Chuangxin Industries (2788 HK)

Capacity growth in Saudi Arabia + superb cost advantage on low green energy cost in China

We believe Chuangxin offers unique growth story in the aluminium sector**.** On the cost side, the on-going commencement of wind & solar captive power source will further push the cost down in 2026E-27E, from the already low cost of electricity at present. On the growth side, Chuangxin's aluminium capacity construction in Saudi Arabia, with the new round of investment from Public Investment Fund (PIF, the sovereign wealth fund of Saudi Arabia), offers confidence in project execution. Sector-wise, we believe the tight supply will lend strong support to the aluminium price (*see our* sector note). We estimate every 1% increase in aluminium price will boost Chuangxin's 2026E earnings by 2.5%. We initiate coverage of Chuangxin with **BUY** rating and TP of HK$32, based on 13x 2026E P/E. We see Chuangxin a potential candidate to be included in the Stock Connect in Mar this year, which will further broaden the investor base.

- **Company background.** Founded in 2012 and listed on the HKEX in Nov 2025, Chuangxin is primarily engaged in electrolytic aluminum smelting (capacity by end-2025: 788kt, 100% stake) and alumina refining (1.2mt, 58.5% stake). According to CRU, Chuangxin's aluminum smelter in Huolinguole, Inner Mongolia, was the 4th largest production base of electrolytic aluminum in terms of production output in North China in 2024. Chuangxin was the 12th largest electrolytic aluminum producer in terms of production output in China in 2024.
- **Expanding capacity in Saudi Arabia.** Chuangxin currently has 788kt electrolytic aluminum capacity in China. To further expand capacity against the backdrop of capacity cap in China, Chuangxin has initiated a 500 kt aluminum project in Saudi Arabia, through forming a JV (25.2% equity interest for Chuangxin) with different parties, including PIF. Chuangxin targets to complete the construction in 2Q27E.
- **Substantial cost reduction ahead through the use of green energy.** Chuangxin's cost leadership comes from (1) the high self-sufficiency of electricity (87% in 5M25, higher than the industry average of <60%), and (2) the proprietary low-cost electricity (RMB 0.33/kWh in 5M25, lower than the industry average of RMB0.40/kWh). More importantly, Chuangxin is building a total of 1,750MW captive wind & solar power plants (640MW completed in Dec 2025) to replace the existing coal power. The low WTG and solar module cost, together with high utilization hours in the region, will enable Chuangxin to achieve power costs of <RMB 0.2/kWh, substantially below the current power cost. We expect the green power will account for >50% of the total power supply in 2027E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	13,815	15,163	15,321	19,784	20,091
YoY growth (%)	2.4	9.8	1.0	29.1	1.6
Adjusted net profit (RMB mn)	1,003.6	2,056.3	2,591.9	4,504.1	4,819.4
EPS (Adjusted) (RMB)	0.67	1.37	1.67	2.17	2.32
Consensus EPS (RMB)	na	na	1.86	2.09	2.69
P/E (x)	33.3	16.2	13.3	10.3	9.6
P/B (x)	11.3	26.6	6.2	3.9	2.8
Yield (%)	0.0	1.0	0.0	1.0	1.0
Net gearing (%)	274.2	864.0	90.5	21.8	(15.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price	**HK$32.00**
Up/Downside	**28.0%**
Current Price	**HK$25.00**

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Stock Data

Mkt Cap (HK$ mn)	37,500.0
Avg 3 mths t/o (HK$ mn)	203.5
52w High/Low (HK$)	NA/NA
Total Issued Shares (mn)	1500.0

Source: FactSet

Shareholding Structure

Cui Lixin	72.3%

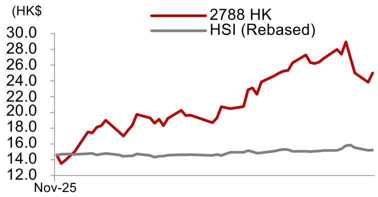
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	22.1%	19.8%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Related report:
Material sector – Aluminium price to be fuelled by tight supply throughout 2026 – 4 Feb 2026 (link)

Valuation

Initiate with BUY and TP of HK$32. We derive the valuation for Chuangxin based on P/E ratio (2026E), due to the cyclical nature of the commodity sector. We assign 13x target multiple, which is based on ~20% premium over our target multiple for **China Hongqiao (1378 HK, BUY)** as we see higher volume growth and cost reduction potential for Chuangxin. To cross check, our target multiple is between the average of A-share and overseas comps, which does not look excessive.

Figure 1: Peers valuation table

Ticker	Company	Price (local currency)	Market cap (US$ mn)	PE (x) 2025E	PE (x) 2026E	PB (x) 2025E	PB (x) 2026E	Yield (%) 2025E
A share								
601600 CH Equity	CHALCO-A	13.14	31,614	15.6	12.3	2.5	2.1	2.3
000807 CH Equity	YUNNAN ALUM-A	32.54	16,245	17.8	15.0	3.0	2.6	1.7
002532 CH Equity	TIANSHAN ALUM-A	18.19	12,120	17.5	12.8	2.5	2.2	2.6
600219 CH Equity	SHANDONG NANSHAN-A	6.83	11,291	16.1	13.7	1.3	1.2	1.8
000933 CH Equity	HENAN SHENHUO-A	31.71	10,266	13.5	11.2	2.5	2.2	3.6
	Average			**16.1**	**13.0**	**2.4**	**2.1**	**2.4**
Hong Kong listed								
2600 HK Equity	CHALCO-H	13.14	31,691	13.9	11.0	2.5	2.1	2.6
1378 HK Equity	CHINA HONGQIAO	35.30	45,136	13.1	8.7	2.6	2.2	4.5
2788 HK Equity	CHUANGXIN IND	25.00	6,647	13.7	10.3	6.4	3.9	0.0
486 HK Equity	RUSAL	5.46	10,630	7.9	6.4	0.8	0.7	2.9
2610 HK Equity	NANSHAN ALUMINIUM INT	64.85	5,156	13.2	9.8	2.5	2.1	1.6
	Average			**12.3**	**9.2**	**3.0**	**2.2**	**2.3**
Overseas								
HNDL IN Equity	HINDALCO	961.15	23,204	12.9	11.8	1.4	1.2	0.6
VEDL IN Equity	VEDANTA	676.10	28,745	13.5	9.5	5.0	3.9	5.3
NACL IN Equity	NATIONAL ALUMINUM	369.65	7,381	12.3	11.5	2.8	2.3	2.7
AA US Equity	ALCOA CORP	58.21	15,074	13.0	11.2	1.9	1.6	0.7
CENX US Equity	CENTURY ALUMINUM	47.32	4,417	21.2	8.5	n/a	n/a	n/a
Rio AU Equity	RIO TINTO	152.87	159,958	16.1	13.8	3.6	3.3	3.7
S32 AU Equity	SOUTH32	4.51	14,316	17.2	13.9	1.9	1.8	2.4
NHY NO Equity	NORSK HYDRO	88.14	18,256	16.8	12.5	1.5	1.4	3.2
PMAH MK Equity	PRESS METAL	7.72	16,191	29.7	25.8	5.6	4.7	1.2
ALBH BI Equity	ALUMINIUM BAHRAIN	1.09	4,097	7.5	4.0	n/a	n/a	4.3
QAMC QD Equity	QATAR ALUMINUM	1.78	2,720	n/a	n/a	n/a	n/a	n/a
	Average			**16.0**	**12.3**	**3.0**	**2.5**	**2.7**

