

**TENCENT HOLDINGS LTD:
A FOOL AND HIS MONEY ARE SOON PARTED**

Clearly, not knowing what to do with its virtual mountain of cash, Tencent Holdings Ltd (Code: 700, Main Board, The Stock Exchange of Hongkong Ltd) has determined to play in US equity markets with a large chunk of it.

The amount of money, which is, now, termed, '*Financial Assets Held For Trading*', is about 666,257,000 renminbi (about \$HK628,544,340).

That amount of money represents about 35 percent of the Gross Proceeds of the **Initial Public Offering** (IPO) of Tencent Holdings Ltd when it went public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in June, this year.

The Chairman of Tencent Holdings, Mr Ma Hua Teng, stated, on November 18, 2004, in his Management Discussion and Analysis of the Company for the 9 months, ended September 30, 2004:

'... As of 30 September 2004, we had cash and cash equivalents of RMB818.5 million compared to RMB325.6 million as of 31 December 2003. A large proportion of our cash is held in deposits and investments denominated in U.S. dollars, and we have not used any means to hedge our exposure to foreign exchange risk. We may experience a loss as a result of any foreign currency exchange rate fluctuation in connection with our deposits.'

'We had no interest-bearing borrowings as of 30 September 2004.'

Tencent Holdings is in the business of being a provider in the PRC, proper, of Internet services and mobile value-added services, according to its own admission – and that is where the Company's expertise starts and stops.

The use of the auxiliary verb, '*may*', with regard to the possibility of foreign-exchange translation losses in respect of its investments, denominated in US dollars, should be changed to the auxiliary verb, '*shall*' – because it is a guarantee.

For what reason(s) Management of Tencent Holdings would embark on the very speculative game of trading in equities on US stock and bond markets, **TARGET** has no idea, but investors, who put their money on the table in order to buy into this Company in the second week of June 2004, certainly did not do so in the knowledge that some of the IPO money would be used for gambling on stocks and shares.

There is an old idiom that states that a fool and his money are soon parted.

The Flotation

Tencent Holdings went public on the Main Board of The Stock Exchange of Hongkong Ltd on June 7, 2004, when it made an International Placing of 420,160,500, \$HK0.0001 Shares at \$HK3.70 per Share.

Hongkong investors were Offered 42,016,000 Shares, only.

The response from Hongkong investors was to apply for 159 times the number of shares on Offer.

On July 6, 2004, an Over-Allotment Option was exercised by Goldman Sachs (Asia) L.L.C. on behalf of international investors in respect of another tranche of 63,024,000 shares.

It was a hot IPO, to be sure.

Tencent Holdings, on the original assumption that ... [CLICK TO ORDER FULL ARTICLE](#)

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