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IDEA

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**China Materials | Asia Pacific**

# China Trip Takeaways – Day 2

On day 2 of our China trip, we met with companies with business in cobalt, high-end copper products, glass fabrics, and rare earth magnets.

**AI/data centers still the strongest structural demand theme for copper:** Jintian Copper (601609.SS, Not Covered) expects rapid AI-related capacity expansion into 2027, particularly in liquid cooling plates and rack busbars. A next-generation AI server rack could consume ~1.5t of copper across cooling plates (~1t) and busbars (~0.5t)., but after processing and yield adjustment, only ~30% of volume actually goes into the rack. The industry has significant barriers from process know-how, yield, and customer qualification, rather than high working capital alone.

**High copper prices are accelerating substitution in traditional applications, but AI/EV demand is comparatively price-insensitive:** Jintian sees 2027 potentially becoming the first meaningful year of aluminum-for-copper substitution in Chinese air conditioners. At the current absolute copper/aluminum price gap of ~Rmb80k/t, substitution economics are increasingly compelling; 50% substitution could theoretically reduce copper demand by ~1mnt while adding ~500kt of aluminum demand. Conversely, AI data centers continue to increase copper intensity as cooling structures become larger and more complex, while EVs require ~120kg copper versus only 10kg+ for ICE vehicles.

**China's scrap copper market could become an increasingly important source of secondary supply:** However, tax/invoice distortions remain a major constraint for compliant supply. Jintian estimates that 300–500kt of incremental domestic scrap copper could emerge annually over the next 10–15 years as China's installed copper stock reaches end of life. Over time, rising domestic scrap availability should structurally improve China's secondary copper supply,

**China Jushi sees a highly disciplined electronic-glass supply environment into 2027**. Management expects essentially no meaningful new yarn supply in 2027, apart from Jushi's own ~50kt project starting toward year-end. Low-Dk, T-glass, and Q-glass products are largely through qualification, with commercial production expected around end-2026. Pricing is also stronger in finer products, with 2116/1080 ASP at ~Rmb14–15/m and larger increases than 7628 (YTD up 170%).

**Zimbabwe and lithium – 2H export quota sufficient:** Huayou targets 70–80kt of lithium production in 2026 – both self-supplied ores and recycled. Its lithium sulfate plant has ~50kt annual capacity and made its first commercial shipment in April 2026, making Huayou the first producer to achieve localized lithium sulfate production in Zimbabwe. The second batch of spodumene export quotas was given out to Huayou and other lithium miners. They are sufficient; the main bottleneck is now logistics via Durban, where expanding DRC copper exports are also competing for capacity. The policy direction still favora downstream processing, making lithium sulfate structurally more attractive than concentrate exports.

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Industry View **Attractive**

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# Huayou Cobalt

We met with the board secretary from Huayou Cobalt in Tongxiang on September 8. Key takeaways from our meeting follow.

**Huayou is building gypsum-based acid production lines to reduce production costs at Huayue and Huafei:** Commissioning is scheduled from year-end through 2Q next year. Once fully operational, the projects are expected to raise the company's sulfur self-sufficiency ratio to ~30%. Huafei, which is currently operating at half capacity, would require production to at least avoid cash losses before resuming output.

**Huayou's HPAL nickel production is ~100kt in 1H26** vs. ~240kt in 2025.

**The drought in Indonesia has not affected the company's nickel production.**

**Nickel ore prices for HPAL production in Indonesia have declined to around US$30/wmt** from a previous high of US$33–34/wmt.

**Huayou's RKEF projects (45ktpa Huake and 20ktpa Qingtian) are now generating a small profit:** Production cost is ~US$13k/t (ferronickel) and ~US$16k/t (nickel-equivalent). RKEF nickel production volume was ~40kt in 1H26.

**Full-year lithium chemicals output is expected at 70–80kt,** including 70kt+ from self-supplied ore and 10kt+ from recycling. Lithium output from Arcadia project in Zimbabwe is expected to reach ~100kt next year.

**The lithium project in Ghana to be acquireed is undergoing government approval:** It is a greenfield development targeting 50kt of lithium carbonate output in 2028, based on spodumene grades at 1.3–1.4%, with estimated capex of US$200–300mn.

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# JL Mag Rare-Earth

We met with IR from JL Mag Rare-Earth in Ningbo on September 8. Key takeaways from our meeting follow.

**Full-year 2026 utilization is expected to stay above 90%** (capacity: 40kt blanks), indicating apparent HoH volume growth in 2H – normally the peak season for EV demand.

**Typical magnet usage:** In general:

- 1.5-2kg/car for EVs or 1kg/100kW motor, so higher-power and multi-motor EVs use more magnets.
- ~3kg/unit for advanced humanoid robots; the usage is lower for robots with fewer degrees of freedom.

**Industry chain extension via investments:** After penetrating rare earth recycling (51% stake in Yinhai New Materials) and investing in some robot companies via industrial funds, JL is also evaluating investment opportunities in some advanced motor companies, whose products may have wide applications in humanoid robots.

**The company aims to maintain high payout with good cashflow** – e.g., full-year 2026 not below 1H26's level.

**Capex is expected to be RMB400-500mn in 2026-2027, mainly for Baotou Phase 3:** Maintenance capex is quite small, only a few million RMB per plant annually. Baotou phase 3 targets demand from traditional applications and also robots, and may gradually ramp up next year.