Source: Bloomberg, Company data, CMBIGM estimates
Note 1: Data as of 3 Feb 2026. Note 2: Year-end June for South32

Figure 2: Earnings sensitivity (annualized) to 5% change in Aluminium ASP & coal cost

2026E net profit (RMB mn)		Aluminium ASP (RMB/t)				
		18,781	19,825	**20,868**	21,911	22,955
	306	3,574	4,133	4,692	5,251	5,810
	323	3,480	4,039	4,598	5,157	5,716
Coal cost	**340**	3,386	3,945	**4,504**	5,063	5,622
RMB/t	357	3,292	3,851	4,410	4,969	5,528
	374	3,198	3,757	4,316	4,875	5,434

Source: CMBIGM estimates

Figure 3: Earnings sensitivity (annualized) to 5% change in alumina ASP & bauxite cost

2026E net profit (RMB mn)		Alumina ASP (RMB/t)				
		2,284	2,411	**2,537**	2,664	2,791
	441	4,614	4,710	4,806	4,901	4,997
	466	4,463	4,559	4,655	4,751	4,846
Bauxite	**490**	4,313	4,408	**4,504**	4,600	4,696
RMB/t	515	4,162	4,258	4,353	4,449	4,545
	539	4,011	4,107	4,203	4,298	4,394

Source: CMBIGM estimates

Figure 4: Earnings sensitivity (annualized) to 5% change in aluminum ASP & bauxite cost

2026E net profit (RMB mn)		Aluminium ASP (RMB/t)				
		18,781	19,825	**20,868**	21,911	22,955
	441	3,687	4,246	4,806	5,365	5,924
	466	3,537	4,096	4,655	5,214	5,773
Bauxite	**490**	3,386	3,945	**4,504**	5,063	5,622
RMB/t	515	3,235	3,794	4,353	4,912	5,472
	539	3,084	3,644	4,203	4,762	5,321

Source: CMBIGM estimates

Investment theme

Aluminium - Capacity growth through Saudi Arabia project

In China, Chuangxin currently has **788 kt of electrolytic aluminum production capacity in operation in Huolinguole, Inner Mongolia**, equipped with 500kA aluminum electrolysis cell technology.

Meanwhile, Chuangxin, through a JV (namely Red Sea JV), co-invested in an integrated electrolytic aluminum project with **targeted integrated aluminium annual production capacity of 500kt in Yanbu, Saudi Arabia.** In 2025, the JV was indirectly held by Chuangxin as to 33.6%, by Innovation Group and **Innovation New Material (600361 CH, NR)** as to 25.2% each, and by a third party in Saudi Arabia as to 16%.

In Jan 2026, Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia, signed a cooperation agreement with Red Sea JV. Upon the signing, PIF will own 25% interest in Red Sea JV, while Chuangxin's interest will be reduced from 33.6% to 25.2%. We believe the support from PIF will enhance the execution of the project development.

The project has obtained relevant land use right and permits, local construction permits and essential licenses, and ODI-related approval from the NDRC. Chuangxin targets to complete the construction in 2Q27E.

The rich reserves of petroleum and natural gas in the Middle East provide cost-effective and stable energy supply to aluminum smelting. According to CRU, in 2024, the cash cost proportion relative to total revenue for the four recognized aluminum smelters in the Gulf region ranked among the lowest 25% globally. The average cost of industrial electricity in Saudi Arabia is significantly lower than that during the non-peak hours in China.

Alumina – Capacity expansion calcined from aluminium hydroxide in China

Chuangxin currently has **1,200 kt of alumina production capacity in operation in Binzhou, Shandong**. Binzhou is the largest import city for bauxite by volume in China. The alumina refinery is 40 km away from Huanghua Port (the second largest bauxite logistics trans-shipment port in the northern port cluster) and 70 km from Binzhou Port, which facilitates direct land transportation of bauxite from Yantai Port, the primary entry point for China's trade with Africa.

The alumina products are primarily used for the Company's in-house aluminum smelting. In 2022/23/24/5M25, the alumina self-sufficiency rate were 47% /90% / 84% / 70%.

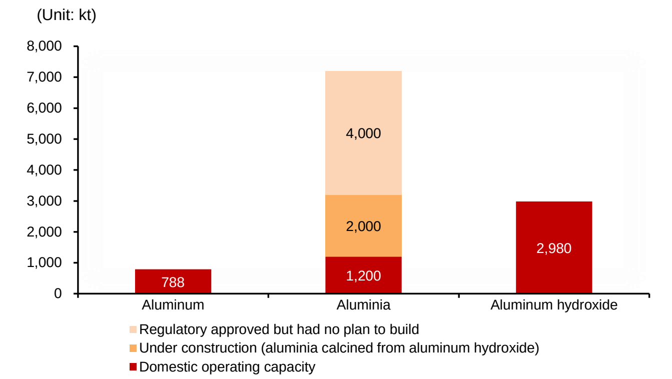
Besides, Chuangxin has already obtained regulatory approval for 6,000 kt of alumina production capacity, calcined from aluminum hydroxide, in Huolinguole, Inner Mongolia. The Company started the construction of a 2,000kt production line in Feb 2025. We understand that the actual capacity reached 2,800kt by end-2025, and forecast the capacity will reach 3,200kt by end-2026E.

At present, Chuangxin has no plan to utilise the remaining 4,000 kt of approved quota.

Aluminum hydroxide is often produced as an intermediate in the Bayer process and can be calcined to produce alumina. Chuangxin's aluminum hydroxide produced was primarily calcined to produce alumina in-house, with the remaining sold to external customers.

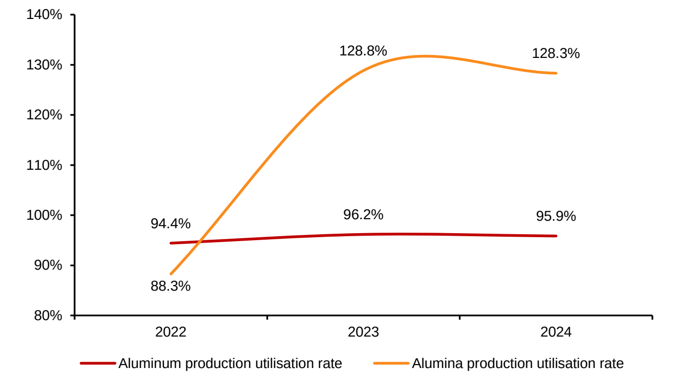
Chuangxin has **2,980 kt of aluminum hydroxide production capacity in Binzhou, Shandong**, among which 1,480 kt has been in operation. The remaining 1,500kt commenced trial production in Dec 2024 and put into full operation in Apr 2025.

