

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

# ASIAN SPECIALTY CHEMICALS NEWSLETTER

Issue 35, February 2003

A bimonthly newsletter of developments in the chemicals sector

## CONTENTS

INTRODUCTION .....	1
AUSTRALIA .....	1
CHINA/HK .....	1
INDIA .....	3
JAPAN .....	4
KOREA .....	5
MALAYSIA .....	5
TAIWAN .....	5
THAILAND .....	5
VIETNAM .....	5

## INTRODUCTION

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

BDA is a corporate finance advisory firm that helps multinational companies identify and execute acquisitions, JVs and divestments in Asia. We focus on the specialty chemicals sector and are well placed to advise our clients.

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

Euan Rellie  
Managing Director

## AUSTRALIA

**LG Chem Ltd** will build a JV plant in Australia to produce ethylene di-chloride (EDC), the base chemical used for producing PVC, one of the company's core products. The plant, which is to be located in Gladstone City, Queensland, will have a capacity of 300,000tpa and will be operational in 2005. LG Chem will contribute 80% of the total investment with US\$193m, and will build the plant together with **Cheetham Salt** and a third party. Cheetham Salt is Australia's largest producer of salt. Australia is one of the world's cheapest providers of electricity and salt, essential elements in producing EDC. LG Chem plans to raise its PVC production capacity to 2.05 million tpa by 2010 from the current 1 million tpa. (December 23, 2002)

## CHINA/HK

**DSM Composite Resins**, part of Swiss-based DSM's performance materials division, has increased its stake in **Jinling-DSM Resins** from 60% to 75%. DSM Composite Resins and its JV partner **Sinopec Jinling Petrochemical** will also expand the capacity of the composite resin plant to 50,000tpa. The new capacity will allow Jinling-DSM Resins to supply composite resins and gelcoats to market sectors such as tanks and pipes, transportation, marine, sanitary and construction industries. (December 21, 2002)

**Far Eastern Textile (FET)** of Taiwan will add a 4,000tpa polyester staple fibre (PSF) line to its existing 40,000tpa PSF unit in Shanghai, China. The Taiwanese polyester and textile major intends to start construction of the new line in Q1 2003, and the unit is expected to come into operation in H1 2004. (January 21, 2003)

**Global Bio-chem Technology Group Ltd** has signed an MoU to form a sorbitol production JV with **Mitsui & Co Ltd** and its unit **Nikken Fine Chemicals Co Ltd**. The plant, to be located in Changchun, Jilin Province, is expected to commence production in Q4 2003. It will have an initial production capacity of 60,000tpa of 70% solid base liquid sorbitol, and will produce liquid sorbitol in different grades, including cosmetic grade, Vitamin C grade and food grade. Under the agreement, Mitsui will act as the principal agent and distributor for the products outside China. Global Bio-chem will take a 51% stake in the JV, while Mitsui will take a 47% stake and Nikken a 2% stake. The total investment in the JV will not exceed US\$15m. (January 23, 2003)

**Hyosung Corp** of Korea will expand its polyester textured yarn capacity at Jiaxing, Zhejiang Province, to 72,000tpa by October 2003. The company is also building a tyre-cord plant which will produce 11,000tpa of PET tyre-cord fabric and 3,600tpa of steel cord. Hyosung aims to strengthen its market presence in China, where there is an increasing demand for Korean-manufactured synthetic fibres, through production expansions. (December 31, 2002)

**Kemira**, the Finnish chemicals company, has purchased an additional 11% stake in **Kemwater (Yixing) Co Ltd** from **Finnish Fund for Industrial Cooperation Ltd**. Kemwater will then become a wholly owned subsidiary of Kemira. Based in Jiangsu Province, Kemwater produces inorganic coagulants for water treatment, ferric chloride and organic polymers. It has production capacity of 55,000tpa of liquid polyaluminium chloride and 10,000tpa of solid PAC. (January 29, 2003)

**Nanjing Hongbaoli Group** plans to expand its 3,000tpa polyols plant in Nanjing, Jiangsu Province to 30,000tpa, subject to approval from the Chinese government. The company is not seeking a JV

partner for the US\$4.3m project. The polyols will likely be supplied to the fast-growing manufacturing industry for refrigerators in Jiangsu Province, as well as in Zhejiang and Shanghai. (January 3, 2003)

**Polyplastics Co**, a Japanese manufacturer of high-performance resin, will build a ¥17bn (US\$141m) polyacetal plant with **Mitsubishi Gas Chemical Co** in Jiangsu Province. The plant will produce wear-resistant resins that are typically used in gears and other mechanical parts for electric home appliances. It will have a capacity of 60,000tpa, and is expected to come onstream in 2005. (December 9, 2002)

**Sekisui Chemical** of Japan has bought a controlling 51% stake in a Chinese polyethylene and polyurethane foam producer, **Shanghai Hong Qi Plastics**, for an undisclosed sum. Shanghai Hong Qi, now renamed **Shanghai-Sekisui Holy Plastics Co**, recorded US\$4m of revenues in 2002 and is a subsidiary of Taiwanese company **Holy Enterprises**. Sekisui has gained a production base in China through the acquisition, which will be used to cater to growing demand from the Chinese automobile sector. (December 18, 2002)

