

**AAG ENERGY HOLDINGS LTD:
IT HAS FAILED IN THE PAST –
IT IS LIKELY TO FAIL IN THE FUTURE**

But, It Does Have The Love Of Beijing

Unlike a number of other **Initial Public Offerings (IPOs)** of late, the debut of AAG Energy Holdings Ltd () (Code: 2686, Main Board, The Stock Exchange of Hongkong Ltd) on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) did not get off to a particularly auspicious start when trading in its shares commenced, last Tuesday, at 9:30 am.

And, on each, succeeding trading day, its share price continued to meander, dropping further and further away from the Offer Price as the volume of shares dwindled.

At last Tuesday's opening of the Main Board, the first trades of about 16,205,000 AAG Energy shares, changed hands at \$HK2.70. By noon, the share price had fallen back to \$HK2.60.

The Offer Price Per Share had been struck at \$HK3.00.

AAG Energy published and disseminated its Global Offering Prospectus on June 11, 2015.

The Share Offering was 761.40 million, \$US0.0001 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.00 to a high of \$HK3.70.

The Offer Price of \$HK3.00 that was struck, therefore, was at the lowest, acceptable level, determined by Management.

On June 22, 2015, it was announced that the Company had obtained about \$HK1,923.20 million in respect of the results of the IPO and that the net proceeds would be utilised as follows:

1. Approximately 60 percent of the net proceeds, that is about \$HK1,153.90 million, '*will be used for the exploration development of CBM (Coalbed Methane) in the Panzhuang and Mabi concessions*' (of the PRC, proper, being separate and distinct from the HKSAR of the PRC);
2. Approximately 35 percent of the net proceeds, that is about \$HK\$673.10 million, '*will be used for expanding our operations by acquiring interests in other CBM or other unconventional gas concessions or participating in cooperation or joint venture projects in relation to the exploration, and development and processing of CBM or other unconventional gas concessions ...*'; and,
3. Approximately five percent of the net proceeds, that is about \$HK\$96.20 million, '*will be used for working capital and general corporate purposes.*'

TARGET () has more than a couple of bones to pick with Management:

- To begin with, as at December 31, 2014, this Company had cash and cash equivalents, amounting

to about 1.10 billion renminbi (about \$HK1.40 billion). Point Number Three of the proposed utilisation of the net proceeds, therefore, does not make too much sense, does it?

- Then, there is the matter that, at Page 303 of the Global Prospectus, one reads that five Cornerstone Investors had agreed to subscribe to New Shares at this Company's IPO at the Offer Price. The aggregate amount of money that these five Cornerstone Investors agreed to commit was \$HK1,775,000,000. Thus, the figure of \$HK1,932,200,000, being the announced, estimated net proceeds from this cash-raising exercise, must have represented, inter alia, \$HK157,199,992, being approximately eight percent of the net amount of money, obtained from public subscriptions with regard to the sales of New Shares on Offer after subtracting the contracted, aggregate sum of money, obtained from the five Cornerstone Investors, being \$HK1,775,000,000 in exchange for 591,581,000 New Shares.

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