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HSBC
Global Research

AAG Energy (2686 HK)

Buy

Target price (HKD)	4.63
Share price (HKD)	1.55
Upside/Downside (%)	198.7

Dec	2014 a	2015 e	2016 e
HSBC EPS	0.23	0.08	0.14
HSBC PE	5.5	15.9	9.3
Performance	1M	3M	12M
Absolute (%)	-15.8		
Relative^ (%)	-6.2		

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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Buy: Geared to grow

- ▶ **First post-IPO disclosure was largely an on-track result in terms of production, pricing, and profitability**
- ▶ **Net sales volume rose 84%, gas prices rose 4%; recurring net profit jumped 114% y-o-y, reported profit rose 7% y-o-y**
- ▶ **Maintain Buy with a lower TP of HKD4.63 (previous HKD5.05), primarily due weaker CNY:HKD cross assumption**

Thesis in brief. AAG is technically and financially well positioned to accelerate development of coal bed methane (CBM) reserves/resources in the Qinshui basin, China. We believe AAG will grow production and profits over our financial forecast horizon.

1H2015 recurring net profit jumped by 114% y-o-y, to RMB125m: Revenue rose 92% y-o-y to RMB279m, driven by a nearly equivalent increase in net sales volume, plus a 4% rise in average selling prices (ASP). Reported net profit grew only 9% y-o-y, due to 1) cRMB40m one-off restructuring and initial public offering (IPO) expenses; 2) higher effective tax rate (36% in 1H15 vs. 20% in 1H14); 3) RMB46m VAT refund for 2008-13 included in 1H14 other income.

1H15 gross project production grew as expected by 63% y-o-y to 250mcm. AAG's net sales volume jumped 84% to 158 mcm (46% of our 2015e forecast). **1H15 realized gas price was RMB1.77/cm**, up by 4% y-o-y, helped by city-gate price hike in 3Q14. We assume flat prices y-o-y in 2015e and a decline of RMB0.06/cm (-3%) in 2016e, to reflect a potential gas price cut in 2H15. **Drilling:** 1H15 saw 10 horizontal wells completed in Panzhuang; The 2H drilling plan is for 11 horizontal wells more by end-2015, plus 11 vertical pad drilled wells to be completed/commence production in 3Q15. AAG's gross production target in 2015 is 550mcm (+47% y-o-y). Our assumption is for gross production volume to rise at a c40% CAGR over 2015-17e.

Mabi ODP progresses as planned: In 1H15, documents required for the Mabi ODP I (MODPI) have been reviewed and approved by city-level authorities; approvals are pending from the Shanxi Bureau of Environmental Protection and the Ministry of Land and Resources (MLR). By end-3Q15, MODPI should be submitted to NDRC.

We maintain Buy rating but cut our TP to HKD4.63, from HKD5.05 to factor in the latest HSBC FX assumptions and earnings adjustments. Our target price is derived from a reserve-based DCF valuation (10% discount rate, gas price tracking long term oil price).

Downside risks: natural gas price cut, delay in Mabi ODP approval, lower-than-expected production and recovery rate of reserves, and potential cornerstone sell-downs.

Index ^a	HSCEI	Enterprise value (CNYm)	2,392
Index level	10,642	Free float (%)	23
RIC	2686.HK	Market cap (USDm)	664
Bloomberg	2686 HK	Market cap (HKDm)	5,153

Source: HSBC

Source: HSBC

Financials & valuation

Financial statements

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Profit & loss summary (CNYm)				
Revenue	426	619	861	1,363
EBITDA	391	520	787	1,266
Depreciation & amortisation	-108	-145	-190	-243
Operating profit/EBIT	283	375	597	1,022
Net interest	-9	-3	-7	-8
PBT	275	372	591	1,015
HSBC PBT	275	372	591	1,015
Taxation	-80	-104	-136	-203
Net profit	195	268	455	812
HSBC net profit	195	268	455	812

Cash flow summary (CNYm)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Cash flow from operations	297	359	519	811
Capex	-424	-788	-933	-797
Cash flow from investment	-421	-784	-925	-791
Dividends	0	0	0	0
Change in net debt	-2,487	-1,120	406	-20
FCF equity	-234	-412	-376	56

