

**TAO HEUNG HOLDINGS LTD:  
THIS APPEARS TO BE A VERY SUCCESSFUL RESTAURANT CHAIN**

As with a great number of Chinese entrepreneurs of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), they put everything plus the proverbial kitchen sink into the company(ies) that they establish and, when things are going well, very often they overtrade as the greed virus takes hold.

In the case of Tao Heung Holdings Ltd () (Code: 573, Main Board, The Stock Exchange of Hongkong Ltd), there is sufficient evidence to indicate how Mr Chung Wai Ping (), during at least the 2004 Financial Year and the 2005 Financial Year, financially supported the Company with his cash, amounting to \$HK136.30 million and \$HK120.20 million, respectively.

But **TARGET** () cannot suggest that this restaurant-chain overlord overtraded, during the 3 Financial Years, ended December 31, 2006, although some people might maintain that this is, also, somewhat evident.

Mr Chung Wai Ping is the Chairman of the Company and the largest single shareholder, owning about 37.17 percent of the Issued and Fully Paid-Up Share Capital. He is, also, one of the 3 Co-Founders.

Pages 165 and 166 of the International Placing and HKSAR Public Offer Prospectus, dated June 15, 2007, explain the lending activities of the Co-Founder to the Company that he controls, a company that is, obviously, a very successful restaurant chain:

***'Amount due to a shareholder***

*'The amount due to a shareholder mainly represented the amount due to Mr. W.P. CHUNG (Mr Chung Wai Ping), which has been used to finance our operations in the past. As at each of 31 December 2004, 2005 and 2006, the amount due to a shareholder was approximately HK\$136.3 million, HK\$120.2 million and nil, respectively. Our Directors confirm that the source of funding of the loan of approximately HK\$120.2 million due to Mr. W.P. CHUNG as at 31 December 2005 was from previous re-investment of returns by Mr. W.P. CHUNG in relation to his equity interests in several members of our Group since their respective establishment. For the benefit of our Group, Mr. W.P. CHUNG subsequently agreed to waive this loan. Our Directors confirm that there was no fixed dividend policy in the past and dividend payments by the members of our Group are generally made when they had generated satisfactory results and had excessive cash after taking into account of the potential development opportunities.'*

Had the Chairman not afforded those interest-free loans to the Company, it is without doubt that the service of debt for the 2004-Year and the 2005-Year would have been considerably higher than that which it paid out to its creditor banks, to wit, \$HK3.50 million and about \$HK4.74 million, respectively.

Between the 2004-Year and the 2005-Year, it was a period of considerable expansion in the activities of Tao Heung Holdings, with the opening of a number of new restaurants as will become evident as **TARGET** Subscribers will come to learn as they read further.

**The Flotation**

Tao Heung Holdings Offered, in total, 124 million, 10-cent Shares at a Premium, not exceeding \$HK3.10 per Share.

Page 119 of the Prospectus states that the Company was raising money for the following purposes:

1. \$HK64 million to be used for the opening of more restaurants in the HKSAR;
2. \$HK64 million to be used for the opening of more restaurants in the PRC, proper, as distinct from the HKSAR of the PRC;
3. \$HK128 million to be used in the Company's Dongguan Centre, the PRC, proper, where Tao Heung Holdings has acquired 3 pieces of property, one of which is scheduled for a new, food-processing plant;
4. \$HK38.40 million to be used to upgrade some of the Company's existing restaurants over the next few years; and,
5. \$HK25.60 million to be tipped into the General Working Capital Account.

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