

**AB BUILDERS GROUP LTD:
FACED WITH THE INEVITABLE,
WHAT SHALL MANAGEMENT DECIDE ?**

AB Builders Group Ltd () (Code: 1615, Main Board, The Stock Exchange of Hongkong Ltd) is heavily reliant on the continued successful operations of five major customers, all of whom are engaged in the tourism-and-gaming industry of the Macau Special Administrative Region (MSAR) of the People's Republic of China (PRC).

Whether or not AB Builders Group Ltd would be able to withstand a sudden, deep-rooted decline in the economy of the MSAR is wide open to question, of course, but, by the same token, for what reason would a company of any note want to be placed in such a position as that to which this Company may well be exposed in the coming years ... if not sooner.

It has been widely publicised that the Government of the PRC is in the process of coming to grips with the thorny problem of legalising gambling in selected parts of the second-largest economy of the world.

And Beijing's determinations could well turn out to be a belly punch for AB Builders Group Ltd, the way that things stand, today.

The Troubling Threat From Hainan Island

Hainan Island, measuring 33,920 square kilometres, is, as its name implies, an island. It is administered by the Government of the Province of Hainan.

It is the smallest province of the PRC.

This island's economy is, presently, undergoing a massive, building development programme, catering, to a large extent, to an '*invasion*' of the international tourist.

As a direct result, a number of international hotel groups has established resorts on the island, bringing in tens of millions of renminbi, annually, thus boosting the island's economy, very materially.

Hainan Island is, also, fast becoming a honeypot for wealthy Chinese, many of whom have built (or bought) second homes, there.

As with the MSAR, it is a **Special Economic Zone (SEZ)** of the PRC.

It is about 474 kilometres from the MSAR.

If Beijing determines that Hainan Island should embrace legalised gambling, it could, very easily, become the largest, single competitor of the MSAR.

The MSAR has a landmass of only 30.50 square kilometres and has an ethnically Chinese population, numbering about 612,167 men, women and children, by the last count.

Revenues from gaming and tourism, one complementing the other, are the single, most-important sources of income for this tiny enclave, situated at the very foot of the PRC, proper, being separate and distinct from the MSAR and the Hongkong Special Administrative Region (HKSAR) of the PRC.

The Initial Public Offering (IPO) Of AB Builders Group Ltd

AB Builders Group Ltd pitched its story in a Global Offering Prospectus in which Management sought to sell 150 million Offered Shares to investors.

The Company's Global Offering Prospectus was published and disseminated in the HKSAR on August 27, 2018.

Management Offered a total of 150 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 52 cents to a high of 78 cents.

HKSAR Investors were Offered the opportunity to subscribe to 15 million Shares and 135 million Shares were reserved for Institutional/Professional/Well-Heeled Investors via select Share Placements.

On Friday, September 7, Management announced that the Offer Price Per Share had been struck at 67 cents and, that being the case, the Company anticipated netting about \$HK61.70 million from the IPO.

The announcement in respect of the Offer Price and Allotment Results stated how Management envisaged that the \$HK61.70 million would be allocated:

- Approximately, \$HK26.50 million, that is about 43 percent of the net proceeds, *'is expected to be used to finance our Group's structural works and fitting-out works projects in Macau'*;
- Approximately, \$HK16.60 million, that is about 27 percent of the net proceeds, *'is expected to be used to purchase new machinery and equipment for our forthcoming construction works'*;
- Approximately, \$HK6.20 million, that is about 10 percent of the net proceeds, *'is expected to be used for potential merger and acquisition of construction business in Macau'*;
- Approximately, \$HK6.20 million, that is about 10 percent of the net proceeds, *'is expected to be used to hire additional staff for our Group's business operation, development and marketing'*; and,
- Approximately, \$HK6.20 million, that is about 10 percent of the net proceeds, *'is expected to be used for general working capital of our Group.'*

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