

| Contact | Phone |
|------------------|----------------|
| GENERAL | 852.2916.1121 |
| ANALYSTS | |
| <i>Hong Kong</i> | |
| Elizabeth Allen | 852.2916.1153 |
| Gary Lau | 852.2916.1177 |
| <i>Sydney</i> | |
| Brian Cahill | 61.2.9270.8105 |

Road King Infrastructure Limited

Road King Infrastructure Limited (Road King) is a Hong Kong listed company with primary investments in toll road projects in China. It was established in 1994 and is one of the largest toll road owners/operators in China, with total investments of over RMB 6 billion and total mileage of 1,100 kilometres as of end-FY2005. Its toll road investments are spread through 8 provinces: Guangdong, Anhui, Guangxi, Hebei, Henan, Hunan, Jiangsu and Shanxi.

History and Ownership

Road King was jointly established in 1994 by Wai Kee Holdings Limited and AIG Asian Infrastructure Fund L.P. The company was listed in 1996 with a market capitalization of HK\$4.8 billion as at 31 May 2006. In 2004, it began its property development business in China.

As of 31 May 2006, Road King's major shareholders were Wai Kee Holdings Limited (46%) and Shenzhen Investment Limited (24%). The rest of the shareholdings is held by the public.

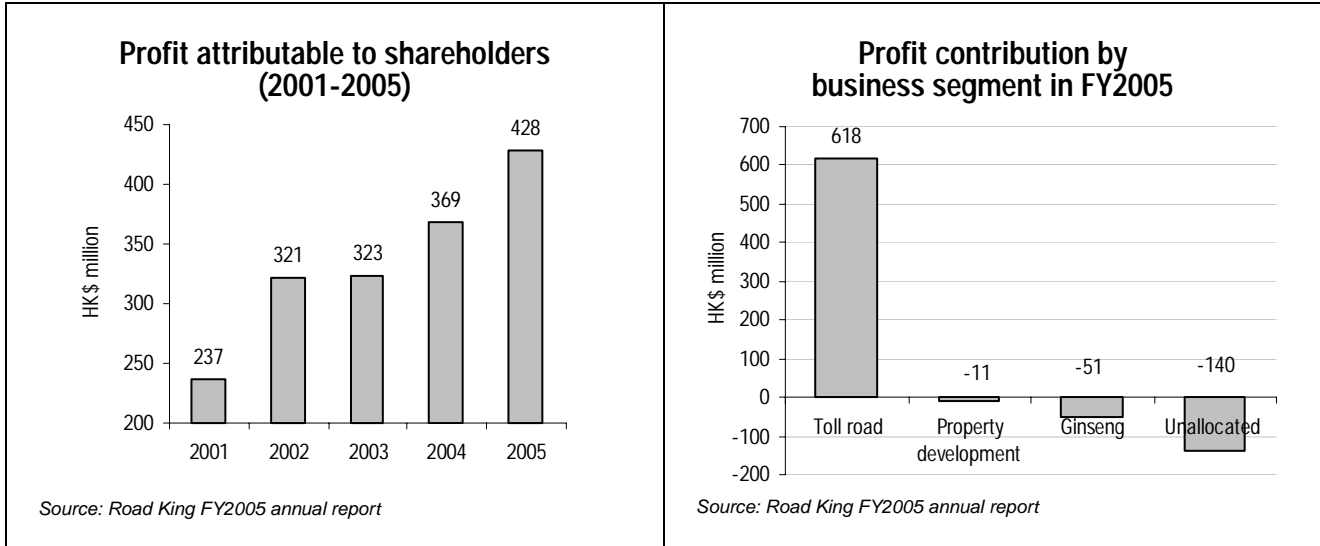
Wai Kee Holdings Limited is a Hong Kong listed company holding investments in infrastructure, civil construction, quarrying and bio-technology.

Shenzhen Investment Limited is also a Hong Kong listed company with operations including property development and investment, provision of transportation services and investment in infrastructure.

