

**TANG PALACE (CHINA) HOLDINGS LTD:  
THIS COMPANY SEEMS TO BE SPOTLESSLY CLEAN ...  
ON PAPER, THAT IS**

If there is one thing that every Chinese family likes to do if the family's finances are sufficient, it is eating in Chinese restaurants.

This is true in the People's Republic of China (PRC), the Hongkong Special Administrative Region (HKSAR) of the PRC, the Macau Special Administrative Region (MSAR) of the PRC, and anywhere else in the world where there is a '*colony*' of ethnic Chinese – in Canada, in The United States of America, in Europe, in the Antipodes, etc, etc, etc.

It is hardly surprising, therefore, that a successful restaurant chain, specialising in serving Chinese cuisine in the PRC, should determine to tap a successful money market, as is the HKSAR, with a flotation of 25 percent of its Issued and Fully Paid-Up Share Capital.

The company is Tang Palace (China) Holdings Ltd (□) (Code: 1181, Main Board, The Stock Exchange of Hongkong Ltd).

Tang Palace (China) Holdings Ltd pitched its story in its Global Offering Prospectus, last Thursday, when it Offered 100 million, 10-cent Shares at an Offer Price Per Share, ranging from a low of \$HK1.25 to a high of \$HK1.65.

Management is claiming that it wants to raise about \$HK120 million (based on the Offer Price of \$HK1.45 Per Share) for the following purposes:

- About 54.60 percent, or \$HK65.60 million, for the opening of 8 new Chinese restaurants in the PRC;
- About 29.20 percent, or \$HK35.00 million, for the opening of 19 '*Pepper Lunch* ( )', fast-food restaurants in the PRC;
- About 6.20 percent, or about \$HK7.40 million, to fund sales and marketing promotions; and,
- About 10 percent, or about \$HK12 million, for General Working Capital purposes.

As at December 31, 2010, Tang Palace (China) Holdings Ltd had bank balances and cash of about 126.90 million renminbi, with bank loans, outstanding, amounting to about 41.02 million renminbi.

In short, this Company is unlikely to be short of money, but its Management has determined that it would be much better to borrow money from prospective shareholders, money that need never be returned and on which there was no interest factor of any concern, at all.

### **The History**

Tang Palace (China) Holdings Ltd, at least the first restaurant of this chain, came into being in 1997 with the

launching of Tang Palace Seafood Restaurant in Shenzhen, the PRC.

Page 93 of the Global Offering Prospectus gives a brief outline of the history of the Company as follows:

*‘Mr. Chan (Chan Man Wai []), Mr. Yip (Yip Chu Ming []) and Mr. Ku (Ku Hok Chiu []), the founders of our Group’s restaurant business, have rich experience in the restaurant business, in particular the operation of Chinese restaurants. They have over 25 years of experience in the Chinese restaurant industry.*

*‘In 1997, we commenced our restaurant business by launching our brand, Tang Palace Seafood Restaurant (), through the opening of our first restaurant in Shenzhen, now known as Shenzhen Hongling Restaurant (). In 2002, with the success of our restaurant in Shenzhen, we expanded our business and established our presence in Beijing through the opening of two new restaurants, Beijing New Century Restaurant () and Beijing Chaoyang Restaurant (). By the end of 2002, we operated three restaurants in Shenzhen and Beijing.*

*‘In order to enhance our brand penetration and complement our growth strategies, we launched our brand, Ninja House Japanese Restaurant (), and established Shenzhen Ninja House Restaurant in 2003, serving Japanese cuisine in Shenzhen. In the same year, we started to operate Beijing Minzu Restaurant () in Beijing. In 2004, we opened another restaurant in Beijing, Beijing Haoyuan Jianguo Restaurant (). Between 2005 and 2007, we expanded our geographical presence in the PRC and established our first restaurant in Dongguan, Dongguan Shibo Restaurant (). Further, we established two new restaurants in Shanghai, Shanghai Galaxy Restaurant () and Shanghai Super Brand Restaurant (). We also adopted two of our brands, namely, Excellent Tang Palace (), through Shenzhen Dongmen Restaurant in Shenzhen, and Tang Palace Restaurant (), through Shenzhen Hongling Restaurant.*

*‘In October 2008, we started to operate our food processing plant, Shanghai Food Plant, in Shanghai, which provides food production services to our restaurants. In the same year, we opened Shanghai Hongkou Restaurant in Shanghai and our fifth restaurant in Beijing, Beijing Wangjing Restaurant. We further established our brand, Tang’s Cuisine (), through the opening of Shanghai Dickson Tang’s Cuisine in Shanghai. By the end of 2008, we operated our Shanghai Food Plant and 13 restaurants in Beijing, Shanghai, Shenzhen and Dongguan. We commenced the operation of Grand Coffee () in Shenzhen in February 2008 and ceased its operation in April 2010 as it had been operating at a loss during the Track Record Period.’*

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