Balance sheet summary (CNYm)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Intangible fixed assets	0	0	0	0
Tangible fixed assets	2,147	2,812	3,596	4,192
Current assets	1,348	2,581	2,315	2,628
Cash & others	1,100	2,220	1,814	1,834
Total assets	3,495	5,392	5,912	6,820
Operating liabilities	323	407	471	568
Gross debt	362	362	362	362
Net debt	-737	-1,858	-1,452	-1,471
Shareholders funds	2,803	4,616	5,071	5,883
Invested capital	2,072	2,765	3,627	4,418

Ratio, growth and per share analysis

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Y-o-y % change				
Revenue	207.8	45.3	39.1	58.4
EBITDA	296.5	32.9	51.4	60.7
Operating profit	937.2	32.4	59.2	71.1
PBT	300.6	35.2	58.8	71.7
HSBC EPS	392.8	-65.5	69.9	78.4

Ratios (%)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Revenue/IC (x)	0.2	0.3	0.3	0.3
ROIC	10.7	11.2	14.4	20.3
ROE	14.2	7.2	9.4	14.8
ROA	7.1	6.1	8.2	12.9
EBITDA margin	91.9	84.0	91.5	92.9
Operating profit margin	66.6	60.6	69.4	75.0
EBITDA/net interest (x)	45.9	157.1	117.8	157.8
Net debt/equity	-26.3	-40.2	-28.6	-25.0
Net debt/EBITDA (x)	-1.9	-3.6	-1.8	-1.2
CF from operations/net debt				

Per share data (CNY)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
EPS reported (fully diluted)	0.23	0.08	0.14	0.24
HSBC EPS (fully diluted)	0.23	0.08	0.14	0.24
DPS	0.00	0.00	0.00	0.00
Book value	3.36	1.39	1.53	1.77

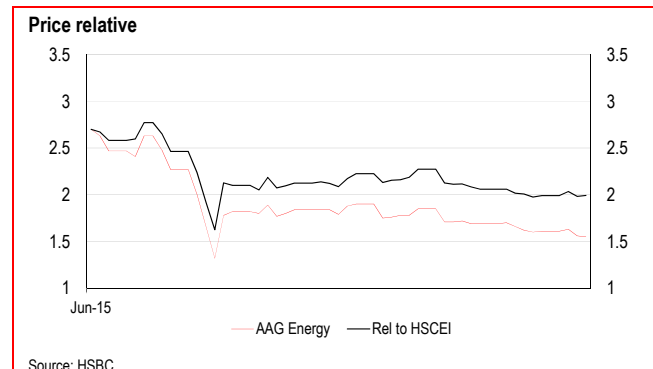
Key forecast drivers

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Net Production (mn cm)	284	400	575	839
Net Sales (mn cm)	246	354	509	743
ASP (RMB/cm)	1.73	1.75	1.69	1.83
Subsidy+VAT rebate (RMB/cm)	0.61	0.43	0.41	0.34
Cash Costs (Rmb/cm)	(0.76)	(0.71)	(0.56)	(0.47)
Non Cash cost(Rmb/cm)	(0.44)	(0.41)	(0.37)	(0.33)

Valuation data

Year to	12/2014a	12/2015e	12/2016e	12/2017e
EV/sales	8.2	3.9	3.3	2.0
EV/EBITDA	9.0	4.6	3.6	2.2
EV/IC	1.7	0.9	0.8	0.6
PE*	5.5	15.9	9.3	5.2
P/Book value	0.4	0.9	0.8	0.7
FCF yield (%)	-5.5	-9.7	-8.8	1.3
Dividend yield (%)	0.0	0.0	0.0	0.0

Note: * = Based on HSBC EPS (fully diluted)



Note: price at close of 19 Aug 2015

Investment thesis

AAG operates China's most commercially advanced coal bed methane (CBM) production assets. It has partnerships with China's largest upstream oil & gas players, PetroChina and CUCBM. AAG has Two CBM concessions. The Panzhuang project received ODP approval in 2012, and has ramp-up production quickly, contributing cRMB200m of net profit in 2014. The Mabi projects expect to submit MODPI within 2015, and the company expects final approval from the NDRC after 6-9 months, i.e. within calendar 2016. With a final plan approved, AAG can recognize commercial production from Mabi. In advance of this, but drilling and dewatering activity in Mabi is ongoing.

