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China Materials | Asia Pacific

China Trip Takeaways – Day 3

On day 3 of our China trip, we met with aluminum, coal, carbon anode, copper. and lithium companies and experts.

Aluminum – power, funding, and ODI approvals may lead to delays outside China: Aladdiny estimates new capacity ex-China at ~2.05mnt in 2026, 3.25mnt in 20227, and 2.85mnt in 2028, with 2026 several hundred kt below its prior expectations and ~1.3mnt of 2028 capacity carrying execution risk. Indonesia is primarily constrained by power: a few projects have been delayed, while diverting power from nickel is costly and difficult to execute. Meanwhile, tighter ODI requirements are delaying capital deployment for Chinese-sponsored projects and creating additional uncertainty for the 2027–28 pipeline. That said, project delays are more about timing than cancellation. In addition, new projects continue to emerge, so delays mainly push supply later rather than materially reduce medium-term capacity, but should keep near-term aluminum supply tighter than headline capacity announcements imply.

Coal – domestic supply remains structurally tight for coking coal; thermal coal has near-term support: According to CCTD, Shanxi's raw coal production is reportedly down ~30% YoY and is unlikely to recover to previous levels in 2026 following tighter safety inspections. For thermal coal, constrained domestic supply, coal-chemical demand, and Northeast winter restocking in September–October should provide near-term price support. Current prices remain below the policy threshold of ~Rmb1,150/t (1.5x long-term contract price), suggesting limited near-term policy intervention. For coking coal, the setup is even tighter: mine suspensions have disproportionately affected high-quality coking coal that cannot be easily replaced by Mongolian and Russian imports owing to lower caking properties. Mongolia's daily clearance has roughly halved since mid-August. The expert estimates current supply to support only ~2.2mnt/day of pig iron vs. actual production of ~2.3–2.4mnt/day, implying a structural deficit. Low inventories and limited import substitution support further coking coal price upside, although the magnitude will depend on the recovery in Mongolian border clearance.

Monthly long-term sulfuric acid prices are currently US$900-950/t in DRC and US$300/t in Zambia, according to a major copper smelter.

Sinomine has obtained two batches of lithium concentrate export quots from Zimbabwe, sufficient to cover this year's spodumene production: It also plans to apply for a third batch in 4Q to ship its inventory at mine site. Management expects Zimbabwe to continue grant export quotas in 2027, considering the high export tariff (~20%) the government can collect. It also plans to sell some lithium concentrate in 4Q.

Sinomine has multiple minor metals drivers ahead – including the latest tantalum, ongoing germanium and gallium, and existing cesium and rubidium.

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GREATER CHINA MATERIALS

Asia Pacific
Industry View **Attractive**

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Aluminum Expert

We met with Mr. Liu Yang from Aladdiny (ALD) in Beijing on September 9. Key takeaways from our meeting follow.

Projects in Indonesia are delayed for various reasons: In particular, Mr. Liu sees potential delay in the newly announced 800kt aluminum capacity from Tsingshan and phase II 250kt aluminum capacity from Nanshan Aluminum International.

- Tsingshan's phase I of 400kt in Weda Bay Industrial park is likely to be delayed 2-3 months, to 1Q27, owing to the land's geological conditions and the change in equity interest for the projects.
- Phase I of the Nanshan project, with a total capacity of 250kt in Indonesia, still aims to start with 125ktby end-2026. Nanshan Aluminum International has delayed construction of phase II (250kt), which was originally planned to commence production by end-2027, because of the tightened ODI approval process starting from July this year.
- Xinfeng projects, with total capacity of 330kt in Weda Bay industrial park, will likely start operations at the end of October when construction of the power plants is finished.

Kazakhstan projects also slower than the expert's expectation: Xinfa's project planned in Kazakhstan is temporarily suspended amid ongoing talks with the local government. East Hope still aims to start 1mnt of aluminum capacity in 2028, but difficulties remain.

Mr. Liu now expects total aluminum production to decline 955kt in 2026 because of capacity suspension in the Middle East...