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|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
| Overweight/Buy | 1555 | 42% | 450 | 48% | 29% | 767 | 44% |
| Equal-weight/Hold | 1577 | 43% | 395 | 42% | 25% | 770 | 44% |
| Not-Rated/Hold | 3 | 0% | 1 | 0% | 33% | 1 | 0% |
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## INDUSTRY COVERAGE: Greater China Materials

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (09/08/2026) |
|---|---|---|
| **Chris Jiang** | | |
| Anhui Honglu Steel Construction (002541.SZ) | U (12/16/2025) | Rmb20.17 |
| CGN Mining Co Ltd (1164.HK) | O (01/18/2023) | HK$2.43 |
| Chengxin Lithium Group Co. Ltd. (002240.SZ) | E (12/16/2025) | Rmb28.98 |
| GEM Co Ltd (002340.SZ) | U (04/20/2026) | Rmb6.42 |
| Shenzhen Kedali Industry Co Ltd (002850.SZ) | O (08/21/2023) | Rmb177.60 |
| Sinomine Resource Group Co Ltd (002738.SZ) | O (12/16/2025) | Rmb49.29 |
| Yongxing Special Materials Technology (002756.SZ) | E (11/25/2022) | Rmb43.10 |
| Zhejiang Huayou Cobalt Co Ltd (603799.SS) | O (10/08/2025) | Rmb37.98 |
| **Hannah Yang, CFA** | | |
| China Hongqiao Group (1378.HK) | O (09/15/2023) | HK$23.52 |
| Chuangxin Industries Holdings Ltd. (2788.HK) | O (03/19/2026) | HK$17.23 |
| Flat Glass Group Co Ltd (6865.HK) | O (07/30/2020) | HK$6.55 |
| Flat Glass Group Co Ltd (601865.SS) | O (07/30/2020) | Rmb9.99 |
| MMG Ltd (1208.HK) | O (12/16/2024) | HK$9.62 |

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|---|---|---|
| Shandong Pharmaceutical Glass Co. Ltd. (600529.SS) | U (04/20/2026) | Rmb18.90 |
| Shenhuo Coal and Power (000933.SZ) | O (09/02/2025) | Rmb27.48 |
| Tianshan Aluminum (002532.SZ) | E (07/08/2026) | Rmb13.24 |
| Xinyi Glass Holding Limited (0868.HK) | U (05/14/2024) | HK$9.11 |
| Zhongfu Shenying Carbon Fiber Co Ltd (688295.SS) | O (08/25/2023) | Rmb38.60 |
| **Rachel L Zhang** | | |
| Aluminum Corp. of China Ltd. (601600.SS) | O (11/30/2020) | Rmb9.74 |
| Aluminum Corp. of China Ltd. (2600.HK) | O (11/30/2020) | HK$9.03 |
| Baoshan Iron & Steel (600019.SS) | O (01/16/2016) | Rmb5.83 |
| Beijing New Building Materials (000786.SZ) | O (04/09/2024) | Rmb16.48 |
| Beijing Oriental Yuhong Waterproof Techn (002271.SZ) | E (09/25/2024) | Rmb10.98 |
| China Jushi (600176.SS) | O (12/22/2020) | Rmb41.39 |
| China Lesso Group Holdings Ltd (2128.HK) | U (10/08/2025) | HK$3.36 |
| China Steel Corp. (2002.TW) | U (12/16/2025) | NT$19.10 |
| CMOC Group Ltd (3993.HK) | O (09/24/2019) | HK$17.61 |
| CMOC Group Ltd (603993.SS) | O (06/21/2024) | Rmb18.94 |
| CNGR Advanced Material Co., Ltd. (300919.SZ) | E (01/12/2026) | Rmb38.69 |
| CNGR Advanced Material Co., Ltd. (2579.HK) | O (01/12/2026) | HK$24.62 |
| FangDa Carbon New Material Co. Ltd. (600516.SS) | U (12/16/2024) | Rmb5.26 |
| Ganfeng Lithium Co. Ltd. (002460.SZ) | O (04/20/2026) | Rmb49.09 |
| Ganfeng Lithium Co. Ltd. (1772.HK) | O (12/16/2025) | HK$36.40 |
| Henan Liliang Diamond Co. Ltd (301071.SZ) | U (04/20/2026) | Rmb62.07 |
| Jiangsu Dingsheng New Materials (603876.SS) | U (04/20/2026) | Rmb19.80 |
| Jiangxi Copper (0358.HK) | O (10/08/2025) | HK$38.40 |
| Jiangxi Copper (600362.SS) | O (10/08/2025) | Rmb48.53 |
| JL Mag Rare-Earth Co. Ltd (6680.HK) | O (04/23/2025) | HK$16.46 |
| JL Mag Rare-Earth Co. Ltd (300748.SZ) | O (04/23/2025) | Rmb25.79 |
| Nine Dragons Paper (2689.HK) | E (01/04/2023) | HK$6.41 |
| PT Merdeka Gold Resources Tbk (6228.HK) | O (08/04/2026) | HK$38.50 |
| Shandong Gold Mining Co. Ltd (600547.SS) | E (07/09/2026) | Rmb36.01 |
| Shandong Gold Mining Co. Ltd (1787.HK) | E (07/09/2026) | HK$25.38 |
| Shandong Nanshan Aluminium Co. (600219.SS) | E (07/08/2026) | Rmb4.98 |
| Tianqi Lithium Industries Inc. (9696.HK) | O (12/16/2025) | HK$34.76 |
| Tianqi Lithium Industries Inc. (002466.SZ) | O (04/20/2026) | Rmb45.59 |
| Weixing New Building Materials (002372.SZ) | U (10/08/2025) | Rmb8.56 |
| Zhaojin Mining Industry (1818.HK) | E (07/09/2026) | HK$22.12 |
| Zijin Gold International (2259.HK) | O (11/06/2025) | HK$160.00 |
| Zijin Mining Group (2899.HK) | O (11/06/2025) | HK$36.96 |
| Zijin Mining Group (601899.SS) | O (11/06/2025) | Rmb33.86 |

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* Historical prices are not split adjusted.

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