Figure 5: Chuangxin's production capacity (China)



Source: Company data, CMBIGM

Figure 6: Capacity utilization rate



Source: Company data, CMBIGM

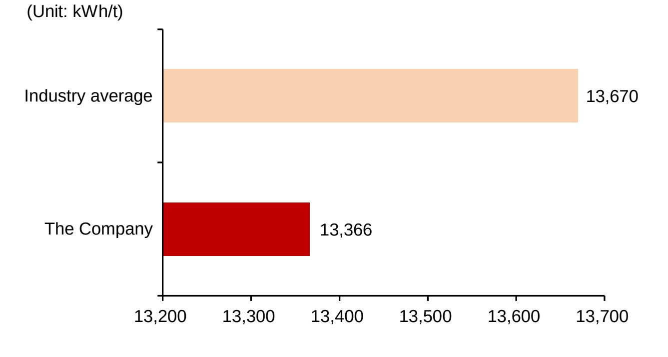
Cost advantage – Strategic location in Inner Mongolia + high self-sufficiency of electricity

Chuangxin has **1,980 MW of captive coal-fired power plants at its Huolinguole aluminum smelter, and 50 MW at its Binzhou alumina refinery**. The Company's captive coal-fired thermal power plant is able to realize 100% electricity self-sufficiency for its aluminum smelting, and partial electricity self-sufficiency for its alumina refining.

Meanwhile, Chuangxin also procures electricity from the grid to mitigate potential fluctuations in its self-generated electricity while increasing its green power usage. In 2022-5M25, the Company had achieved electricity self-sufficiency rate of 81%-88%, higher than the industry average rate of ~55-59% (CRU data). The Company's electricity cost of its coal-fired thermal power plants was RMB0.33/kWh in 5M25, lower than the national average of RMB 0.40/kWh (Mysteel data).

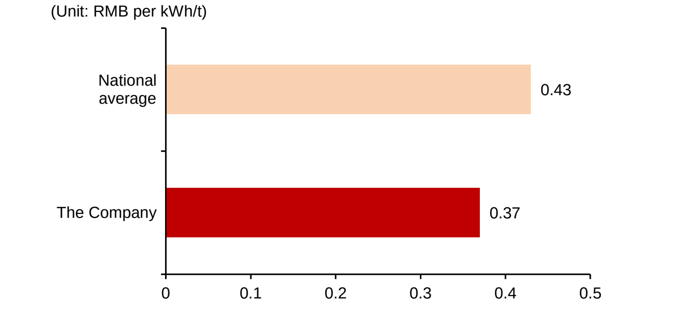
Chuangxin's electricity consumption for aluminum smelting was 13,366 kWh per ton in 2024, lower than the industry average of 13,670 kWh per ton, according to CRU. With several technological transformation projects upgrade in 2025, Chuangxin expects the overall electricity consumption would further be reduced to 13,290 kWh per ton.

Figure 7: Electricity consumption, 2024



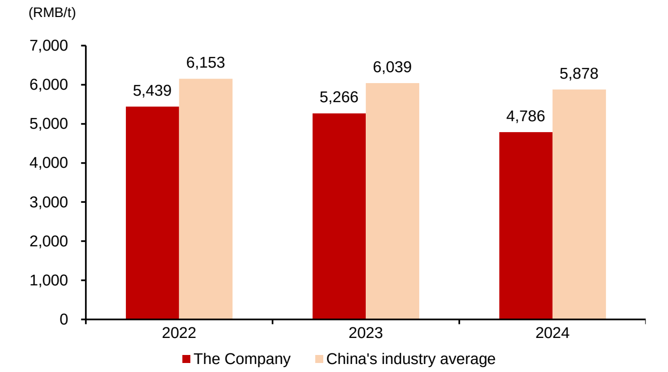
Source: CRU, Company data, CMBIGM

Figure 8: Coal-fired thermal power electricity costs, 2024



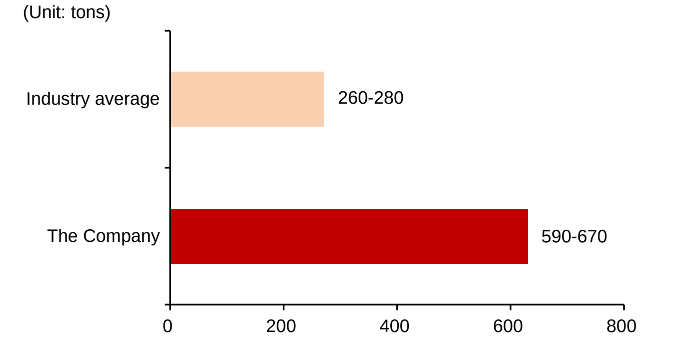
Source: CRU, Company data, CMBIGM

Figure 9: Power process cost (2022-2024)



Source: CRU, Company data, CMBIGM

Figure 10: Annual aluminium labor productivity



Source: CRU, Company data, CMBIGM

Renewable power to drive further cost reduction

Chuangxin targets to achieve wind and solar power **installed capacity of 1,750 MW in Huolinguole, Inner Mongolia and nearby cities** in order to replace the existing coal-fired power plant. As at Dec 2025, Chuangxin has installed capacity (wind + solar) of 640MW, while the remaining 1,100MW is expected to complete construction in 2026 and put into operation in 2027.

Therefore, by end-2027, Chuangxin will be able to achieve >50% of green energy utilization rate, significantly exceeding the 25% target imposed by the industry policies in China.

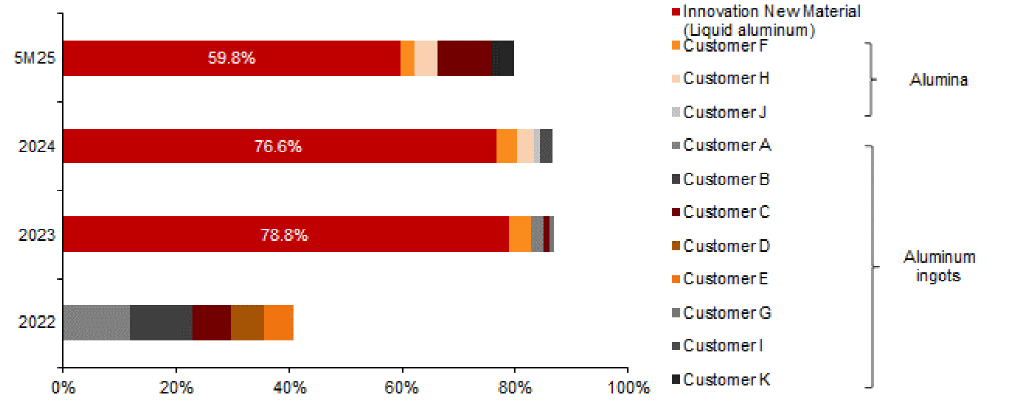
We expect Chuangxin's annual utilization hours for wind / solar projects to reach >3,700 / >1,400 hours, thanks to the abundant wind resource and sunlight in the region. According to the 2023-24 National Power Supply and Demand Analysis and Forecast Report, the national average utilization hours for wind power plants were only 2,225 hours and 1,286 hours for solar power plants in 2023.