...and he thinks overall aluminum supply will increase ~3.25mnt in 2027 – considering the project delays in Indonesia and other regions globally. This also reflects gradual volume resumption in the Middle East.

EGA resumption in the Middle East is progressing, **while resumption for others is slow:** EGA is resuming 5 pot lines per day, which will finish all the resumption by 1Q27. Bahrain Aluminum restarted 80-100kt of aluminum capacity in the past two months, but suspension is pausing given the current situation in the region. Qatar Aluminum is maintaining a 60% operating rate currently.



Coal Expert

We met with Mr. Li Xiaolong from the China Coal Transportation and Distribution Association (CCTD) in Beijing on September 9. Key takeaways from our meeting follow.

Mr. Li thinks the lower raw coal volume in Shanxi is unlikely to come back within the year: He mentioned that the actual production volume is down 30% YoY, based on actual feedback from local companies. The production volume in Shanxi is unlikely to recover to previous level in 2026.

Thermal coal prices still have near-term support despite the recent hike: The strong price performance mainly reflected:

1. Constrained supply in the domestic market in Shaanxi and Inner Mongolia;
2. Volume impact from tightened safety inspection in the domestic market following the coal mine accident in late May;
3. Better demand from the coal chemical market;
4. Winter restocking demand in the Northeast region.

Mr. Li believes the restocking demand from the Northeast for the winter heating season in September and October will remain a strong support for thermal coal prices in the near term. Mr. Li thinks current thermal coal prices have not touched the red line from the policy side, which 1.5x long-term contract price at ~Rmb1150/t. Thus, he sees less policy risk at the current stage.

Mr. Li thinks that the NDRC's promotion of coal shipments from Xinjiang is mainly to stabilize coal chemical prices. Xinjiang shipped out 140mnt of coal in 2025, within which 40% is shipped to the Sichuan and Chongqing regions and 15% to Hubei and Hunan provinces.

Structurally tight supply for coking coal; price upside remains but limited by the daily clearance of Mongolian coal: The coal mine accident in late May mainly affected coking coal supply. The coal mine suspension following the accident is mainly in Changzhi, Linfen, JInzhong, Lingshi, etc., which are mainly producing coking coal, blending coal, and lean coal. Those coal volumes are difficult to supplement with imported coal from Mongolia and Russia because of lower caking properties. Meanwhile, the daily clearance for Mongolia was cut in half starting from mid-August and has remained low since then. Price upside for coking coal remains given the structurally tight supply, lower inventory along the supply chain, and limited import supplements.

Mr. Li noted that current coking coal supply can support 2.2mnt of daily pig iron production, which is lower than the ~2.3-2.4mnt pig iron production per day currently.

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Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

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INDUSTRY COVERAGE: Greater China Materials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/09/2026)
Chris Jiang		
Anhui Honglu Steel Construction (002541.SZ)	U (12/16/2025)	Rmb19.68
CGN Mining Co Ltd (1164.HK)	O (01/18/2023)	HK$2.60
Chengxin Lithium Group Co. Ltd. (002240.SZ)	E (12/16/2025)	Rmb28.96
GEM Co Ltd (002340.SZ)	U (04/20/2026)	Rmb6.40
Shenzhen Kedali Industry Co Ltd (002850.SZ)	O (08/21/2023)	Rmb175.60
Sinomine Resource Group Co Ltd (002738.SZ)	O (12/16/2025)	Rmb49.00
Yongxing Special Materials Technology (002756.SZ)	E (11/25/2022)	Rmb43.26
Zhejiang Huayou Cobalt Co Ltd (603799.SS)	O (10/08/2025)	Rmb38.19
Hannah Yang, CFA		
China Hongqiao Group (1378.HK)	O (09/15/2023)	HK$24.46
Chuangxin Industries Holdings Ltd. (2788.HK)	O (03/19/2026)	HK$18.22
Flat Glass Group Co Ltd (6865.HK)	O (07/30/2020)	HK$6.44
Flat Glass Group Co Ltd (601865.SS)	O (07/30/2020)	Rmb9.84
MMG Ltd (1208.HK)	O (12/16/2024)	HK$9.78

