

# ASIAN SPECIALTY CHEMICALS NEWSLETTER

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## INTRODUCTION

We hope you find the *Asian Specialty Chemicals Newsletter* informative.

BDA is a corporate finance and advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at [erellie@bdallc.com](mailto:erellie@bdallc.com). Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

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## China

**Akzo Nobel** has signed an MoU with **Ningbo Chemical Industry Zone (NCIZ)** to construct a 50 hectare chemicals multi-site in China. The Dutch company currently operates eight chemical production plants in China – including a polymer chemicals and a powder coatings factory in Ningbo – as well as 13 coatings facilities. The move is part of Akzo's plans to achieve sales of US\$1bn in China by 2010. (October 16, 2006)

**BASF Construction Chemicals Espana** plans to establish a plant in Sichuan to produce concrete admixtures. The firm expects to invest US\$14m and the plant will serve western China and has received approval from the relevant Chinese departments. (November 29, 2006)

**Bayer** will invest US\$1.8bn through 2009 to expand its polycarbonate, polyurethane and coatings production in the Caojing Chemical Park in Shanghai. This announcement follows the inauguration of three plants at the site, which will produce 100,000 tpa of PC, 80,000 tpa of PU and 30,000 tpa of hexamethylene diisocyanate. Bayer is considering further expansion of the PC facility to 200,000 tpa by 2008 and may also build a 350,000 tpa methylene diisocyanate (MDI) plant. A 160,000 tpa toluene diisocyanate (TDI) unit will likely follow in 2009. (September 5, 2006)

**China National Offshore Oil Corporation (CNOOC)**, China's third-largest oil company, is finalizing a deal to acquire fellow state-owned China National Chemical Construction Corporation (CNCCC), to expand its petrochemical and fertilizer business. The acquisition would also provide a foothold into the engineering design industry.

Financial details were not disclosed. (October 30, 2006)

**Clariant International** and **Hangzhou Baihe Chemicals**, a leading Chinese manufacturer of organic pigments, have completed a JV production facility for high-performance (HP) pigments in Hangzhou. The JV was formed as a response to growing demand for HP pigments in China and neighboring Asian countries. (November 6, 2006)

**Degussa** plans to start construction of new polyamide polymerisation and compounding units at its multi-user site in Shanghai in July 2007, with both facilities scheduled to come onstream in January 2008. **Degussa** has agreed to build a large integrated complex for PMMA and the corresponding intermediate, methyl methacrylate (MMA). The 100,000 tpa MMA facility is scheduled to come onstream in Q1 2009. (September 25, 2006)

**Dow Corning** and **Wacker Chemie** began work on a jointly-funded siloxanes project at Zhangjiagang in Jiangsu Province. Including a fumed silica plant due to start up in Q4 2007, the project will cost over US\$600m and will create capacity of 200,000 tpa of siloxanes and fumed silica by Q4 2010. The products will be used independently by the JV partners to develop downstream silicone products. (September 8, 2006)

**DSM** broke ground on its polymer plant in Jiangyin, Jiangsu Province. The facility will cost US\$30m-US\$50m and will produce high viscosity grades of akulon polyamide 6 (PA6). It is being built at DSM's engineering plastic site in Jiangyin. Production is set to begin in Q2 2008. The new polymer facility will make DSM the only company to produce the entire PA6 chain, including raw materials, polymer and compounded products, in China. The proposed plant will use caprolactam feedstock provided by the company's JV with **Sinopec** and **DSM Nanjing Chemical**. (October 31, 2006)

**Eka Chemicals**, the pulp and paper chemicals wing of **Akzo Nobel**, has opened a new site in Guangzhou to produce high-quality paper chemicals for the rapidly expanding Chinese paper industry. The Guangzhou facility will benefit from its strategic location close to the Pearl River Delta

port area. The new site, with its proximity to major raw materials and major customers, will play a key role in Eka Chemicals' push for price leadership in the local market. (November 28, 2006)