Given the high utilisation hours and low capex (low price of WTG and solar module at the time of investment), Chuangxin's cost of green power generation is ~RMB0.10-0.18/kWh, significantly lower than the cost of the current coal-fired thermal power generation, which was RMB0.37/kWh in 2024 and RMB0.33/kWh in 5M25.

Customers

Chuangxin mainly sold molten aluminum to non-ferrous metal processing and manufacturing enterprises near its aluminum smelter in Huolinguole, Inner Mongolia, such as Innovation New Material. The Company also sold aluminum ingots to domestic third-party downstream aluminum alloy manufacturers and traders. For alumina, most of the output was for in-house aluminium production, with small portion selling to third parties in the past.

Figure 11: Chuangxin's revenue from its five largest customers



Source: Company data, CMBIGM

In 2022/ 23/ 24 and 5M25, revenue from its five largest customers accounted for **40.8%, 87.0%, 86.6% and 79.7% of the Company's total revenue**, respectively, while the largest customer contributed **11.8%, 78.8%, 76.6% and 59.8% of its total revenue**, respectively. **Innovation New Material**, an A-share listed company controlled by Mr. Cui and thus a connected person, was Chuangxin's largest customer in 2023/ 24 and 5M25.

Innovation New Material is an aluminum alloy producer. Its business presence covers both domestic and overseas markets such as Vietnam and Mexico. It has been on Apple's supplier list since 2014. Its products, after processing, were further sold to customers including Microsoft, Xiaomi, HP, Google, BYD, Li Auto, NIO, BMW, Audi, Mercedes-Benz and Nissan.

The Company mainly sold aluminum ingots to independent third-party customers before 2023. In early 2023, Innovation New Material launched new manufacturing sites with an annual production capacity of 1.22 mt near the Company's aluminum smelter in Huolinguole to cover its key customers in Northeast China and North China, such as BMW China, Xiaomi, AESC Group, FAW-Audi Automobile and TBEA. Since then, the Company has been the sole supplier of molten aluminum for Innovation New Material in Inner Mongolia.

Aside from Innovation New Material, there are a number of potential downstream customers within a 25 km radius around the Company's aluminum smelter in Huolinguole with a total production capacity of over 1.9 mt. In 5M25, Chuangxin proactively increased its production and sales volume of aluminum ingots to independent third parties to broaden its customer base, leading to reduced molten aluminum sales to Innovation New Material.

Suppliers

Chuangxin procured **bauxite** mainly from Guinea and Australia through bauxite trading companies or sourcing agents, under long-term cooperative relationships. The average purchase price was ~RMB494/t, RMB 525/t, RMB 558/t, and RMB 737/t, in 2022/ 23/ 24 and 5M25, respectively.

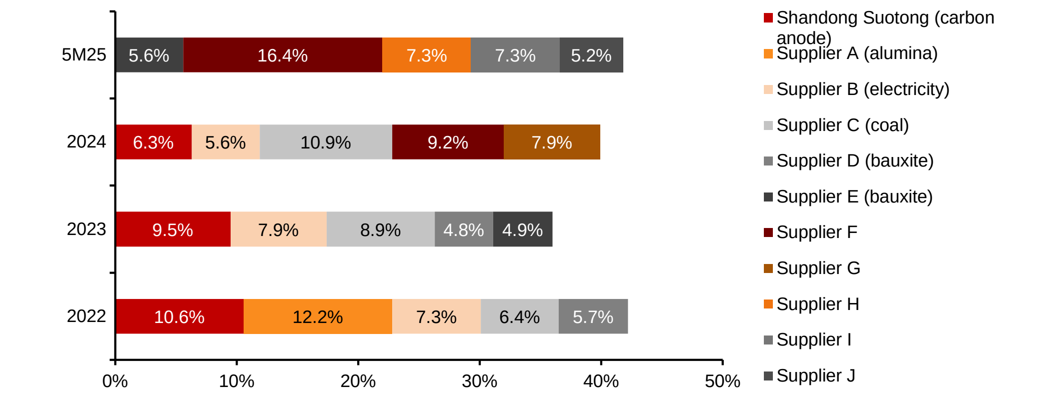
For **coal**, the Company has signed annual framework agreements with coal mines affiliated with State Power Investment Corporation and China Energy Investment Corporation, and it also engages proximate coal mines. The average purchase price was ~RMB 495/t, RMB 439/t, RMB 398/t, and RMB 325/t, in 2022/ 23/ 24 and 5M25, respectively.

While its proprietary coal-fired thermal power plant is able to realize 100% electricity self-sufficiency for aluminum smelting, the Company also procured **electricity** from the grid to mitigate potential fluctuations in its self-generated electricity while increasing its green power usage.

Chuangxin procured **carbon anode** on monthly negotiated prices. The average purchase price was approximately RMB 5,982/t, RMB 4,314/t, RMB 3,408/t, and RMB 4,084/t, in 2022/ 23/ 24 and 5M25, respectively.

The Company also procured **alumina** from third-party alumina suppliers, typically prioritizing alumina manufacturers followed by domestic trading companies, with reference to the average monthly price of alumina in Shandong and Shanxi indicated by Aladdiny, Baiinfo and Antaike. The amount of alumina the Company procured was 730 kt, 144 kt, 214 kt, and 165 kt in 2022/ 23/ 24 and 5M25, respectively, and the average purchase price was approximately RMB 2,607/t, RMB 2,619/t, RMB 4,008/t, and RMB 3,439/t, respectively.

Figure 12: Chuangxin's procurement from its five largest suppliers



Source: Company data, CMBIGM

Operating Assumptions and Earnings Forecast

- **Aluminum segment (85% of total revenue in 2024; 100% equity interest)**

Volume

In 2022/ 23/ 24/ 5M25, the annual production of aluminium was 744.1 kt/ 757.9 kt/ 755.4 kt / 310.7 kt, with stable utilization rates of 94.4%/ 96.2%/ 95.6%/ 95.3%. The annual sales volume of aluminium was 733.1 kt/ 773.0 kt/ 752.6 kt / 312.1 kt. Sales of liquid aluminium accounted for 2.6%/ 87%/ 90%/ 78% of the total sales of electrolytic aluminium during the same period.

Given the already high utilisation rate, we forecast the utilisation to be largely stable at ~96% in 2026E-27E, and therefore a stable volume.

ASP

The ASP of aluminium dropped 8% YoY to RMB16,174/t in 2023 and gained 6% YoY to RMB 17,120/t in 2024. Along with the favourable industry, the ASP further increased to RMB 17,697/t in 5M25.

