

KINGBOARD CHEMICAL HOLDINGS LTD
vs.
KINGBOARD LAMINATES HOLDINGS LTD:
YOU BE THE JUDGE

It would appear logical for one to consider, following the publication of the Prospectus of [Kingboard Laminates Holdings Ltd \(\)](#) (Code: 1888, Main Board, The Stock Exchange of Hongkong Ltd) which of the 2 companies is the better buy at the current price levels:

1. The parent company, Kingboard Chemical Holdings Ltd () (Code: 148, Main Board, The Stock Exchange of Hongkong Ltd), which owns 75 percent of the Issued and Fully Paid-Up Share Capital of Kingboard Laminates; or,
2. Kingboard Laminates Holdings Ltd, which, recently went to the market in order to gather up the best part of \$HK1 billion?

As at December 31, 2005, the Net Asset Value Per Share of Kingboard Chemical was \$HK18.15, according to TARGET's reckoning.

As at noon, yesterday, the share price of Kingboard Chemical was about \$HK31.00, so that the shares are selling at a Premium to the Net Asset Value Per Share of about \$HK12.85, equivalent to about 71 percent.

As at today's date, the Net Asset Value Per Share of Kingboard Laminates is about \$HK1.91, based on the data, contained in the Consolidated Balance Sheet, found at Appendix I-9 of this company's Global Offering Prospectus.

Of course, the calculation of the Net Asset Value Per Share of Kingboard Chemical included the net assets of Kingboard Laminates, as at 2005 Balance Sheet Date.

The Prospectus of Kingboard Laminates suggests that Shareholders' Funds were about \$HK5,715,761,000, as at June 30, 2006.

Subtracting that figure from \$HK14,242,948,000 (Shareholders' Funds of Kingboard Chemical, as at December 31, 2005), reduces the Kingboard Chemical's Shareholders' Funds figure to about \$HK8,527,187,000.

The Net Asset Value Per Share, therefore, is reduced to about \$HK10.86 against a share price of about \$HK31.00.

Which means that the current share price for Kingboard Chemical is about 185 percent higher than the market price of nearly \$HK31.00.

Since Kingboard Chemical owns 75 percent of the Issued and Fully Paid-Up Share Capital of Kingboard Laminates, one would, of course, have to add to the Net Asset Value of Kingboard Chemical another \$HK4,286,820,750.

That brings up the Net Tangible Asset Value of Kingboard Chemical back to about \$HK12,814,007,750, or about \$HK16.32 per share.

This figure is a discount to the market price of the shares of Kingboard Chemical of about 53 percent.

Considering the growth in the profits of Kingboard Chemical of late, this premium would appear to be reasonable, in TARGET's opinion.

That is not the end of the story, however, because Kingboard Chemical received about \$HK4.11 billion from Kingboard Laminates at its flotation and that sizeable amount of money pushed up the Net Asset Value of Kingboard Chemical to about \$HK16.92 billion, or about \$HK21.56 per share.

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