

Key Data

Target Price (HK\$)	8.8
H-Share price (HK\$)	8.73
Upside potential (%)	0.8
52Wk H/L(HK\$)	10.48/6.08
Issued shares (mn)	13,259
H Shares (mn)	4,107
A Shares (mn)	9,152
Market cap	
- H Shares (HK\$mn)	35,851
- A Shares (Rmb mn)	71,569
3-mth avg daily turnover (HK\$mn)	220
Major shareholder (%):	
China Coal Group Corp Ltd	57.54%

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY11 (%)

Coal, %	82%
Coke and coal-chemical product, %	6%
Machinery, %	8%
Others, %	4%

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth performance	5.69	(2.52)
3-mth performance	11.07	(3.58)
6-mth performance	33.08	0.75

*Relative to HSCEI Index

Source: Bloomberg

1 year price performance



Source: Bloomberg

Analyst

Report Date: 24 Jan., 2013

Mark Chen

Previous report: 18 December, 2012

Tel: (852) 2147 8819

Email: markchen@abci.com.hk

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

Coal sales continue to rebound

China Coal's latest operating data showed its domestic sales of self-produced coal have rebounded for two consecutive months. Its H-share underperformed the H-share index in 1-mth & 3-mths but outperformed China Shenhua H-share (1088 HK), partly due to its significant rebound of coal sales. However, we believe its present H-share price has largely factored in the growth drivers and maintain Hold rating on the stock.

Sales volume rebounded in two consecutive months: Its commercial coal production volume edged up 28.7%MoM (Shenhua: 3.3%MoM) in Dec and its coal sales volume of self-produced coal surged 29%MoM (Shenhua: 24.9%MoM) in Dec. Sales volume rebounded significantly in two consecutive months after it tumbled in Sep and Oct. This partly explained its relatively better performance compared with Shenhua.

Uncertainty of the price liberalization remains: Bohai-Rim steam coal price dropped 1.7% in the past 6 weeks. The inventory at QHD Port rebounded 12.3%WoW on Jan. 12. Our channel check indicates that both IPPs and thermal coal producers cannot agree on the contract price until recently. IPPs are using more foreign coal products to gain bargain power. We noticed that China Coal's imported sales surged to 1.04mn tons in Dec from 0.22mn tons in Nov.

Trading at FY13 P/B of 0.97x. After the recent price rally, the counter managed to climb above its est. FY12 NBV (est. Rmb6.7 at end of 2012). In view of its low double digits ROAE for FY12 & FY13, the counter is justified to trade at small premium of its NBV.

Risk factors: 1) Coal price risk; 2) Weak power consumption growth on slow economic growth; 4) Possible change of resources tax system.

Performance and Valuation

FY ended Dec 31	2009A	2010A	2011A	2012E	2013E
Turnover (Rmb mn)	53,187	70,303	87,773	89,068	93,464
Chg (%.yoy)	2.8	32.2	24.8	1.5	4.9
Net Income (Rmb mn)	7,409	7,466	9,802	9,325	9,773
Chg (%.YoY)	3.9	0.8	31.3	(4.9)	4.8
EPS (Rmb)	0.56	0.56	0.74	0.70	0.74
Chg (%.YoY)	4.1	0.0	32.1	(5.0)	4.8
BVPS (Rmb)	5.2	5.6	6.2	6.7	7.2
Chg (%.yoy)	17.1	8.0	10.4	8.2	7.9
P/E (x)	—	—	9.5	9.9	9.5
P/B (x)	—	—	1.13	1.05	0.97
Dividend yield (%)	—	—	2.9	3.0	3.2
ROAE (%)	11.7	10.5	12.6	11.0	10.6
ROAA (%)	7.4	6.4	6.9	5.4	5.1
Net debt/total equity (%)	Net Cash	Net Cash	11.0	7.8	5.2

