

**AFFLUENT FOUNDATION HOLDINGS LTD:
HOW DIFFICULT IS THE SITUATION
FOR THE MOST-IMPORTANT CUSTOMER ?**

On scanning the Share Offer Prospectus of Affluent Foundation Holdings Ltd () (Code: 1757, Main Board, The Stock Exchange of Hongkong Ltd), one is asked to believe – as Management of this Company seems, strongly, to maintain – that having just five customers, to the exclusion of many other prospective customers, is preferable to having scores of customers that would have the ability of spreading the annual revenues over a much-wider, financial base.

This Company's five, largest customers have, during the past 44 months, ended November 30, 2017, been responsible for between 82 percent and 98 percent and the Company's total Revenue.

However, contrary to the suggestions of Management of this publicly listed company, the share trading of which commenced on Thursday, June 7, 2018, it appears, in the idiom of the international rowing community, that the Company has caught a crab – and very materially, too.

More about this Company's nonsensical, impractical and ill-advised suggestion, later on in this analysis.

Part One

The Initial Public Offering (IPO) Of Affluent Foundation Holdings Ltd

On May 23, 2018, Affluent Foundation Holdings Ltd published and disseminated its Share Offer Prospectus in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The Company Offered a total of 300 million, one-cent Shares at the Indicative Offer Price Range of between a low of 30 cents and a high of 34 cents.

Investors of the HKSAR were Offered 30 million Shares (the Public Offer Tranche) and 270 million Shares were reserved for Institutional/Professional/Well-Heeled Investors via select Share Placements (the Share Placing Tranche).

At the midpoint of the Indicative Offer Price Per Share, being 32 cents, Management stated that it anticipated, netting about \$HK65 million, according to Page 293 of the Share Offer Prospectus.

However, as luck would have it, on Wednesday, June 6, 2018, Management announced that the Offer Price Per Share had been struck at 34 cents and that the Company was expecting to net about \$HK70.60 million from the IPO.

The public announcement of the Offer Price and the Allotment Results stated, at Page Eight, how Management anticipated the utilisation of the net proceeds:

- Approximately, \$HK40.00 million, that is about 56.70 percent, *‘for acquiring additional machineries (sic) and equipment, comprising excavators and crawler cranes’*;
- Approximately, \$HK14.00 million, that is about 19.80 percent, *‘for strengthening the Group’s manpower by (i) recruiting 15 additional full-time staff including three project managers, three site supervisors, three quantity surveyors and six machine operators; and (ii) providing trainings to our staff to update their knowledge and enhance their skills’*;
- Approximately, \$HK10.00 million, that is about 14.20 percent, *‘for securing more contracts we plan to tender, which it is generally required to take out surety bonds issued by banks and insurance companies in the amount of (a) certain percentage of the original contract sum in favour of the potential customers’*; and,
- Approximately, \$HK6.60 million, that is about 9.30 percent, *‘for funding the general working capital of the Group.’*

The Business Of Affluent Foundation Holdings Ltd

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