AAG's gas selling price has been rising since 2012 and is higher than conventional gas prices. Project economics are further enhanced by it getting a VAT rebate and a RMB0.2/cm subsidy from the government.

After raising USD257m in an initial public offering (IPO) and refinancing reserve-based loans (RBL) through an expanded facility, the company is well positioned to aggressively develop its reserves and resources and should build production and profitability over the forecast horizon.

2015-16 outlook

- ▶ **Production growth should remain robust:** In 1H15, AAG's production profile is on track with a 63% increase in gross production. The net sales volume grows even faster at 84% y-o-y despite a decrease in Panzhuang production sharing contract (PSC) allocation rate from 94% to 80% after exploration costs in Panzhuang had been fully recovered in December 2014. The production increase is primarily due to increased production from existing wells after the implementation of production enhancements such as pressure optimization.

AAG targets gross project production of 550mcm (+47% y-o-y) in 2015, which we believe is achievable due to: 1) AAG plans to add c30 producing wells by end-2015 (19 horizontal and 11 vertical) in Panzhuang to build on the existing 50 producing wells in Panzhuang; 2) AAG's per well productivity improved substantially in 1H15. AAG added only three producing wells y-o-y (producing wells: 1H15 52 vs. 1H14 49), but production jumped by 63%; 3) AAG now has sufficient funding to develop its reserves and resources. We forecast a c40% CAGR of its gross production in 2015-17e.

- ▶ **Operating leverage emerges gradually as wells dewater and production increases:** 1H15 operating expense built due to the below one-off items: 1) employee benefit expenses incorporate an RMB21m increase in non-cash share-based compensation expense; 2) materials, services, and logistics expenses include a RMB18.6m IPO related cost. In the future, with the ramp-up of the production, we expect AAG's cash opex to drop from RMB0.76/cm in 2014 to RMB0.47/cm in 2017e.
- ▶ **Well head prices may face pressures in 2H15 and 2016:** AAG realized RMB1.77/cm ASP in 1H15, up by 4% y-o-y, helped by the nationwide natural gas city-gate price hike in September 2014. We see an increasing possibility that the NDRC will cut citygate gas prices in 2H15, both from news flow on reform related changes, and in monitoring the price trends of the LPG and fuel oil basket. This does represent a possible downside risks to our earnings and valuation depending on the magnitude of the cut. We currently assume AAG's ASP to be flat y-o-y in 2015e and to decline by RMB0.06/cm (-3%) in 2016e and increase by RMB0.14/cm (9%) y-o-y in 2017e.

Equity valuation (RMBm) sensitivity to long-term ASP and WACC

(WACC)	Long-term ASP (RMB/cm)				
	-5%	-4%	2.28	4%	4%
	2.08	2.18		2.38	2.48
12%	8,400	9,553	10,714	11,877	13,030
11%	9,129	10,412	11,705	13,000	14,283
10%	9,967	11,398	12,840	14,284	15,716
9%	10,932	12,531	14,144	15,758	17,358
8%	12,046	13,838	15,645	17,454	19,247

Source: AAG, HSBC estimates

Per share valuation (HKD/share) sensitivity to long-term ASP and WACC

(WACC)	Long-term ASP (RMB/cm)				
	-5%	-4%	2.28	4%	4%
	2.08	2.18		2.38	2.48
12%	3.03	3.45	3.87	4.29	4.70
11%	3.29	3.76	4.22	4.69	5.15
10%	3.60	4.11	4.63	5.16	5.67
9%	3.95	4.52	5.10	5.69	6.26
8%	4.35	4.99	5.65	6.30	6.95

