tax	29,302	23,555
Deferred income tax	21,687	16,543
	<u>50,989</u>	<u>40,098</u>

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (HK\$'000)	<u>176,264</u>	<u>329,958</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted earnings per share (HK cents)	<u>10.53</u>	<u>19.72</u>

The diluted earnings per share for the six months ended 30 June 2009 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period.

10 DIVIDEND

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interim, proposed, of HK\$0.04 (2008: HK\$0.08) per share	<u>66,926</u>	<u>133,853</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

Notes to the Unaudited Interim Financial Information

11 IMPAIRMENT LOSS OF INTANGIBLE OPERATING RIGHTS

With the continuation of the adverse market conditions, the Directors had assessed the carrying value of the toll operating rights of Class I highways held by the Group, and had identified impairment indicator in respect of certain toll operating rights of Class I highways, including Guangcong Highway Section I, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway and Guangshen Highway. An impairment loss of HK\$172.2 million, based on independent valuation, was recognised in the consolidated income statement during the period, resulting in the carrying amount of these toll operating rights being written down to their recoverable amounts.

12 INTANGIBLE ASSETS AND CAPITAL EXPENDITURE

	Note	Intangible operating rights HK\$'000	Tangible infrastructure HK\$'000	Leasehold land HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000
Opening net book value at 1 January 2009		7,048,250	—	665	37,629	8,800
Additions		1,587	—	—	4,869	—
Acquisition of a subsidiary		656,392	—	—	24,645	—
Disposals		(143,682)	—	—	(932)	—
Amortisation/depreciation charge		(97,954)	—	(9)	(5,620)	—
Provision for impairment loss		(172,200)	—	—	—	—
Transfer to assets classified as held for sale	16	(277,368)	—	—	(105)	—
Closing net book value at 30 June 2009		7,015,025	—	656	60,486	8,800
Opening net book value at 1 January 2008						
As previously reported		3,987,372	2,807,912	683	34,854	9,550
Effect of adoption of HK(IFRIC)-Int 12		2,807,912	(2,807,912)	—	—	—
As restated		6,795,284	—	683	34,854	9,550
Additions		2,241	—	—	723	—
Disposals		(262)	—	—	(161)	—
Amortisation/depreciation charge		(113,877)	—	(9)	(2,717)	—
Exchange differences		431,699	—	—	1,416	—
Closing net book value at 30 June 2008		7,115,085	—	674	34,115	9,550

Notes to the Unaudited Interim Financial Information

13 OTHER NON-CURRENT RECEIVABLES

Non-current receivable represents the non-current portion of present value of consideration receivable, which was discounted at rate of 5.32%, in relation to the disposal of the Group's toll operating right of Xiang Jiang Bridge II during the six months ended 30 June 2009. As at 30 June 2009, the total balance of the consideration receivable is RMB169.6 million (approximately HK\$192.3 million) which will be settled by 26 half yearly installments from 1 January 2009 until end of the concessionary period, i.e. 30 November 2021. The resulted gain on disposal of HK\$65.8 million was recognised in the consolidated income statement during the period.

14 GOODWILL

	2009 HK\$'000	2008 HK\$'000
At 1 January	125,994	119,186
Acquisition of a subsidiary (note 21)	31,650	—
Exchange differences	(26)	7,514
Impairment losses	(1,474)	(2,366)
	<u>156,144</u>	<u>124,334</u>
At 30 June	<u>156,144</u>	<u>124,334</u>

Goodwill is attributable to the acquisition of 20% additional equity interest in GNSR Expressway Limited and 90% equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd. ("Cangyu Expressway Co., Ltd.").

15 TRADE RECEIVABLES

Trade receivables are toll revenue collected by other parties on behalf of the Group. The ageing of the balance is within 30 days.

16 DISPOSAL GROUP

The Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe Highways Development Company Limited ("Taihe Highways Limited"), was closed down since January 2009 for relocation at the request of the Guangzhou Municipal People's Government ("GZ Government"). In the course of negotiation for the relocation and compensation for the loss in respect thereof, on 30 April 2009, the GZ Government offered to the Group that the PRC joint venture partner of Taihe Highways Limited, namely, Guangzhou Highways Development Company ("GHDC"), would acquire the Group's entire 80% equity interest in and net receivable from Taihe Highways Limited. As of the date of authorisation for the issuance of this interim financial information, the transaction is pending for negotiation between the Group and GHDC on the consideration and other terms of the proposed disposal.