We forecast the aluminum ASP increased 6% YoY to ~RMB17,975/t for the full year in 2025E, and to substantially increase by 15% YoY in 2026E, driven by a tight supply of aluminium on the back of China's capacity cap and limited capacity additions in overseas. We forecast the ASP to drop ~3% YoY due to an increase in capacity commencement.

Unit gross profit

We forecast the unit gross profit of aluminum to increase 24% YoY to ~RMB5,700/t in 2025E and further by 61% YoY to ~RMB9,200/t in 2026E. We expect the growth to be driven by rising ASP, decline of bauxite cost, as well as continuous reduction of production cost upon the commencement of wind & solar power plants.

- **Alumina segment (external revenue: 11% of total consolidated revenue in 2024; 58.5% equity interest for Shandong alumina capacity)**

Volume

The annual production volume of alumina increased from 706.2 kt in 2022 to 1,539.9 kt in 2024, driven by both increase in capacity (from 800kt to 1,200kt) and utilisation rate (from 88% to 128%). In 5M25, the production volume reached 664.5 kt, equivalent to utilization rate of 129%.

As for sales volume (including both intra-group sales and external sales), the volume increased from 706.3kt in 2022 to 1,539.6 kt in 2024 (external sales ratio from 3.8% to 27.7%). In 5M25, the sales volume of alumina was 660.2 kt (intra-group sales ratio: 43%).

We forecast the alumina production volume to be largely stable at 1.55mt in 2025E, but to grow to 2.5mt / 2.9mt in 2026E/27E, driven by the commencement of aluminum hydroxide capacity.

ASP for external sales

Alumina price reached the peak of 2024. We forecast the ASP to drop 20%/18% in 2025E/26E, as we expect an abundant supply in the market in the foreseeable future.

Figure 13: Operating assumptions

	2022	2023	2024	2025E	2026E	2027E
Sales volume (000 tonnes)						
Electrolytic Aluminum	733	773	753	753	755	755
Alumina	27	278	426	257	1,226	1,586
Change YoY						
Electrolytic Aluminum	0.0%	5.4%	-2.6%	0.1%	0.2%	0.0%
Alumina	0.0%	932.7%	53.3%	-39.7%	377.2%	29.4%
ASP (RMB/t) ex-VAT						
Electrolytic Aluminum	17,572	16,174	17,119	18,146	20,868	20,242
Alumina	2,532	2,256	3,868	3,094	2,537	2,411
Change YoY						
Electrolytic Aluminum	-	-8.0%	5.8%	6.0%	15.0%	-3.0%
Alumina	-	-10.9%	71.5%	-20.0%	-18.0%	-5.0%
Unit cost (RMB/t)						
Electrolytic Aluminum	-15,202	-13,548	-12,509	-12,477	-11,698	-10,913
Alumina	-2,535	-2,109	-2,668	-2,988	-2,568	-2,568
Change YoY						
Electrolytic Aluminum	-	-10.9%	-7.7%	-0.3%	-6.2%	-6.7%
Alumina	-	-16.8%	26.5%	12.0%	-14.1%	0.0%
Unit gross profit (RMB/t)						
Electrolytic Aluminum	2,370	2,626	4,610	5,669	9,169	9,329
Alumina	-4	147	1,200	106	-31	-157
Change YoY						
Electrolytic Aluminum	0.0%	10.8%	75.6%	23.0%	61.7%	1.7%
Alumina	0.0%	0.0%	719.4%	-91.1%	n/a	415.4%

Source: Company data, CMBIGM estimates

Figure 14: Segment revenue and gross profit

(RMB mn)	2022	2023	2024	2025E	2026E	2027E
Revenue						
Electrolytic Aluminum	12,882	12,502	12,884	13,673	15,757	15,284
Alumina & other related products	271	977	1,850	1,188	3,544	4,300
Alumina	68	627	1,648	795	3,112	3,824
Alumina hydroxide	203	351	202	393	433	476
Others	337	335	430	460	483	507
Total	**13,490**	**13,815**	**15,163**	**15,321**	**19,784**	**20,091**
Revenue growth						
Electrolytic Aluminum	-	*-2.9%*	*3.1%*	*6.1%*	*15.2%*	*-3.0%*
Alumina & other related products	-	*261.2%*	*89.2%*	*-35.7%*	*198.2%*	*21.3%*
Alumina	-	*820.1%*	*163.0%*	*-51.7%*	*291.3%*	*22.9%*
Alumina hydroxide	-	*73.2%*	*-42.5%*	*95.0%*	*10.0%*	*10.0%*
Others	-	*-0.7%*	*28.4%*	*7.0%*	*5.0%*	*5.0%*
Average	**-**	***2.4%***	***9.8%***	***1.0%***	***29.1%***	***1.6%***
Gross profit						
Electrolytic Aluminum	1,737	2,030	3,469	4,272	6,924	7,044
Alumina & other related products	17	61	580	39	-33	-245
Alumina	-0	41	511	27	-37	-250
Alumina hydroxide	17	20	68	12	4	5
Others	287	246	228	230	242	254
Total	**2,041**	**2,336**	**4,277**	**4,541**	**7,132**	**7,053**
Gross margin						
Electrolytic Aluminum	*13.5%*	*16.2%*	*26.9%*	*31.2%*	*43.9%*	*46.1%*
Alumina & other related products	*6.3%*	*6.2%*	*31.3%*	*3.3%*	*-0.9%*	*-5.7%*
Alumina	*-0.1%*	*6.5%*	*31.0%*	*3.4%*	*-1.2%*	*-6.5%*
Alumina hydroxide	*8.4%*	*5.8%*	*33.8%*	*3.0%*	*1.0%*	*1.0%*
Others	*85.1%*	*73.3%*	*53.0%*	*50.0%*	*50.0%*	*50.0%*
Blended gross margin	***15.1%***	***16.9%***	***28.2%***	***29.6%***	***36.0%***	***35.1%***