Business Activities

Road King's principal business is the investment in and development, operation and management of toll roads and bridges in China. The company also has a property development business in China and a ginseng business in Canada. It has investments in 21 toll roads and bridges, spanning approximately 1,100 kilometres across 8 provinces, and has secured land with a total developable gross floor area of around 1.6 million square meters.

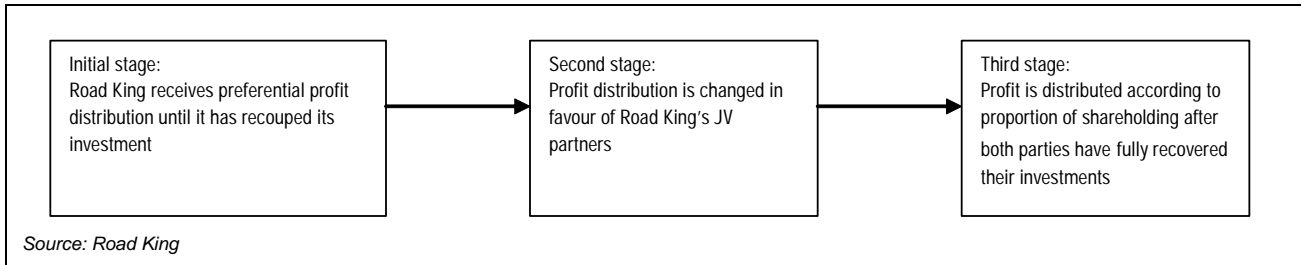
The company reported toll revenue of HK\$1,187million, profit attributable to shareholders of HK\$428 million and total assets of HK\$7,341 million for FY2005. For the historical trend of the group's profit attributable to shareholders and individual business segments' FY2005 contributions to profit attributable to shareholders, please refer to the charts below.



TOLL ROAD BUSINESS

Road King develops, operates and manages its toll roads through formation of Sino-foreign co-operative infrastructure JVs. As at 31 December 2005, the company had 44 such JVs. It generally owns majority stakes (typically 50-60%) in these projects. Road King participates in a joint management process where it and its JV partners have equal control of the project board, hence Road King does not consolidate any of its JVs.

In general, the profit sharing arrangement between Road King and the JV partners is as shown below.

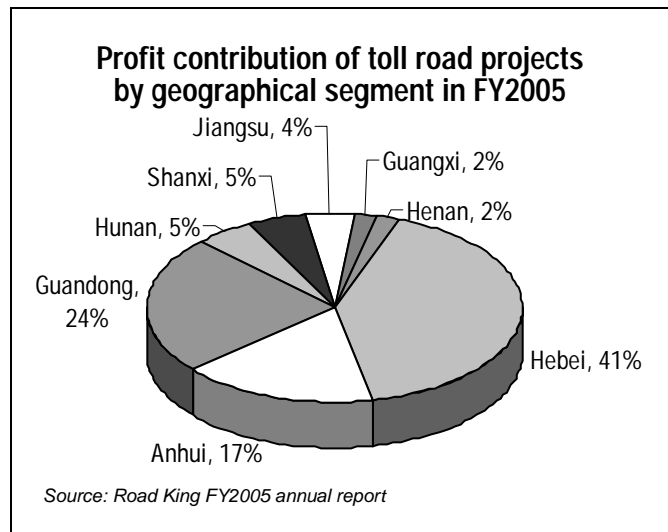


In the past few years, Road King's toll road business has been performing well, mainly due to continuing economic growth in China and increases in business communication between provinces and cities as well as in car ownership and leisure driving.

In FY2005, total traffic volume of the toll road projects amounted to 135 million vehicles, a 6% y-o-y increase, and revenue was RMB 2.25 billion, up 19%. The charts below show the geographical profit contributions of toll road projects for the fiscal year.