On 30 April 2009, Taihe Highways Limited was classified as a disposal group held for sale.

Notes to the Unaudited Interim Financial Information

16 DISPOSAL GROUP (CONTINUED)

The results of Taihe Highways Limited for the period since it was classified as a disposal group are as follows:

	Six months ended 30 June 2009 HK\$'000
Revenue	367
Expenses	(6,167)
	<hr/>
Loss for the period of disposal group	(5,800)
	<hr/> <hr/>

The major classes of assets and liabilities of Taihe Highways Limited are as follows:

	As at 30 June 2009 HK\$'000
Assets	
Intangible operating right	277,368
Property, plant and equipment	105
Other receivables, deposits and prepayments	57
Bank balances and cash	25,665
	<hr/>
Assets classified as held for sale	303,195
	<hr/>
Liabilities	
Deferred income tax liabilities	5,545
Trade and other payables and accrued charges	116
	<hr/>
Liabilities associated with assets classified as held for sale	5,661
	<hr/> <hr/>
Net assets classified as held for sale	297,534
	<hr/> <hr/>

Notes to the Unaudited Interim Financial Information

17 SHARE CAPITAL

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,673,162,295 ordinary shares of HK\$0.1 each	<u>167,316</u>	<u>167,316</u>

18 BORROWINGS

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Long-term bank borrowings	1,174,170	759,723
Loans from minority shareholders of subsidiaries	<u>340,565</u>	<u>355,220</u>
Total borrowings denominated in Renminbi	1,514,735	1,114,943
Less: Amounts due within one year shown under current liabilities	<u>(143,985)</u>	<u>(136,070)</u>
	<u>1,370,750</u>	<u>978,873</u>

Interest expenses on borrowings for the six months ended 30 June 2009 amounted to HK\$41,321,000 (2008: HK\$37,358,000).

The effective interest rate of bank borrowings at 30 June 2009 was 6.42% (2008: 6.72%) per annum.

The loans from minority shareholders of subsidiaries are not repayable within one year. Except for an aggregate amount of HK\$146,275,000 (2008: HK\$146,624,000) which bears interest at the prevailing The People's Bank of China RMB long-term lending rates at 5.94% (2008: 7.83%) per annum, the loans from minority shareholders of subsidiaries are interest free.

Notes to the Unaudited Interim Financial Information

19 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rates.

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Deferred income tax liabilities		
– accelerated depreciation	165,372	162,744
– available-for-sale financial assets	14,031	13,610
– fair value gains on interests in toll highways arising from acquisition of subsidiaries	644,261	610,259
– undistributed profits of associates	48,528	29,900
	872,192	816,513
	872,192	816,513

20 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Trade payables	62,038	84,837
Other payables and accrued charges	63,281	56,271
	125,319	141,108
	125,319	141,108

Trade payables represent construction costs payables to contractors. The ageing of the balance is within 90 days.

Notes to the Unaudited Interim Financial Information

21 BUSINESS COMBINATIONS

On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90% equity interest in Cangyu Expressway Co., Ltd. whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to RMB162million (equivalent to HK\$183.8 million). The acquisition was completed on 19 January 2009.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
Cash paid	183,783
Direct costs relating to the acquisition	1,587
	<hr/>
Total purchase consideration	185,370
Fair value of net identifiable assets acquired (see below)	(153,720)
	<hr/>
Goodwill	31,650
	<hr/> <hr/>

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain from the acquisition of 90% equity interest in Cangyu Expressway Co., Ltd.

Notes to the Unaudited Interim Financial Information

21 BUSINESS COMBINATIONS (CONTINUED)

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's
	HK\$'000	carrying
		amount
		HK\$'000
Bank balances and cash	956	956
Intangible operating rights	656,392	503,016
Property, plant and equipment	24,645	24,645
Trade receivables	910	910
Other receivables, deposits and prepayments	26,070	26,070
Trade and other payables and accrued charges	(50,179)	(50,179)
Amounts due to minority shareholders	(18,082)	(18,082)
Borrowings	(431,568)	(431,568)
Deferred income tax liabilities	(38,344)	—
	<u>170,800</u>	<u>55,768</u>
Net identifiable assets acquired		
Net identifiable assets attributable to the 90% equity interest acquired by the Group	<u>153,720</u>	<u>50,191</u>
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		185,370
Cash and cash equivalents in the subsidiary acquired		<u>(956)</u>
Cash outflow on acquisition		<u>184,414</u>