Source: Company data, CMBIGM estimates

Figure 15: Cost assumptions

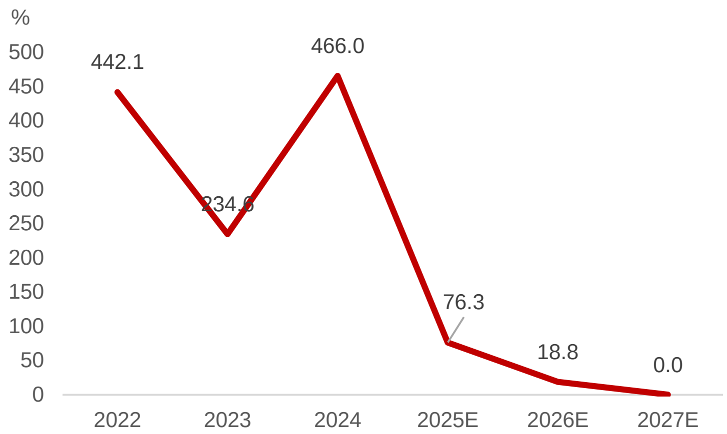
	2025E	2026E	2027E
Cost assumptions			
Electrolytic Aluminum			
Alumina			
Alumina externally sourced (000 tonnes)	143	144	144
External cost of alumina (RMB/t)	3,094	2,537	2,411
External cost of alumina (RMB mn)	**444**	**365**	**347**
Alumina production volume for internal use (000 tonnes)	1,291	1,294	1,294
Estimated internal cost (RMB/t)	2,988	2,568	2,568
Internal cost of alumina (RMB mn)	**3,858**	**3,322**	**3,322**
Total alumina used (000 tonnes)	**1,434**	**1,437**	**1,437**
Blended cost (RMB/t)	2,999	2,565	2,552
Total cost of alumina (RMB mn)	**4,302**	**3,687**	**3,669**
External / total volume needed	10.0%	10.0%	10.0%
Power			
Total electricity consumed (mn kWh)	10,034	10,040	10,025
Self-sufficiency ratio	97.9%	98.0%	99.5%
External			
External purchase of electricity (mn kWh)	206	200	53
External tariff (RMB/kWh)	0.50	0.50	0.50
External power cost (RMB mn)	**103**	**100**	**26**
Internal (coal power)			
Installed capacity at year end (MW)	1,980	1,980	1,980
Utilisation hours	4,200	4,000	2,400
Coal price (RMB/t)	330	340	340
Internal power cost (RMB mn)	**2,388**	**2,343**	**1,406**
Tariff (RMB/kWh)	0.29	0.30	0.30
Internal (wind & solar power)			
Installed capacity at year end (MW)	640	1,740	1,740
Effective Installed capacity (MW)	540	640	1,740
Utilisation hours	2,800	3,000	3,000
Internal power cost (RMB mn)	242	288	783
Tariff (RMB/kWh)	0.16	0.15	0.15
Total electricity cost (RMB mn)	**2,732**	**2,731**	**2,215**
Average tariff (RMB/kWh)	0.27	0.27	0.22
Anode carbon block			
Volume needed (000 tonnes)	340	340	340
Price (RMB/t)	4,200	4,500	4,500
Total cost of anode carbon block (RMB mn)	**1,427**	**1,532**	**1,532**
Others	940	883	824
Total electrolytic Aluminum cost (RMB mn)	**9,401**	**8,833**	**8,240**
Alumina			
Bauxite			
Bauxite volume needed (000 tonnes)	4,954	8,064	9,216
Price per tonne (RMB/t)	590	490	490
Total baxuite cost (RMB mn)	**2,923**	**3,951**	**4,516**
Cost for internal	2,438	2,029	2,029
Cost for external	**485**	**1,923**	**2,487**
Others			
Other costs (external only) (RMB mn)	**283**	**1,226**	**1,586**
Total alumina cost (for external sales) (RMB mn)	**768**	**3,149**	**4,074**

Source: Company data, CMBIGM estimates

Net gearing ratio to substantially reduce

Chuangxin's net debt to equity ratio reached 360% as of May 2025. We estimate the successful Hong Kong listing helped reduce the net gearing substantially to ~76% by end-2025E. We forecast Chuangxin will turn to net cash position by end-2027E, driven by the strong earnings growth.

Figure 16: Net debt/equity ratio



Source: Company data, CMBIGM estimates

Net profit forecast

Chuangxin's net profit doubled YoY to RMB2bn in 2024. In 5M25, net profit dropped 14% YoY to RMB756mn, due to the increase in costs for both aluminium and alumina.

We expect the net profit for the full year in 2025 to grow 21% YoY to RMB2.5bn, helped by the reduction of bauxite price and the gradual commencement of low-cost green power source.

We expect the net profit to grow 74%/7% YoY to RMB4.5bn/4.8bn in 2026E/27E, driven by (1) increase in aluminium ASP; (2) further reduction of raw materials costs; (3) profit contribution from Saudi project starting from 2027E. Taking into consideration of the newly listed shares, we forecast the EPS growth to be 30%/17% in 2026E/27E.

Risk Factors

- **Unexpected removal of capacity cap in China**

Our current supply and demand analysis is based on the assumption that the 45mt of capacity cap imposed by Chinese government will continue to be in place. Any unexpected removal of the cap will likely turn the global deficit to surplus, which will affect our aluminium price assumptions. We see the possibility of such policy change is low but it will be impactful if there is a change.

- **Volatility of aluminium and alumina price**

Chuangxin's business is highly dependent on the prices of electrolytic aluminum and alumina, which are driven by global supply and demand dynamics beyond its control. Demand for the Company's products depends on downstream industries' performance and potential substitution by alternative materials due to technological advancements.

- **Raw material supply**

Chuangxin procures key raw materials such as bauxite, coal, carbon anode, and alumina from suppliers, and any disruption in supply could hinder its production schedule. While no shortages occurred in the past, any supply constraints could impact operations. To mitigate risks, the company maintains inventory levels, typically 15-20 days for bauxite, 5-15 days for carbon anode, and 3-10 days for alumina, with seasonal adjustments. That said, sourcing from alternative suppliers quickly or at reasonable costs may not always be feasible. In addition, raw material price volatility may hurt profit margins.

- **Electricity shortage**

Chuangxin's operations depend heavily on a stable and cost-effective electricity supply, particularly since aluminum smelting is highly energy-intensive. While captive power plants can ensure supply and reduce costs, disruptions or failures in these facilities could still occur. Additionally, coal price fluctuations or supply shortage could increase electricity costs. While the Company supplements its power supply with grid electricity, any price hikes by power suppliers or disruptions could affect production.

- **Supply chain disruption risks**

Chuangxin relies on imported bauxite (primarily from Guinea and Australia), making it vulnerable to global supply chain disruptions, trade restrictions, and transportation delays that could increase costs and disrupt production. The Company's expansion projects in Saudi Arabia (500 kt/year) face risks from shifting trade relations, material shortages, and logistical challenges, potentially leading to delays, higher costs, or project suspensions. Transportation disruptions, due to labor strikes, port issues, or natural disasters, could delay raw material deliveries and product shipments, increasing expenses and hurting revenue, while liquid aluminum transport poses additional risks like regulatory hurdles, temperature control failures, and environmental hazards from leaks.

- **Project completion risks**

Chuangxin is expanding its operations and pursuing energy transformation projects, including a 500kt/year electrolytic aluminum project in Saudi Arabia and 1,750 MW of wind and solar power plants. The successful completion of these projects depends on factors beyond its control, such as third-party construction progress, local regulations, government support, and market demand. Potential delays in material procurement, permitting, or compliance with environmental standards could arise. Additionally, operational challenges may hinder investments in overseas smelters or renewable energy infrastructure, risking delays or failure to meet expansion goals.