Source: AAG, HSBC estimates

AAG Financial Summary

(RMBm)	2012	2013	2014	2015e	2016e	2017e	1H14	1H15	y-o-y	3-YR CAGR
Revenue	92	138	426	619	861	1,363	145	279	92%	47%
Other income (Subsidy and VAT refund)	-	64	151	151	209	249	83	74	-11%	18%
Other gains	0	0	0	0	0	0	0	0	413%	0%
DD&A	(58)	(71)	(108)	(145)	(190)	(243)	(43)	(71)	68%	31%
Employee benefit expenses	(52)	(58)	(102)	(123)	(152)	(172)	(34)	(74)	118%	19%
Materials, services and logistics	(46)	(34)	(57)	(92)	(92)	(124)	(20)	(60)	199%	30%
Other operating expenses	(14)	(13)	(27)	(36)	(39)	(50)	(7)	(10)	42%	23%
Operating profit	(78)	28	284	375	598	1,023	125	137	10%	53%
Finance income	2	0	3	4	7	6	1	2	52%	29%
Financial cost	(4)	(2)	(7)	(7)	(14)	(14)	(3)	(4)	15%	27%
Exchange gains/(losses)	(1)	43	(4)	-	-	-	-17	5	-129%	
Profit/(loss) before income tax	(80)	69	275	372	591	1,015	105	141	34%	55%
Tax benefit/(expense)	9	(29)	(80)	(104)	(136)	(203)	(21)	(51)	137%	36%
Net Income/(Loss)	(72)	40	195	268	455	812	84	90	7%	61%
Normalized operating profit							82	177	117%	
Normalized net profit							58	125	114%	
Gross production (mcm)	102	172	375	556	777	1,046	154	250	63%	41%
Net sales volume (mcm)	63	93	246	354	509	743	86	158	84%	45%
Revenue (incl. other income)	92	203	577	770	1,070	1,612	228	353	55%	
Cash Costs	(112)	(104)	(186)	(250)	(283)	(346)	(61)	(144)	136%	
Non Cash costs	(58)	(71)	(108)	(145)	(190)	(243)	(43)	(71)	68%	
EBIT	(78)	28	284	375	598	1,023	125	137	10%	
EBITDA	(20)	99	391	520	788	1,266	167	209	25%	
EBITDA Margin (%)	-21%	49%	68%	68%	74%	79%	73%	59%		
EBIT Margin (%)	-84%	14%	49%	49%	56%	63%	55%	39%		
Net Margin (%)	-78%	20%	34%	35%	43%	50%	37%	25%		

Source: AAG, HSBC

Note: EBITDA Margin = EBITDA/(Revenue + Other income); EBIT Margin = Profit from operations/(Revenue+Other income); Net margin = Net income/(Revenue+Other income)

AAG unit income statement

(RMB/cm)	2012	2013	2014	2015e	2016e	2017e	1H14	1H15
Revenue	1.46	1.49	1.73	1.75	1.69	1.83	1.69	1.77
Other income (Subsidy and VAT refund)	-	0.69	0.61	0.43	0.41	0.34	0.97	0.47
Other gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DD&A	(0.92)	(0.77)	(0.44)	(0.41)	(0.37)	(0.33)	(0.50)	(0.45)
Employee benefit expenses	(0.82)	(0.62)	(0.42)	(0.35)	(0.30)	(0.23)	(0.40)	(0.47)
Materials, services and logistics	(0.72)	(0.36)	(0.23)	(0.26)	(0.18)	(0.17)	(0.24)	(0.38)
Other operating expenses	(0.22)	(0.14)	(0.11)	(0.10)	(0.08)	(0.07)	(0.08)	(0.06)
Operating profit	(1.23)	0.30	1.15	1.06	1.17	1.38	1.45	0.87
Finance income	0.03	0.00	0.01	0.01	0.01	0.01	0.02	0.01
Financial cost	(0.06)	(0.02)	(0.03)	(0.02)	(0.03)	(0.02)	(0.04)	(0.02)
Exchange gains/(losses)	(0.01)	0.46	(0.02)	-	-	-	(0.20)	0.03
Profit/(loss) before income tax	(1.27)	0.74	1.12	1.05	1.16	1.37	1.23	0.89
Tax benefit/(expense)	0.14	(0.31)	(0.33)	(0.29)	(0.27)	(0.27)	(0.25)	(0.32)
Net Income/(Loss)	(1.13)	0.43	0.79	0.76	0.89	1.09	0.98	0.57
Normalized operating profit							0.95	1.12
Normalized net profit							0.68	0.79
Revenue (Rmb/cm)	1.46	2.18	2.35	2.17	2.10	2.17	2.66	2.24
Cash Costs (Rmb/cm)	(1.77)	(1.12)	(0.76)	(0.71)	(0.56)	(0.47)	(0.71)	(0.92)
Non Cash Costs (Rmb/cm)	(0.92)	(0.77)	(0.44)	(0.41)	(0.37)	(0.33)	(0.50)	(0.45)
EBIT (Rmb/cm)	(1.23)	0.30	1.15	1.06	1.17	1.38	1.45	0.87
EBITDA (Rmb/cm)	(0.31)	1.07	1.59	1.47	1.55	1.70	1.95	1.32