Notes to the Unaudited Interim Financial Information

22 COMMITMENTS

The Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	As at	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Lease payments		
Not later than one year	357	294
Later than one year and not later than five years	179	294
	<u>536</u>	<u>588</u>
Lease receipts		
Not later than one year	374	259
Later than one year and not later than five years	237	299
	<u>611</u>	<u>558</u>

23 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's directors regard Guangzhou Investment Company Limited (incorporated in Hong Kong) to be the ultimate holding company.

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Group had significant transactions during the period, and their relationship with the Company as at 30 June 2009:

Significant related party	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A substantial shareholder of ultimate holding company
Guangzhou Investment Company Limited ("GZI")	Ultimate holding company
Guangzhou Western Second Ring Expressway Co., Ltd.	A jointly controlled entity
Guangdong Humen Bridge Co., Ltd.	An associate
Guangdong Qinglian Highway Development Co., Ltd.	An associate
Guangdong Shantou Bay Bridge Co., Ltd.	An associate
Guangzhou Northring Freeway Co., Ltd.	An associate

Notes to the Unaudited Interim Financial Information

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Administrative service fees paid to GZI	650	650
Gain on disposal of a toll operating right of Xiang Jiang Bridge II to a state-owned enterprise	65,856	—
Rental expenses paid to Yue Xiu	180	247
Interest expense paid to a minority shareholder of a subsidiary	4,237	5,623
	<u> </u>	<u> </u>

(c) Key management compensation

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Salaries and other short-term benefits	15,251	17,366
	<u> </u>	<u> </u>

Other Information

Interests of Directors

As at 30 June 2009, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) were as follows:

I. Long positions in shares of Guangzhou Investment Company Limited (“GZI”), the holding company of the Company:

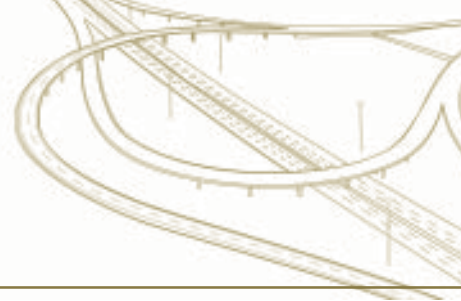
Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	300,000	0.004
Mr Fung Ka Pun	Personal	1,000,000	0.014

II. Long positions in underlying shares of equity derivatives of GZI:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1 January 2009	Exercised during the period	outstanding as at 30 June 2009
Mr Lau Hon Chuen Ambrose	28/05/2008	1,556	2,800,000	—	2,800,000

Note: The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30 % and (ii) 60 % (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

Save as disclosed herein, as at 30 June 2009, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



Discloseable Interests of Shareholders under the Securities and Futures Ordinance

As at 30 June 2009, the following persons have an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	Long position in shares	Approximate % of interest
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”)	(a)	1,177,880,113	70.40
GZI	(a)	1,125,201,000	67.25
Treasure House Limited	(a)	375,000,000	22.41
First Dynamic Limited	(a)	750,000,000	44.83
Round Table Holdings Limited	(a)	750,000,000	44.83
GZI Transport (Holdings) Limited	(a)	750,000,000	44.83
Housemaster Holdings Limited	(a)	367,500,000	21.96
Power Head Limited	(a)	157,500,000	9.41
Delta Force Holdings Limited	(a)	112,500,000	6.72
Lawson Enterprises Limited	(a)	112,500,000	6.72
Mr Cheah Cheng Hye	(b)	183,931,000	10.99
Hang Seng Bank Trustee International Limited	(b)	183,931,000	10.99
Cheah Company Limited	(b)	183,931,000	10.99
Cheah Capital Management Limited	(b)	183,931,000	10.99
Value Partners Group Limited	(b)	183,931,000	10.99
Value Partners Limited	(b)	183,931,000	10.99
Ms To Hau Yin	(b)	183,931,000	10.99
Shanghai Industrial Investment (Holdings) Company Limited	(c)	99,517,000	5.95

Notes:

- (a) Yue Xiu held 8,653 shares as beneficial owner and the deemed interest in the balance of 1,177,871,460 shares through its controlled corporations.

Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited are the beneficial owners of 367,500,000, 157,500,000, 112,500,000 and 112,500,000 shares of the Company respectively. These companies are wholly-owned by GZI Transport (Holdings) Limited which, by virtue of the SFO, is deemed to be interested in the 750,000,000 shares held by these subsidiaries.

GZI Transport (Holdings) Limited is owned as to 51% by Round Table Holdings Limited and 49% by First Dynamic Limited. First Dynamic Limited is wholly-owned by Yue Xiu which also through certain subsidiaries owned about 47% of the issued share capital of GZI as at 30 June 2009. Round Table Holdings Limited is wholly-owned by GZI which also directly holds 201,000 shares of the Company. By virtue of the SFO, GZI, Round Table Holdings Limited and First Dynamic Limited are deemed to be interested in the 750,000,000 shares.

GZI is also deemed by the SFO to be interested in 375,000,000 shares as a result of its indirect holding of such shares through its wholly-owned subsidiary, Treasure House Limited.

- (b) Value Partners Limited held these shares as investment manager. Mr Cheah Cheng Hye, being the founder of The C H Cheah Family Trust, is deemed to be interested in 183,931,000 shares by virtue of the SFO. Hang Seng Bank Trustee International Limited, the trustee of The C H Cheah Family Trust, holds 100% interest in Cheah Company Limited which holds 100% interest in Cheah Capital Management Limited, which holds a 35.65% interest in Value Partners Group Limited, which in turn holds 100% interest in Value Partners Limited.

Ms To Hau Yin is the spouse of Mr Cheah Cheng Hye and is deemed to be interested in the shares held by Mr Cheah Cheng Hye.

Based on the information set out in the Disclosure of Interest Forms filed by Value Partners Limited and its associates pursuant to the SFO filed on 7 August 2009, Value Partners Limited and its associates, including Mr Cheah Cheng Hye, hold 167,239,000 shares as of 5 August 2009, thereby reducing its shareholding interest in the Company to approximately 9.99%.

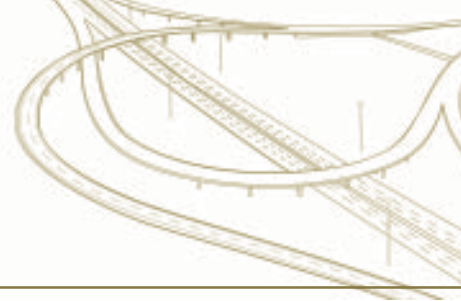
- (c) The capacity of Shanghai Industrial Investment (Holdings) Company Limited in holding the 99,517,000 shares is attributable to interests of controlled corporations.

Other Information

Share Options

On 25 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme (“2002 Share Option Scheme”). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company (“Board”) may grant to any person being an employee, officer, director, agent, consultant or representative of GZI, Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10% of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1% of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30%; and (ii) 60 % (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of GZI, Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of GZI, Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option. As at 30 June 2009, no such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.



Corporate Governance

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, except for the following deviation:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Bye-laws. All the non-executive directors of the Company had retired by rotation and have been re-elected during the past three years.

Review of Interim Results

The results of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2009.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

Purchase, Sale or Redemption of the Company’s Shares

The Company has not redeemed any of its shares during the six months ended 30 June 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 2 October 2009 to Tuesday, 6 October 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong Branch Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 30 September 2009.

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing (*Chairman*)
Mr Li Xinmin
Mr Qian Shangning
Mr Liang Ningguang
Mr Liang Yi
Mr Liu Yongjie
(appointed with effect from 14 August 2009)
Mr Cai Tielong
Mr Chen Guanzhan
Ms Yuan Hongping
Mr Zhang Siyuan
Mr Luo Jinbiao
Mr Zhang Huping

Independent non-executive directors & audit committee members

Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Ms Chan Kam Ting Sharon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISOR

Baker & McKenzie

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

SHARE LISTING

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited-1052
Reuters-1052.HK
Bloomberg-1052 HK

INVESTOR RELATIONS

For further information about
GZI Transport Limited, please contact:
Ms Grace Li
Telephone : (852) 2865 2205
Facsimile : (852) 2865 2126
Email : contact@gzitransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.gzitransport.com.hk>
<http://www.irasia.com/listco/hk/gzitransport>
<http://www.hkexnews.hk>