Appendix:

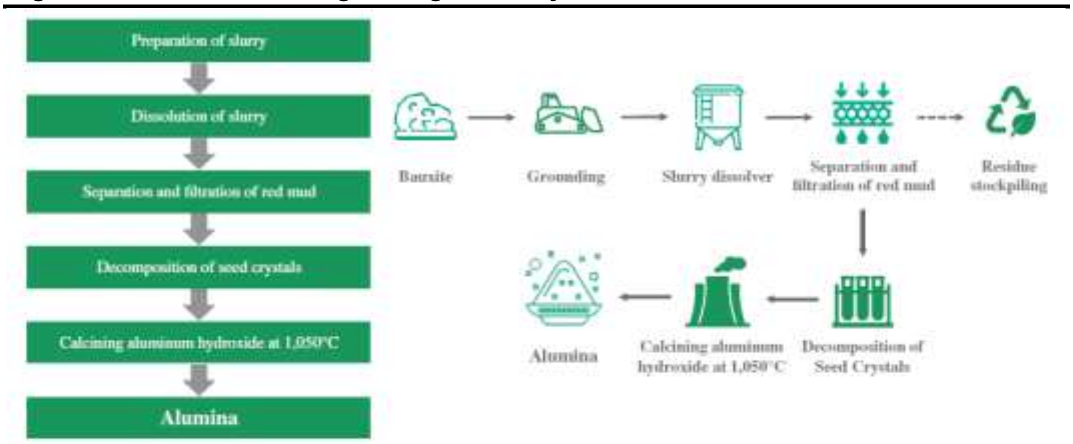
Company background

Chuangxin is engaged in the production and sales of electrolytic aluminum, as well as alumina and other related types of products. According to CRU, Chuangxin's aluminum smelter in Huolinguole, Inner Mongolia, was the fourth-largest production base of electrolytic aluminum in terms of production output in North China in 2024. The Company was the twelfth-largest electrolytic aluminum producer in terms of production output in 2024 in China, according to CRU.

Figure 17: Chuangxin's major business development milestones

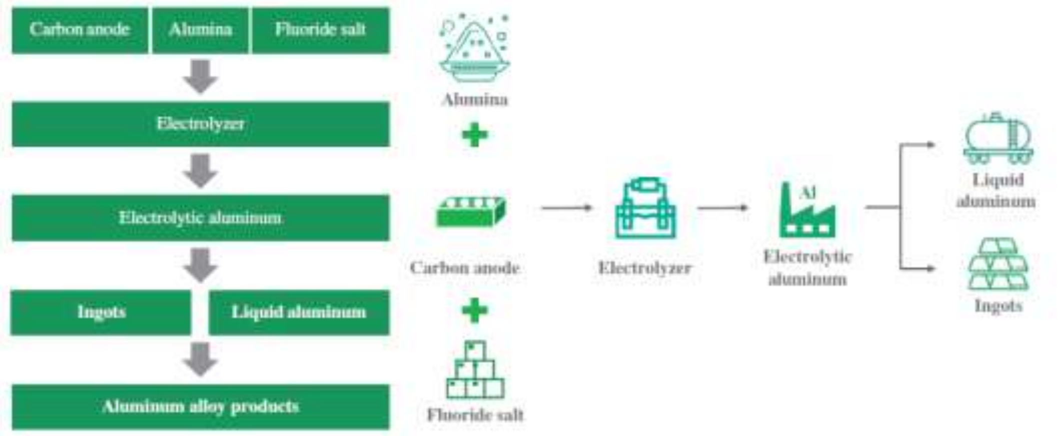
Source: Company data, CMBIGM

Figure 18: Alumina refining through the Bayer Process



Source: Company data, CMBIGM

Figure 19: Aluminum smelting through the Hall-Héroult Process



Source: Company data, CMBIGM

Figure 20: Chuangxin's key management profile

Name	Age	Position	Role	Profile
Mr. CUI Lixin (崔立新)	55	Chairman and non-executive Director	Formulating overall strategic planning and the decision-making on important matters	Mr. CUI has held leadership roles at Shandong Innovation Metal Technology, Innovation Group, and Innovation New Material (SSE: 600361.SH). He also serves in key public roles, including as an NPC deputy and vice chairman of the Shandong Federation of Industry & Commerce. He holds a master's in materials engineering from Central South University and is a certified Senior Engineer.
Mr. CAO Yong (曹勇)	44	Executive Director and general manager	Overall management of production and operation and implementing strategic planning	With over 20 years of experience in the energy sector, Mr. CAO previously held leadership roles at East Hope Group, including General Manager of Xinjiang East Hope Nonferrous Metals. He has served as the Chairman of Inner Mongolia Chuangyuan since 2022. He also served as a deputy to the Tongliao City People's Congress and is currently a vice chairman of the Tongliao Federation of Industry & Commerce. He holds law degrees from Southwest University of Political Science & Law (1999) and Xinjiang University (2016).
Mr. ZHANG Jianxiang (张建乡)	39	Executive Director, deputy general manager and joint company secretary	Daily production and operation	With 18+ years in metals and financial management, Mr. ZHANG previously held key roles at Innovation New Material (SSE: 600361.SH), including financial positions and general manager roles at subsidiaries. He holds degrees in computerized accounting (Northwest University, 2006) and accounting (Shandong University, 2012), along with certifications as an Intermediate Accountant, Certified Safety Engineer, and Senior Engineer (Shanghai Aluminum Trade Association, 2021).
Ms. ZHANG Yue (张悦)	42	Executive Director and financial director	Overall financial management	With over 20 years of financial accounting experience, Ms. ZHANG previously held roles at Shandong Innovation Metal Technology Co., Ltd., advancing from accountant to assistant financial director (2008-2024). She joined the Group in June 2024 as Financial Director of Inner Mongolia Chuangyuan. Ms. Zhang holds an accounting degree from Dongbei University of Finance and Economics (2019) and multiple professional certifications, including Senior Accountant (2023), Certified Public Accountant (2023), and Certified Tax Agent (2016).
Mr. FU Qian (伏骞)	48	Executive Director and administrative director	Overall administrative and human resources management	With over 24 years of corporate management experience, Mr. FU previously held leadership roles at East Hope Group affiliates, including administrative and HR director positions at Hulunbuir Dongneng Chemical and Xinjiang East Hope Nonferrous Metals. He joined the Group in 2016, serving as HR director for Inner Mongolia Chuangyuan and later as director of Chuangyuan Alloy and Shandong Chuangyuan. He holds a diploma in computerized accounting from Sichuan Dazhou Finance and Trade School (1999).
Mr. LI Muming (李目明)	58	General manager of China alumina business	Management of China alumina business operations	Mr. LI previously held leadership roles at Weiqiao Textile Co., Ltd. (1988–2001), Shandong Weiqiao Pioneering Group Textile Company (2001–2010), and Indonesia Hongfa Weili Alumina Company (2010–2017). He joined the Group in 2021 as Deputy General Manager of Shandong Chuangyuan, later becoming General Manager (2022) and Chairman (2023). Mr. Li holds a business administration degree from Shandong University (2019, correspondence).
Mr. GUO Wei (郭伟)	40	Deputy general manager of China alumina business	Implementation of China alumina business operations	With over 16 years of experience in accounting and corporate management, Mr. GUO previously held financial and leadership roles at Zouping Qixing Industrial Aluminum (2008-2011) and Wudi Qixing High-Tech Aluminum (2011-2018), where he progressed from Finance Director to General Manager. Since joining the Group in 2018, he has served as Deputy General Manager and Director of Shandong Chuangyuan. Mr. Guo holds a bachelor's degree in statistics from Qingdao University (2008).