Source: AAG, HSBC

AAG valuation

We cut our TP to HKD4.63 from HKD5.05, mainly to reflect two key changes: 1) latest HSBC FX assumptions, which assume a significantly weaker HKD:CNY cross rate of 1.20 vs 1.25 prior, and 2) balance sheet and earnings adjustments to reflect the latest disclosure including an adjusted cash balance, and higher expenses such as employee compensation over the full 2015-2034e lifespan of the assets. . Our TP is based on a 2015-2034e DCF with zero terminal growth. Key assumptions include:

- ▶ **Production.** We assume total net production of 1,654bcf in 2015-34e, (equal NSAI 3P);
- ▶ **Pricing:** Our wellhead price assumptions imply a 4.7% CAGR in price in 2015-20e (below NSAI assumption of 8.8%). We assume price escalation of 1.7% p.a. from 2021e (NSAI assumes 3.6%).
- ▶ **Subsidy:** We assume a RMB0.05/cm stepdown in the cash subsidy every five years as follows: 1) RMB0.2/cm during 2015e-2020e, 2) RMB0.15/cm 2021e-2025e; etc.
- ▶ **Operating expenses (opex):** We assume an average opex/mcf of production of RMB0.53/cm in 2015-34e (slightly higher than NSAI's 3P assumption of RMB0.50/cm).
- ▶ **Capex:** We assume an average capex/mcf of production at RMB0.95/cm (4.24/mcf) in 2015-34e, (equal NSAI's assumptions for 3P)
- ▶ **WACC:** We discount the future cash flows by 10%, which is the standard rate generally used to value oil & gas reserves

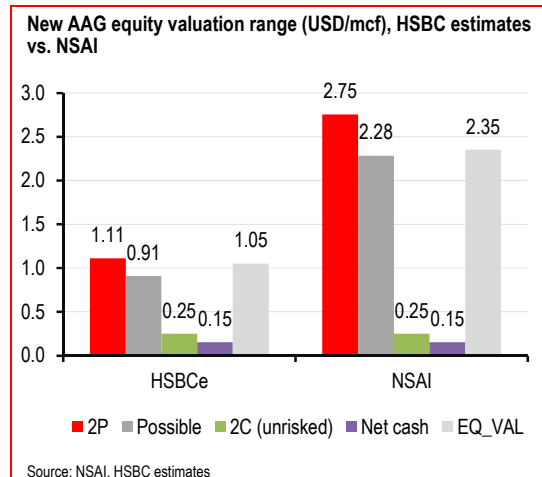
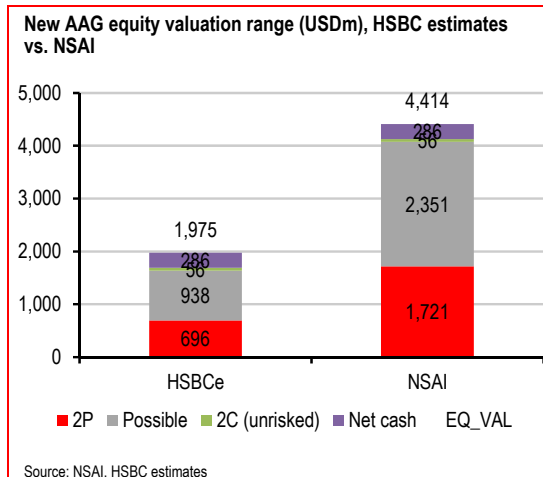
Key downside risks: Nationwide natural gas price cut, delay in Mabi ODP application and approval, lower-than-expected production, lower than expected recovery rate of proved, probable and possible reserves and resources, and potential sell-down by cornerstone investors after the six-month lock-up period.