**Fortune Industries** has announced that **Nor-Cote International**, a wholly-owned subsidiary producing ultraviolet curable screen printing ink, will expand operations in China and Singapore in the coming months. Fortune also announced that Nor-Cote entered into a licensing agreement for its products with **Mino International Ltd**, a Japanese manufacturer of conventional solvent-based screen printing inks. (August 21, 2006)

**Huntsman** announced the successful commissioning of and transition to the commercial operation of its diphenylmethane diisocyanate (MDI) plants, part of the integrated isocyanates complex at the Shanghai Chemical Industry Park. Huntsman operates the plants with local partners and **BASF**. (October 23, 2006)

**Huntsman** will restructure its newly acquired textile effects business, closing three plants in Europe and the US and expanding in Asia. Huntsman will also open a new technical centre in Qingdao, as well as two new formulation and distribution centres in China. The company also plans to grow the business through acquisitions. The two-year restructuring program for the business will cost US\$150m and create 300 jobs globally. (October 30, 2006)

**PolyOne** has signed a definitive agreement to acquire the assets and operations of **Ngai Hing PlastChem Company Ltd**, the vinyl compounding subsidiary of **Ngai Hing Hong**. The transaction includes the transfer of a manufacturing facility in Dongguan, which will be PolyOne's fourth manufacturing site in China. As part of the agreement, PolyOne will also receive common shares valued at US\$6m from Ngai Hing Hong. The transaction is expected to close during H1 2007. (November 26, 2006)

**Polynt**, a 100%-owned unit of Lonza, hopes to build a US\$50m specialty chemical plant in China in 2008 through a JV with a local partner. Polynt intends to take a majority stake in the investment. No details are available due to IPO legal compliance

restrictions. The proposed plant will produce specialty chemicals and focus on the Chinese market. (October 30, 2006)

**Rhodia** announced the construction of hexamethylene diamine (HMDA) unit in China, as part of its upstream integration in the polyamide chain. The 60,000 tpa unit is expected to come onstream in early 2009 and will serve the fast-growing merchant market for HMDA in Asia. The firm is also considering building a 48,000 tpa polyamide resins plant in Onsan, South Korea, which will cost over US\$50m to construct and is due onstream in Q4 2007. (September 26, 2006)

**Rhodia** is selling its silicones arm to **China National Blue Star**. The sale price was not disclosed, but the transaction is based on an enterprise value of €400m (US\$504m), representing more than seven times recurring earnings before interest, tax, depreciation and amortization. The business, largely based in France, generated sales of US\$550m in 2005 and had 1,200 employees. (October 30, 2006)

**Sinofert Holdings Limited**, a subsidiary of **Sinochem Corporation**, announced that it has subscribed for 1.5 million non-public A shares in **Hualu Hengsheng Chemical Co Ltd**, a manufacturer and marketer of chemicals and chemical fertilizers. The total consideration is US\$14m payable in cash. Following the transaction completion, Sinofert Holding will become the second largest shareholder of Hualu Hengsheng. (November 6, 2006)

**Solvay and Zhejiang Environmental Protection Hi-Tech** have formed a 30/70 JV for the production of high value-added basic materials used for various fluorine chemicals. The facility will be located in Zhejiang Quzhou and will come online in 2007 with a capacity of 20,000 tpa. The plant is intended to supply **Solvay's** fluorinated chemicals plant in Onsan, South Korea. (October 23, 2006)

**Solvay** has announced its plans to build a world-class Polytetra-Fluoroethylene (PTFE) micronized powder production unit in Changshu, China. The facility will be managed by a new operating division of the Group, **Solvay Specialty Polymers Changshu**. Production is anticipated to commence in H2 2007. (November 1, 2006)

**Valspar** has completed its previously announced investment in the Chinese **Huarun Paints Holdings Company Limited**. Valspar acquired an 80% interest in Huarun Paints from Champion Regal, a Hong Kong-based investment company, and other shareholders. Huarun Paints ranks among China's leading domestic suppliers of wood and furniture coatings. Huarun Paints sells its products primarily through an extensive network of distributors and retail stores throughout China (October 30, 2006)