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**13,490**	**13,815**	**15,163**	**15,321**	**19,784**	**20,091**
Cost of goods sold	(11,449)	(11,478)	(10,887)	(10,780)	(12,652)	(13,038)
Gross profit	**2,041**	**2,336**	**4,277**	**4,541**	**7,132**	**7,053**
Selling expense	(3)	(0)	(1)	(1)	(1)	(1)
Admin expense	(219)	(206)	(279)	(322)	(396)	(362)
R&D expense	(8)	(21)	(28)	(28)	(28)	(28)
Other income	8	53	42	46	59	60
Other gains/(losses)	206	5	18	15	20	20
Share of (losses)/profits of associates/JV	0	0	(1)	(7)	(33)	316
EBITDA	**2,558**	**2,943**	**4,772**	**5,164**	**7,746**	**7,754**
Depreciation	739	781	760	927	979	1,031
EBIT	**1,818**	**2,162**	**4,012**	**4,237**	**6,767**	**6,722**
Interest income	85	45	13	24	52	75
Interest expense	(1,062)	(940)	(762)	(629)	(551)	(440)
Net Interest income/(expense)	**(976)**	**(895)**	**(748)**	**(605)**	**(498)**	**(365)**
Pre-tax profit	**1,048**	**1,273**	**3,281**	**3,640**	**6,256**	**6,694**
Income tax	(135)	(192)	(651)	(728)	(1,251)	(1,339)
Minority interest	(32)	(77)	(573)	(320)	(500)	(535)
Adjusted net profit	**881**	**1,004**	**2,056**	**2,592**	**4,504**	**4,819**
Gross dividends	0	0	330	0	450	482

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**9,418**	**7,241**	**3,784**	**7,135**	**11,120**	**12,501**
Cash & equivalents	159	584	176	4,175	6,810	9,425
Account receivables	40	96	39	95	78	98
Inventories	1,761	1,255	1,578	1,258	2,070	1,359
ST bank deposits	2,799	1,309	681	681	681	681
Other current assets	4,659	3,997	1,310	926	1,481	938
Non-current assets	**12,071**	**12,312**	**14,536**	**17,317**	**17,744**	**18,052**
PP&E	6,394	6,686	9,152	11,167	11,130	11,041
Deferred income tax	7	6	83	83	83	83
Investment in JVs & assos	0	0	0	740	1,455	1,872
Intangibles	3,360	3,289	3,218	3,151	3,084	3,017
Goodwill	0	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	2,310	2,332	2,082	2,176	1,991	2,039
Total assets	**21,490**	**19,554**	**18,320**	**24,453**	**28,864**	**30,552**
Current liabilities	**15,705**	**9,881**	**8,738**	**8,359**	**8,766**	**7,049**
Short-term borrowings	8,342	4,251	4,942	4,842	4,342	3,342
Account payables	6,736	4,699	2,945	2,666	3,573	2,857
Tax payable	0	159	459	459	459	459
Other current liabilities	627	772	392	392	392	392
Non-current liabilities	**3,855**	**6,223**	**7,255**	**7,255**	**6,255**	**4,755**
Long-term borrowings	2,488	5,031	6,007	6,007	5,007	3,507
Other non-current liabilities	1,367	1,192	1,249	1,249	1,249	1,249
Total liabilities	**19,560**	**16,105**	**15,994**	**15,614**	**15,021**	**11,805**
Total shareholders equity	**1,690**	**2,950**	**1,255**	**7,447**	**11,951**	**16,320**
Minority interest	239	499	1,072	1,392	1,892	2,428
Total equity and liabilities	**21,490**	**19,554**	**18,320**	**24,453**	**28,864**	**30,552**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,048**	**1,273**	**3,281**	**3,640**	**6,256**	**6,694**
Depreciation & amortization	739	781	760	927	979	1,031
Tax paid	(184)	(25)	(447)	(728)	(1,251)	(1,339)
Change in working capital	(533)	1,620	(953)	205	(329)	400
Others	1,025	(1,104)	3,920	3,236	6,857	6,601
Net cash from operations	**1,869**	**4,554**	**3,462**	**4,656**	**6,186**	**6,835**
Investing						
Capital expenditure	(949)	(450)	(3,005)	(2,800)	(800)	(800)
Acquisition of subsidiaries/ investments	0	0	(1)	(748)	(748)	(100)
Others	284	2,082	579	19	47	70
Net cash from investing	**(665)**	**1,632**	**(2,427)**	**(3,529)**	**(1,500)**	**(830)**
Financing						
Dividend paid	0	0	(330)	0	0	(450)
Net borrowings	10,830	(1,548)	1,666	(100)	(1,500)	(2,500)
Proceeds from share issues	0	0	329	3,600	0	0
Others	(12,264)	(4,213)	(3,109)	(629)	(551)	(440)
Net cash from financing	**(1,434)**	**(5,761)**	**(1,443)**	**2,871**	**(2,051)**	**(3,390)**
Net change in cash						
Cash at the beginning of the year	0	159	584	176	4,175	6,810
Exchange difference	388	0	0	0	(0)	(0)
Cash at the end of the year	**159**	**584**	**176**	**4,175**	**6,810**	**9,425**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	na	2.4%	9.8%	1.0%	29.1%	1.6%
Gross profit	na	14.5%	83.0%	6.2%	57.1%	(1.1%)
EBITDA	na	15.1%	62.1%	8.2%	50.0%	0.1%
EBIT	na	18.9%	85.5%	5.6%	59.7%	(0.7%)
Adj. net profit	na	13.9%	104.9%	26.0%	73.8%	7.0%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	15.1%	16.9%	28.2%	29.6%	36.0%	35.1%
EBITDA margin	19.0%	21.3%	31.5%	33.7%	39.2%	38.6%
Adj. net profit margin	6.5%	7.3%	13.6%	16.9%	22.8%	24.0%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	5.0	2.7	8.6	0.9	0.2	(0.2)
Current ratio (x)	0.6	0.7	0.4	0.9	1.3	1.8
Receivable turnover days	na	1.8	1.7	3.6	3.6	3.6
Inventory turnover days	na	48.0	47.5	48.0	48.0	48.0
Payable turnover days	na	181.8	128.1	95.0	90.0	90.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	37.9	33.3	16.2	13.3	10.3	9.6
P/B	19.8	11.3	26.6	6.2	3.9	2.8
Div yield (%)	0.0	0.0	1.0	0.0	1.0	1.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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