AAG valuation summary

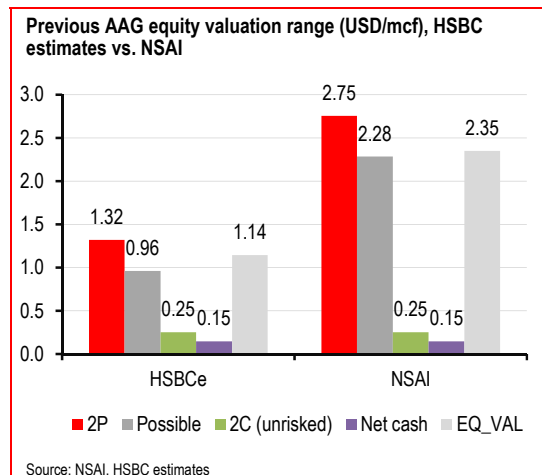
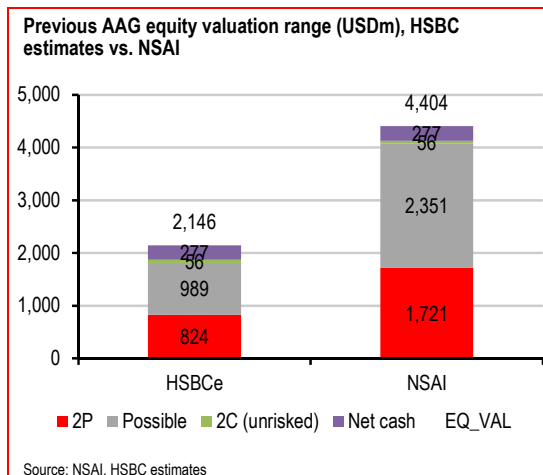
	Resource (bcf)	Valuation		Unit Value	
		(RMBm)	(USDm)	(USD/mcf)	(USD/boe)
2P	625	4,524	696	1.1	6.7
Possible	1,029	6,096	938	0.9	5.5
3P	1,654	10,620	1,634	1.0	5.9
2C (unrisked)	223	363	56	0.25	1.5
3P+2C	1,877	10,982	1,690	0.90	5.4
NET DEBT (cash)		-1,858	-286	-0.15	-0.9
EQ_VAL		12,840	1,975	1.05	6.3

Number of shares (m)	3,325
Target price (RMB)	3.86
HKD:CNY Cross	1.20
Target price (HKD)	4.63
Current price (HKD)	1.55
Upside/downside	199%

Source: AAG, HSBC estimates



Previous valuation



AAG earnings revisions

We cut our 2015 earnings by 21%, mainly to reflect the following adjustments: 1) one-off costs in 1H15, 2) higher depreciation expenses, 3) higher employee benefit expenses. In addition we trimmed our 2016 by 8% and 2017 by 5% to factor in higher expense assumptions given the trends we see in 1H15.

AAG: Earnings estimate changes, August 2015 (RMBm, unless otherwise stated)