US-based **Velsicol Chemical Corp** and China's **Wuhan Youji Industries**, the largest manufacturer of epichlorohydrin rubber, glutaraldehyde, acrolein, sodium benzoate and benzyl chloride in China, will form a JV to produce and market benzoate esters and polymeric plasticisers in Wuhan, Hubei Province. Velsicol will be the majority partner in the JV with Wuhan Youji to be back-integrated in key raw materials. Construction will begin immediately with commercial products expected at the end of Q1 2007. (September 8, 2006)

**Zhenjiang Daqo Group** began construction on US\$500m poly-silicon production base in September 2006. Upon completion of the project, output is expected to reach 6,000 tpa. **Daqo Group** has already conducted technical cooperation with **Polysilicon Engineering Co Ltd** of Europe, **CDI** of the United States and **Degussa** of Germany. (December 6, 2006)

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## India

**Asha Dispersions Pvt Ltd**, has entered into a 50/50 JV with **Penn Color**, an American manufacturer of color dispersions. The new company, **Asha Penn Color Pvt Ltd**, will manufacture and market the entire range of pigmented chips currently available from Asha Dispersions after the start of operations in January 2007. The new company will also supply, in phases, the entire range of standard color dispersions available from Penn Color for plastics, paints, digital inks, UV and aqueous dispersions besides tailor-made dispersions as well as

establishing a R&D centre to cater to the international market. (December 4, 2006)

**Nippon Paint** of Japan, which launched its Indian operations in Chennai in July 2006, has ambitions for pan-India coverage and is planning the construction of manufacturing facilities in Gurgaon and Chennai in Q1 2008. The company will spend US\$42m on the facilities, each with a capacity of 20,000 tpa and the possibility of an expansion to 40,000 tpa. The company will first offer products in the decorative range, but will subsequently expand its offerings. (August 28, 2006)

**Punjab Chemicals & Crop Protection Ltd** and its European unit **SD Agchem (Europe) NV** have entered into a MoU to buy Argentina's **Sintesis Quimica** for US\$10m. The share purchase agreement and other formalities will be completed in due course. **Sintesis Quimica** has two manufacturing facilities on the outskirts of Buenos Aires. The plants manufacture agrochemicals, formulations and other industrial products. (November 16, 2006)

**Solvay Advanced Polymers (SAP)** intends to establish a 500 tpa PEEK facility at the Panoli, India, polymers site acquired from **Gharda Chemicals**. The plant is scheduled to come online in Q1 2008 and will supplement Gharda's established PEEK operation north of Mumbai. The investment will include an expansion of the site's sulfone-based engineering polymers facility. (October 20, 2006)

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## Indonesia

**Mitsui & Co.** has collaborated with Osaka-based **Hexa Chemical Co** to acquire majority stake in an Indonesian company producing resin compounds used in electronic appliances and auto parts. **Idemitsu Kosan Co**, the seller, will retain 20% of shares with Mitsui and Hexa taking 60% and 20% respectively. The operation projects sales of US\$18m for the calendar year 2006. (November 1, 2006)

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## Japan

**Mitsubishi Corp** will buy the Japanese fine chemical company **Kohjin** for US\$76m to further its expansion plans in the Chinese chemicals market and in other parts of Asia. The company plans to acquire more than 50% of Kohjin and eventually convert it into a subsidiary. It currently owns 30% of the company. The acquisition will combine the technological capabilities of both businesses and will permit **Mitsubishi** to tap into Kohjin's manufacturing expertise in the downstream chemical business. (September 25, 2006)

**Nippon Paint** will construct two production facilities in Chennai and Gurgaon, India, with a total investment of US\$35m. The plants are slated to commence production by 2008. Each will have a capacity of at least 20,000 tpa, with provisions for expansion to as much as 40,000 tpa. The product of the plants will be supplied to the domestic decorative and automotive paint market in India, as well as to export markets in South Asia. Indian operations will be a part of **Nippon Paint India**, the company's 50/50 JV with **Nipsea Holdings International**. (October 31, 2006)