In January 2005, Road King disposed of its entire interest in the Changzhou-Caoqiao Highway project in Jiangsu Province and acquired a 45% equity interest in the Tangshan-Tianjin Expressway in Hebei Province.

For a summary of Road King's toll road portfolio as at 31 December 2005, please refer to Appendix 1.



PROPERTY DEVELOPMENT BUSINESS

During 2005, Road King secured the development rights for several pieces of land in Guangzhou and Changzhou. The structure of its Parkrise property development project, which is located in Guangzhou's Tianhe District, was completed during 2005, and pre-sale began in November of that year. The company expects to commence construction work in 2006 for the other two pieces of land it holds rights for in Guangzhou. In addition, it plans to begin construction of two residential and one shopping mall projects in Changzhou in the same year. It is expected that profit contributions from the property development business will emerge in 2006.

For a summary of Road King's property development projects as at 31 December 2005, please refer to Appendix 2.

GINSENG BUSINESS

Road King holds an indirect stake of 78% in Chai-Na-Ta Corp. (CNT), a listed company on the NASDAQ. CNT is the world's largest supplier of North American ginseng and harvests around 20% of the global production of North American ginseng. A substantial majority, 79%, of FY2005 sales were made to Far Eastern countries, and CNT recorded a total net loss of C\$8 million, mainly due to fallen demand and a resultant decrease in selling price and profit margin. CNT's common shares was delisted from the Toronto Stock Exchange (TSE) effective from 1 April 2006 because it did not meet the requirement that the market value of publicly held securities on the TSE must not be less than C\$2 million over any period of 30 consecutive trading days.

Regulatory Environment

The PRC Highway Law – the first Chinese national law on the planning, construction, maintenance and administration of highways – was passed on July 3, 1997 and became effective on January 1, 1998. It was subsequently amended in October 1999. One of its main purposes is encouraging new road investment. In particular, it endorses the use of foreign investment and a range of financing options. However, it does not deal comprehensively with areas of concern to foreign investors in road projects, such as procedures for adjusting toll levels and restrictions on competing routes.

Approvals in China for rises in toll rates rest primarily with the relevant provincial governments and price bureaus, which generally consider factors such as the rates of comparable highways in the same region, user affordability, etc. Between 1996 and 2002, Road King managed to obtain toll rises for many of its investments, but despite this track record, China's regulatory regime and toll-approval mechanism lack transparency and are hard to predict. Therefore, uncertainties exist as to the probability of future rises in toll rates.

Similarly, China's regulatory regime for the property market lacks transparency and is hard to predict. Since 2005, the government has implemented several measures to cool the market. More recently, on May 24, 2006, the General Office of the State Council issued its Notice on Adjusting the Housing Structure and Stabilizing Housing Prices.

This notice provides for more aggressive measures, including a business tax on the prices of properties sold within 5 years or on profits from sales after 5 years, subject to possible exemptions for residential properties. In order to increase the supply of affordable housing, new residential projects should have more than 70% of their gross floor area allocated to units with less than 90 square meters.

Moreover, a ban has been implemented on the provision of land for villa construction and land supply for high-end residential properties has been restricted. Regulations governing mortgage lending have been tightened.

Market Structure and Position

There is no monopoly in the sector, and hence there is a risk of competition from other toll road operators or construction of a new competing road.

Road King has a fairly large portfolio of 21 toll road projects, diversified in 8 provinces in China with different JV maturities (ranging between 2014 and 2033). It is one of the largest toll road owners/operators in China, and most of its projects have operating histories of more than 5 years and contribute stable cash flow. Growth opportunities are expected as China's infrastructure sector continues to develop.

The company expects that in Guangzhou, the shortage of land supply, increasing purchasing power of the population and improvement of transport infrastructure will sustain growth in the property market. Changzhou, where 3 of its property development projects are located, has the fourth-highest GDP growth rate among the 16 cities of the Yangtze River Delta. Road King expects that with increasing urbanization, more home buyers will be attracted and the property market will remain strong.