	New				Old			%Chg		
	2014a	2015e	2016e	2017e	2015e	2016e	2017e	2015e	2016e	2017e
Year avg. RMB:USD	6.19	6.34	6.57	6.60	6.23	6.31	6.32	2%	4%	4%
Year end. RMB:USD	6.21	6.50	6.60	6.60	6.26	6.32	6.32	4%	4%	4%
Year end. HKD:RMB	1.20	1.18	1.18	1.18	1.25	1.25	1.25	-5%	-5%	-5%
Net production (mn cm)	284	400	575	839	406	587	830	-1%	-2%	1%
Net sales (mn cm)	246	354	509	743	367	519	735	-3%	-2%	1%
Well head gas price (RMB/cm)	1.73	1.75	1.69	1.83	1.75	1.69	1.83	0%	0%	0%
Subsidy+VAT rebate (RMB/cm)	0.61	0.43	0.41	0.34	0.43	0.41	0.34	0%	0%	0%
Revenue	426	619	861	1,363	639	878	1,348	-3%	-2%	1%
Other income (Subsidy and VAT refund)	151	151	209	249	152	206	236	0%	2%	5%
EBIT	284	375	598	1,023	465	651	1,056	-19%	-8%	-3%
Net Income (RMBbn)	195	268	455	812	337	496	859	-21%	-8%	-5%
EBIT Margin	67%	61%	69%	75%	71%	74%	78%	-14%	-6%	-4%
Net Income Margin	46%	43%	53%	60%	51%	56%	64%	-15%	-6%	-6%
EPS (RMB)		0.09	0.14	0.24	0.11	0.15	0.26	-21%	-8%	-5%
DPS (RMB)	0	0	0	0	0	0	0			
BPS (RMB)	3.4	1.4	1.5	1.8	1.4	1.6	1.8			
EPS Growth YoY (%)			53%	78%		32%	73%			
Payout (%)		0%	0%	0%	0%	0%	0%			
ROE (%)	7.0%	5.8%	9.0%	13.8%	7.2%	9.6%	14.2%			
Current px (HKD)		1.55			1.88					
Target px (HKD)		4.63			5.05					
Up/(downside) %		199%			169%					
Current PE(x)		14.6	9.6	5.4	11.0	8.3	4.8			
Current PB(x)		0.9	0.9	0.7	0.9	0.8	0.7			
Current EV/EBITDA (x)		4.8	3.7	2.3	6.0	4.5	2.8			
Target PE (x)		43.8	28.7	16.1	14.6	8.6	6.1			
Target PB (x)		2.8	2.6	2.2	0.87	0.85	0.81			
Target EV/EBITDA (x)		21.5	14.7	9.1	3.6	2.9	2.5			
Consensus Target (HKD)		4.68			4.68					
Consensus Target P/E (x)		44.2	28.9	16.2	17.5	10.5	8.5			
HSBC net profit (RMB)		268	455	812	337	496	859			
Consensus net profit (RMB)		310	440	737	310	440	737			
HSBC vs Consensus (%)		-14%	3%	10%	9%	13%	16%			
Number of shares (m)		3,325	3,325	3,325	3,325	3,325	3,325			

Source: AAG, Bloomberg, HSBC estimates

Disclosure appendix

Analyst Certification

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From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

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Upside/Downside is the percentage difference between the target price and the share price.

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

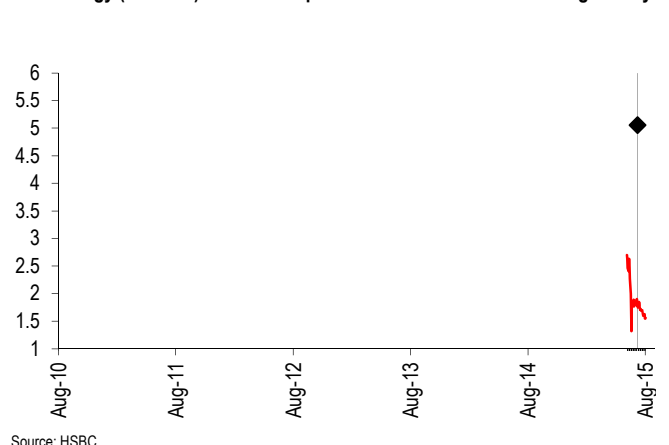
As of 20 August 2015, the distribution of all ratings published is as follows:

Buy	42%	(30% of these provided with Investment Banking Services)
Hold	43%	(28% of these provided with Investment Banking Services)
Sell	15%	(19% of these provided with Investment Banking Services)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

Share price and rating changes for long-term investment opportunities

AAG Energy (2686.HK) Share Price performance HKD Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
N/A	Buy	27 July 2015
Target Price	Value	Date
Price 1	5.05	27 July 2015

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
AAG ENERGY	2686.HK	1.56	20-Aug-2015	1, 2, 4, 5

Source: HSBC

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