



Moody's Investors Service

Global Credit Research

Rating Action

26 JAN 2007

Rating Action: **Road King Infrastructure Limited**

Moody's reviews Road King's Ba1 rating for possible downgrade

Hong Kong, January 26, 2007 -- Moody's Investor Service announced today that it has put on review for possible downgrade the Ba1 corporate family rating of Road King Infrastructure Ltd (Road King) and the Ba1 senior unsecured rating of the bond issued by Road King Infrastructure Finance (2004) Ltd.

The rating action is in response to Road King's announcement that it could raise its stake in its PRC property investment company, Sunco A, from 49% to 90%. It might also acquire essentially majority interests in assets under Sunco B.

Sunco A has approximately 1.7 million sqm of gross floor area available for development while Sunco B has approximately 2 million sqm, plus some others under joint ventures. The transaction is subject to the fulfillment of condition precedents and shareholders' approval.

"This transaction's initial incremental cash outflow will be up to HKD1 billion and, upon exercising various options, could increase Road King's exposure to the Chinese property development sector to well over 50% of total assets," says Elizabeth Allen, a Moody's Vice President/Senior Analyst and lead analyst for Road King, adding "Coupled with the other property acquisitions made last year, this will position Road King more as a property developer - which has a significantly higher business risk profile - than a toll road operator. As a result, both financial and operational risks will increase so Moody's has had to reassess its ratings in this context."

Furthermore, Moody's understands that the property projects to be acquired under Sunco B are still under due diligence but they involve more complex ownership arrangements with joint venture partners, thereby could negatively impact Road King's operational profile.

On the financial side, in addition to the initial outlays, there will be a need for further funding for construction costs and other capital expenditure. Hence Moody's believes that Road King's financial metrics are likely to weaken, although the company has not yet finalised its overall funding plan.

Moody's review will focus on the likelihood of Road King exercising the various purchase options, the extent of investment in Sunco B, the company's capex requirement and funding plan, its projected financial profile and whether any factors will mitigate its appetite for higher risks. The evaluation will also more vigorously benchmark Road King against other rated Chinese property developers.

Established in 1994, Road King is a Hong Kong-listed company with investments in toll roads and property development projects in China. As of June 2006, the company had toll road investments of over HK\$6 billion and mileage of more than 1,000 kilometers spread throughout eight provinces in China.

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