Appendix 1: Summary of Road King's toll road business in China as at 31 December 2005

| Provincial Locations and Projects | Annual average daily traffic | %Growth | Annual Toll revenue (RMB million) | %Growth |
|---|------------------------------|---------|-----------------------------------|---------|
| Hebei Province | | | | |
| 1. Baojin Expressway | 14,870 | +0.4% | 306.99 | +10.8% |
| 2. Tangjin Expressway | 20,924 | -- | 313.40* | -- |
| 3. Shijin Highway | 12,423 | -6.7% | 47.49 | -15.7% |
| 4. Hanguan Highway | 12,965 | +6.0% | 93.23 | -2.0% |
| Anhui Province | | | | |
| 5. Bengbu Huaimeng Highway | 6,438 | -27.8% | 13.21 | -59.7% |
| 6. Hehuai Highway | 16,569 | -4.4% | 61.93 | -2.8% |
| 7. Heye Highway | 32,445 | +1.3% | 166.19 | +1.4% |
| 8. Bengbu Huaihe Bridge Highway | 10,315 | -2.2% | 32.23 | +1.1% |
| 9. Chaoyanglu Huaihe Bridge | 6,020 | -11.9% | 14.28 | -2.1% |
| Guangdong Province | | | | |
| 10. Jihe Expressway | 51,353 | +19.7% | 287.10 | +24.3% |
| 11. Guangsan Expressway | 39,267 | +20.5% | 278.94 | +21.5% |
| 12. Luochong Expressway | 16,928 | +20.1% | 54.32 | +27.7% |
| Hunan Province | | | | |
| 13. Changyi Expressway | 36,550 | +2.8% | 207.06 | +10.3% |
| Shanxi Province | | | | |
| 14. Taiyu Highway | 23,241 | +15.4% | 54.96 | +14.3% |
| 15. Yuci City Bypass | 5,358 | +31.6% | 22.77 | +43.7% |
| 16. Dongguan Highway | 6,714 | +22.6% | 21.75 | +38.6% |
| 17. Taigu Highway | 12,141 | +12.2% | 33.27 | +2.9% |
| Jiangsu Province | | | | |
| 18. Airport Highway | 18,113 | +6.9% | 118.38 | +15.3% |
| Guangxi Zhuang Autonomous Region | | | | |
| 19. Yulin City Ring Roads & Yugong Highway | 15,830 | +2.1% | 35.44 | +21.7% |
| Henan Province | | | | |
| 20. Xunan Highway | 13,242 | -40.5% | 91.50 | -52.0% |
| * 11 month contribution from February 2005 to December 2005 | | | | |
| Source: Road King FY2005 annual report | | | | |

Appendix 2: Summary of Road King's property development projects as at 31 December 2005

| Project Name | Location | Gross Floor Area (square meter) | Type | Expected completion date | Percentage interest in the property |
|----------------------------------|--|---------------------------------|--------------------------|--------------------------|-------------------------------------|
| 1. Parkrise | Near Tianhe Park, Guangzhou | 99,000 | Residential & Commercial | End 2006 | 100% |
| 2. Zhujiang New city (Site G4-1) | Eastern Zhujiang New City, Guangzhou | 62,000 | Residential & Commercial | End 2007 | 100% |
| 3. Zhujiang New city (Site G4-2) | Near Zhujiang Park, Guangzhou | 59,000 | Residential & Commercial | End 2008 | 100% |
| 4. Royal City | Wujin District, Jiangsu, Changzhou | 877,000 | Residential | 2012 | 100% |
| 5. Vista Panorama | Southeast corner of Nantian Park, Jiangsu, Changzhou | 406,000 | Residential | 2009 | 100% |
| 6. Grand Metropolis | Wujin District, Jiangsu, Changzhou | 100,000 | Commercial | 2007-2008 | 100% |

Source: Road King

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Authors

Elizabeth Allen
Lydia Ho

Editor

David Myles

Production Associate

David Ainsworth

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