**Sichuan Lutianhua Group (Lutianhua)** plans to build a 400,000tpa methanol plant and a 100,000tpa dimethyl ether (DME) facility in Luzhou, Sichuan Province. These two plants will be located in Sichuan West Chemical City. Lutianhua will invest RMB1bn (US\$121m) in the projects. The new methanol plant will make Lutianhua one of the largest methanol producers in China after it goes into operation in 2004. The plant is expected to feed several downstream fertilizer units which are also operated by the company. The methanol plant will also provide the proposed DME facility with carbon dioxide feedstock. Lutianhua was created from the merger of two former state-owned enterprises, **Luzhou Northern Chemical Works** and **Xian Hui'an Chemical**. (January 21, 2003)

**Teijin Chemicals Ltd**, an affiliate company of the **Teijin Plastic Business Group** in Japan, will set up a polycarbonate resin production and sales company in Zhejiang Province. The new company will begin operation of its first production line in April 2005 with a capacity of 50,000tpa. Teijin Chemicals currently produces polycarbonate resin in Japan and Singapore, and has total production capacity of

300,000tpa. (January 3, 2003)

**Tengzhou Chemical Fertilizer Co** will build a 12,000tpa melamine plant in Tengzhou, Shandong Province. The company, a subsidiary of China's **Shandong Xincheng Chemical Industry Group**, is in talks with several JV partners for the US\$21.7m project. The company plans to take up to a 40% stake in the project. The project has been approved by the Chinese government and is expected to come onstream three years after construction commences. (January 1, 2003)

**TNC Co** of Taiwan will form a JV with **Societe Nationale des Poudres et Explosifs (SNPE)** of France to build a nitrocotton plant with a capacity of between 10,000tpa and 15,000tpa in China. Nitrocotton is a production material for coating. TNC and SNPE will invest US\$10m in the new JV, and the plant will be operational in 2005. TNC and SNPE had already invested in two other nitrocotton plants in China with outputs of 8,000tpa and 8,500tpa respectively. (December 2, 2002)

**Tosoh Corp** and **Mitsui Chemicals Inc** will soon start their production of what they term general-use chemical products in China. They expect demand to come from automakers and electrical equipment producers. Tosoh plans to invest ¥10bn (US\$83.5m) to build one or two vinyl chloride factories around Shanghai, with each facility expected to have output capacity of 100,000tpa and be built at a cost of ¥5bn (US\$41.8m). The vinyl operations are likely to start in 2004, using materials imported from Japan. Mitsui's resin plant in China will produce plastic resins used in beverage containers. Both resin and resin materials factories are expected to start operations in 2004-2005. (January 14, 2003)

**Yankuang Lunan Chemical Fertilizer Co** plans to build a 200,000tpa vinyl acetate monomer plant in Tengzhou, Shandong Province. The company is seeking at least one JV partner for the US\$42.5m project, in which it will hold a maximum of 40% stake. It has been in talks with several potential partners. Yankuang Lunan is a subsidiary of the **Yankuang Group**, one of the largest coal miners in China. (December 30, 2002)

---

## INDIA

**GE Plastics India** has acquired the polycarbonate sheets assets of **Jain Irrigation** for Rup400m (US\$8.3m). The acquisition includes two product lines with capacity of 4,000tpa for corrugated and solid sheets, used in the automotive and construction industries. On completion of this acquisition, GE Plastics will market products both under its own brand *Lexan* and the existing brand of Jain Irrigation, *Excel*. (December 5, 2002)

**Goodlass Nerolac Paints Ltd (GNPL)**, India's second largest paint company after **Asian Paints**, plans to build a 20,000tpa paint plant in Northern India which will cost Rup700m (US\$14.6m). GNPL has a 88,140tpa production capacity of paints, varnishes and enamels. The company's synthetic resins capacity is 26,250tpa. (January 21, 2003)

**NYCO**, a French lubricant company, plans to increase its stake in **AVI-Oil India Pvt Ltd** from 50% to 75% by buying the shares held by **Balmer Lawrie (BL)**. AVI-Oil is a JV established by NYCO, **Indian Oil Corporation (IOC)** and BL. IOC holds a 25% stake in the JV. NYCO intends to expand activities in India, with a focus on the defense sector through civil aviation lubricants. It will also export its products from India. (December 25, 2002)

**SKW Metallurgie AG** of Germany is considering forming a JV in India with the **TAI Group** of Bhutan. The proposed JV will manufacture desulphurisation chemicals, casting powder used in the process of steel making and additives used for post-treatment. SKW already has a JV with the TAI Group and the **Tatas** of India that manufactures and distributes desulphurisation chemicals products in India. (November 21, 2002)