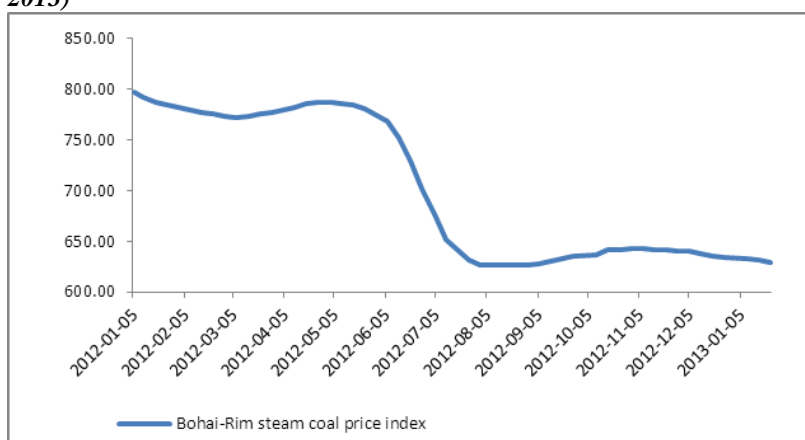
Source: Company, Bloomberg, ABCI Securities estimates (assuming Rmb1.0=HK\$1.25)

Exhibit 1: China Coal's major productive and operation data of Dec.,2012

	2012	2012	2011	2011	Chg	Chg
	Dec.	YTM Total	Dec.	YTM Total	(% YoY) Dec.	(% YoY) YTM Total
1.Commercial coal production volume (10k tonnes)	1,283	11,378	1,009	10,423	27.2	9.2
2.Coke production volume (10k tonnes)	15	170	14	206	7.1	-17.5
3.Output value of coal mining Equipment production (10k Rmb)	62,349	850,180	66,553	814,878	-6.3	4.3
4.Coal sales volume (10k tonnes)	1,758	14,970	1,539	13,830	14.2	8.2
(1) Domestic sales of self-produced coal (10k tonnes)	1,232	11,034	1,001	10,086	23.1	9.4
(2) Export sales of self-produced coal (10k tonnes)	4	64	0	74	-	-13.5
(3) Domestic coal trading (10k tonnes)	394	3,067	252	2,854	56.3	7.5
(4) Export agency sales and proprietary export sales (10k tonnes)	24	232	23	289	4.3	-19.7
(5) Import agency sales and proprietary import sales (10k tonnes)	104	573	263	527	-60.5	8.7

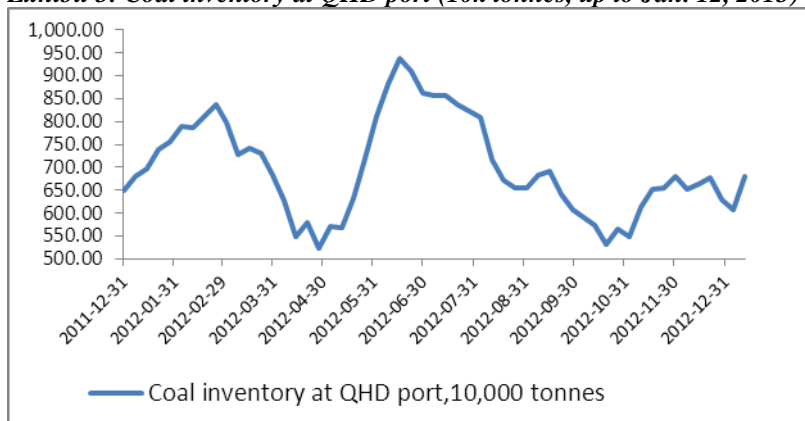
Source: Company

Exhibit 2: Bohai-Rim steam coal price index (5500 kcal/kg, up to Jan 23, 2013)



Source: Wind, ABCI Securities

Exhibit 3: Coal inventory at QHD port (10k tonnes, up to Jan. 12, 2013)



Source: Wind, ABCI Securities

Exhibit 4: Stock price and index performance

Name	Code	Price (HK\$)	1-mon chg (%)	3-mon chg (%)	6-mon chg (%)
China Shenhua	1088	33.05	(1.49)	0.46	20.62
China Coal	1898	8.73	5.69	11.07	33.08
Yanzhou Coal	1171	13.64	7.23	7.74	22.66
HSCEI	HSCEI	12166	7.95	14.36	32.00

Source: Company, Bloomberg, ABCI Securities estimates



Disclosures

Analyst Certification

CHEN Yibiao, Mark, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABC Securities Company Limited and/or its member companies (“ABC”) may pursue financial interests to the companies mentioned in the report.

Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility}$
High	$1.5 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 2.6$
Medium	$1.0 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.5$
Low	$180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.0$

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABC Securities Company Limited is under no obligation to update or keep current the information contained herein. ABC Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABC Securities Company Limited, into other areas, units, groups or affiliates of ABC Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2013 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183