Shandong Pharmaceutical Glass Co. Ltd. (600529.SS)	U (04/20/2026)	Rmb18.69
Shenhuo Coal and Power (000933.SZ)	O (09/02/2025)	Rmb28.91
Tianshan Aluminum (002532.SZ)	E (07/08/2026)	Rmb14.04
Xinyi Glass Holding Limited (0868.HK)	U (05/14/2024)	HK$9.09
Zhongfu Shenying Carbon Fiber Co Ltd (688295.SS)	O (08/25/2023)	Rmb38.61
Rachel L Zhang		
Aluminum Corp. of China Ltd. (601600.SS)	O (11/30/2020)	Rmb10.03
Aluminum Corp. of China Ltd. (2600.HK)	O (11/30/2020)	HK$8.90
Baoshan Iron & Steel (600019.SS)	O (01/16/2016)	Rmb5.90
Beijing New Building Materials (000786.SZ)	O (04/09/2024)	Rmb16.37
Beijing Oriental Yuhong Waterproof Techn (002271.SZ)	E (09/25/2024)	Rmb10.89
China Jushi (600176.SS)	O (12/22/2020)	Rmb42.67
China Lesso Group Holdings Ltd (2128.HK)	U (10/08/2025)	HK$3.36
China Steel Corp. (2002.TW)	U (12/16/2025)	NT$19.25
CMOC Group Ltd (3993.HK)	O (09/24/2019)	HK$17.80
CMOC Group Ltd (603993.SS)	O (06/21/2024)	Rmb19.09
CNGR Advanced Material Co., Ltd. (300919.SZ)	E (01/12/2026)	Rmb39.26
CNGR Advanced Material Co., Ltd. (2579.HK)	O (01/12/2026)	HK$24.54
FangDa Carbon New Material Co. Ltd. (600516.SS)	U (12/16/2024)	Rmb5.29
Ganfeng Lithium Co. Ltd. (002460.SZ)	O (04/20/2026)	Rmb49.11
Ganfeng Lithium Co. Ltd. (1772.HK)	O (12/16/2025)	HK$37.00
Henan Liliang Diamond Co. Ltd (301071.SZ)	U (04/20/2026)	Rmb64.97
Jiangsu Dingsheng New Materials (603876.SS)	U (04/20/2026)	Rmb20.06
Jiangxi Copper (0358.HK)	O (10/08/2025)	HK$39.28
Jiangxi Copper (600362.SS)	O (10/08/2025)	Rmb49.57
JL Mag Rare-Earth Co. Ltd (6680.HK)	O (04/23/2025)	HK$16.77
JL Mag Rare-Earth Co. Ltd (300748.SZ)	O (04/23/2025)	Rmb25.76
Nine Dragons Paper (2689.HK)	E (01/04/2023)	HK$6.57
PT Merdeka Gold Resources Tbk (6228.HK)	O (08/04/2026)	HK$38.72
Shandong Gold Mining Co. Ltd (600547.SS)	E (07/09/2026)	Rmb36.25
Shandong Gold Mining Co. Ltd (1787.HK)	E (07/09/2026)	HK$25.76
Shandong Nanshan Aluminium Co. (600219.SS)	E (07/08/2026)	Rmb5.07
Tianqi Lithium Industries Inc. (9696.HK)	O (12/16/2025)	HK$34.92
Tianqi Lithium Industries Inc. (002466.SZ)	O (04/20/2026)	Rmb45.56
Weixing New Building Materials (002372.SZ)	U (10/08/2025)	Rmb8.44
Zhaojin Mining Industry (1818.HK)	E (07/09/2026)	HK$22.04
Zijin Gold International (2259.HK)	O (11/06/2025)	HK$163.20
Zijin Mining Group (2899.HK)	O (11/06/2025)	HK$37.60
Zijin Mining Group (601899.SS)	O (11/06/2025)	Rmb34.40

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* Historical prices are not split adjusted.

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