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## Korea

**Clariant International** and Korean company **Songwon Industrial** will conclude their partnership on antioxidants used in polymers, effective 31 Jan 2008. Songwon Industrial's 1010-, 1076-, and 168-type antioxidants and associated blends will continue to be marketed by Clariant until Jan 2008. (September 27, 2006)

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**Kemira** of Finland has completed the sale of its Korean hydrogen peroxide unit to **Degussa Headwaters Korea** for about €7.5m (US\$35.2m). The 35,000 tons/year capacity plant, which has annual revenues of about €20m, was sold because its main customer base was outside the industry sector targeted by Kemira's pulp and paper division (PPC). Kemira PPC's strategy is to become the main supplier for the pulp and paper chemicals industry and not just a global hydrogen peroxide player. (September 14, 2006)

**Air Products** will build a nitrogen trifluoride (NF3) plant at Ulsan to supply the semiconductor and liquid crystal display markets in Asia. **Air Products Korea Electronics**, an Air Products subsidiary, will build the plant at the company's Ulsan specialty gases site. The first phase of the project involves building a 500-m.t./year NF3 unit for completion in late 2007. It will raise Air Products' worldwide NF3 total to more than 2,500 m.t./year. The new NF3 plant will be Air Products' second electronic specialty materials investment at Ulsan. (October 15, 2006)

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## Malaysia

**Mitsui & Co** and **Hexa Chemical Co** has agreed to purchase a plastics plant owned by **Nippon Steel Chemical Co**. The facility is expected to achieve US\$28m of revenue in the year ending March 2008. The partners will continue to supply raw materials for TV chassis and other products to Japanese appliance makers operating locally with a view to boost output in Indonesia by 20% and expand the product lineup in Malaysia. (November 1, 2006)

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## Singapore

**DuPont Engineering Polymers** has begun construction on new production facilities for its Vespel parts and shapes business in a push to meet growing demand in Asia. The Vespel line is designed for high-performance applications with stringent requirements for weight reduction, long service life, chemical exposure and/or extreme temperature resistance. Primary markets are aerospace, semiconductor, and transportation. DuPont chose Singapore for the new facility due to favorable trade agreements and efficient logistics infrastructure. The new facility is expected to be operational in Q1 2008. (December 6, 2006)

**Lonza**, the Swiss specialty chemicals firm, and Singapore's **Bio One Capital**, have entered into a 50/50 JV, which will be the pair's second plant in Tuas. The plant will require investment of US\$350m and will employ 700 workers. Construction of the first **Lonza-Bio One** plant is on track and the facility is expected to be licensed by the US FDA for manufacturing in 2010. Construction of the second plant will start in February 2007 and will open in 2011. (December 6, 2006)

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## Taiwan

**Bayer** is acquiring Taiwanese PU maker **Ure-Tech**. The deal is expected to be completed in Q1 2007. **Ure-Tech** has 180 employees and had sales of US\$55m in 2005. The deal will make Bayer the world leader in TPU resins and films and the market leader in Asia-Pacific. (October 24, 2006)

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## Thailand

**Sankyo Co** plans to sell its chemical products subsidiary **Sankyo Lifetech** to **Ciba Specialty Chemicals**. The deal is anticipated to conclude in Q1 2007. The agreement is focused on **Sankyo Lifetech's** hindered amine based light stabilizer (HALS), *Sanol*. The chemical products business currently has global sales of over US\$8.7m. (November 9, 2006)

**Thai Plastic and Chemicals PCL (TPC)**, the largest maker of PVC in SE Asia, will buy a 43% stake in the PVC maker **Phu My Plastic and Chemicals Co Ltd (PMPC)** from state-owned **PetroVietnam. Petroleum Nasinal Bhd (Petronas)** holds a 50% stake in the firm, which is prized for its 100,000 tpa capacity of PVC resin. The US\$11m transaction is expected to be completed by the end of Q4 2006. (September 27, 2006)

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Euan Rellie, Managing Director

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## ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions and divestments. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

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