

Key Data

Share price (HK\$)	7.35
52Wk H/L(HK\$)	10.5/ 6.08
Issued shares (mn)	13,259
- H Shares (mn)	4,107
- A Shares (mn)	9,152
Market cap	
- H Shares (HK\$m)	30186
- A Shares (Rmbmn)	65071
30-day avg vol (HK\$m)	214.24
Major shareholder (%):	
China Coal Group Corp Ltd	57.52

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

Coal	81.73
Coking operation	6.01
Coal mining equipment	8.06
Others	4.20

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(0.5)	(3.1)
3-mth	6.2	(0.0)
6-mth	(21.0)	(18.7)

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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China Coal (1898 HK) – Unrated
China Coal & Consumable Fuels Industry

Recovering signal is weak

The Aug sales of China Coal show signs of recovering, with domestic sales of self-produced coal improved 4.8%yoy. However, its total sales vol. of coal still plunged 4.6%yoy, with coke production vol. dropped 36.8%YoY. The weak business performance suggests that downstream demand is still weak.

Recovering sales in Aug. Domestic sales of self-produced coal in Aug was improved by 4.2%yoy, accounting for 77% of total sales vol. of coal in Aug. However, the performance is still weak. Trading sales of coal were down 47.1%yoy in Aug. We still concern about the operating performance of China Coal.

Export/Import coal surged. Despite weak domestic demand, its export sales of self-produced coal surged 20%yoy, reflecting a bottoming international coal market. Also, its coal imports surged 188%yoy, indicating total unit cost of import coal (including coal price, logistic costs and taxes) is competitive compared to domestic coal prices. Import coal continues to be one of dragging factors to domestic coal prices in 3Q.

Short-term outlook: Its coke output vol. down 36.8%yoy in Aug, suggesting weak demand from downstream steel industry. Although int'l and domestic coal prices have stabilized in recent weeks, the recovery signal of the coal industry is weak, and it might take more time to eliminate the over-supply risk. However, considering global QE sentiment and recent on-the-process economic stimulus of China, the stock price found support at HK\$6.0.

Risk factors: 1) Coal price risk; 2) Imbalance of supply and demand; 3) Business cycles of downstream industries; 4) Weak Q3 results to be unveiled in Oct.

Performance and Valuation

FY ended Dec 31	FY07A	FY08A	FY09A	FY10A	FY11A
Turnover (Rmb mn)	35,641	51,753	53,187	70,303	87,773
Net Income (Rmb mn)	6,020	7,131	7,409	7,466	9,802
Chg (% YoY)	89.8	18.5	3.9	0.8	31.3
EPS (Rmb)	0.51	0.54	0.56	0.56	0.74
Chg (% YoY)	30.8	5.9	3.7	—	32.1
P/E (x)	—	—	—	—	8.1
P/B (x)	—	—	—	—	1.0
Dividend yield (%)	—	—	—	—	3.6
ROAE (%)	24.3	16.5	11.7	10.5	12.6
Net debt/total equity (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Bloomberg, ABCI Securities estimates

**Exhibit :China Coal's major productive and operation data of Aug.**

Benchmark item	Unit	2012	2012	2011	2011	Chg(% YoY)	Chg(% YoY)
		August	YTM Total	August	YTM Total	August	YTM Total
1.Commercial coal production volume	10,000 tonnes	886	7,313	884	6,934	0.2	5.5
2.Coke production volume	10,000 tonnes	12	118	19	142	-36.8	-16.9
3.Output value of coal mining Equipment production	Rmb 10,000	65,175	599,346	64,331	563,528	1.3	6.4
4.Coal sales volume	10,000 tonnes	1,110	9,278	1,163	8,893	-4.6	4.3
(1) Domestic sales of self-produced coal	10,000 tonnes	853	6,923	814	6,670	4.8	3.8
(2) Export sales of self-produced coal	10,000 tonnes	6	45	5	49	20	-8.2
(3) Domestic coal trading	10,000 tonnes	163	1,779	308	1,797	-47.1	-1
(4) Export agency sales and proprietary export sales	10,000 tonnes	16	159	11	202	45.5	-21.3

Source: Company data



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