---

## JAPAN

**Asahi Kasei Corp, Mitsubishi Chemical Corp and Idemitsu Petrochemical Co** will set up a JV in April 2003 to integrate their domestic polystyrene businesses. The new company, tentatively called **PS Japan**, will take control of the assets and operations of **A&M Styrene Co**, a 50:50 JV between Asahi Kasei and Mitsubishi Chemical. It will be 45% owned by Asahi Kasei, and 27.5% each by Mitsubishi Chemical and Idemitsu Petrochemical. (January 09, 2003)

**Infineum Japan** has opened its new **Infineum Japanese Technology Centre** to enhance its R&D capabilities and technical support services in the country. Headquartered in the UK, the **Infineum Group of Companies** is a developer, manufacturer and marketer of lubricant additives used primarily in automotive, heavy-duty diesel and marine engines. (January 14, 2003)

**Kyowa Hakko Kogyo** and **Showa Denko**, both of Japan, will merge their production of ethyl acetate. Kyowa wants to trim its chemicals operation to concentrate on medical and bio-science operations, while Showa is seeking to expand chemical production to benefit from economies of scale. The partners have not decided ownership ratios in the new JV, but Showa is expected to take a majority stake. (January 20, 2003)

**Mitsubishi Chemical** will end three JVs with German chemical manufacturer **BASF** as part of its operational restructuring. The three ventures are **BASF Dispersions Co, Mitsubishi Chemical Foam Plastic** and **MCB**. BASF Dispersions, which produces materials for adhesives, will become a wholly owned unit of BASF's Japanese subsidiary, **BASF Japan**. Mitsubishi Chemical Foam will be merged with an affiliate of **Mitsubishi Gas Chemical**. Mitsubishi Chemical will absorb MCB, which holds and manages assets jointly owned by BASF Dispersions and Mitsubishi Chemical Foam. (January 27, 2003)

**Mitsubishi Chemical** will make **Japan Polychem Corp**, a polyolefin JV between Mitsubishi Chemical and **Tonen Chemical**, a wholly owned subsidiary by buying the shares held by Tonen Chemical. The move came after differences in opinions between Mitsubishi Chemical and Tonen Chemical arose with regard to Japan Polychem's plan to integrate its polypropylene division with **Chisso Corp** and **Japan Polyolefins Co**. (January 21, 2003)

**Mitsui** of Japan will acquire 80% of German-based **Spieß-Urania Chemicals** from copper smelter **Norddeutsche Affinerie** and other shareholders, making it the first Japanese company to own an agricultural chemical plant in Germany. Mitsui plans to purchase the remaining 20% stake by 2004. The acquisition, which allows Mitsui to market its chemicals products in Europe via Spieß-Urania and to expand into Poland and other Central European countries, is expected to double Mitsui's overseas agrochemical sales to approximately ¥18bn (US\$145m). (December 11, 2002)

**Mitsui Chemicals** and **Dow Chemical** plan to jointly develop a new type of resin, aimed at reducing the weight of cars. A block co-polymer, featuring the properties of two resins, will be used to make high-strength bumpers. As this type of bumper will require a smaller amount of resin to produce, it will help make cars lighter. The new resin can also be recycled as adhesive to hold other plastic parts together. R&D work is scheduled to be completed by 2006, after which each company will make its own resin. (January 20, 2003)

**SDS Biotech**, a wholly owned subsidiary of **Showa Denko**, has acquired the agrochemical business of **Ube Industries** for an undisclosed sum. SDS Biotech will own all the rights pertaining to the registration, licensing and trademarks of three lines of fungicides previously franchised to Ube. The fungicides in question are *Healthied*, used for disinfecting wheat and rice, *Alshine*, which is used as a fungicide for a wide range of fruit trees, and *Pyricut*, which protects flowers and ornamental plants. (January 16, 2003)

---

## KOREA

**Mitsubishi Chemical Corp** has purchased a 50% stake in **Schenectady Korea Ltd**, a Korean unit of US chemical company **Schenectady International Inc**. This transaction is aimed at increasing Mitsubishi Chemical's alkylphenols production in Asia. With this transaction, Mitsubishi plans to increase Schenectady Korea's production capacity from 7,000tpa to 11,000tpa by Q1 2003. (January 8, 2003)

---

## MALAYSIA

**GE Plastics Malaysia**, Malaysia's only multi wall polycarbonate sheet manufacturer, will invest RM3.8m (US\$1m) to upgrade its operations. GE Plastics acquired key plant and equipment assets from **Carboron Sdn Bhd** in 2002 in a move to be closer to its customers in the Asia Pacific region. (January 29, 2003)

**Hudson Resources Limited**, the Australian mining company, has formed a JV with **Malaysian Phosphate Additives Sdn Bhd (MPA)**. The new JV, **Hudson-MPA Sdn Bhd**, will be 40% owned by Hudson and 60% MPA. The JV will undertake R&D and commercialization trials on MPA's phosphate additives products using Hudson's attapulgite earth and marketing these industrial absorbents in Malaysia and the SE Asian markets. (January 12, 2003)

To submit stories to the *Asian Specialty Chemicals* Newsletter, please contact Terrence Giang in New York on (212) 265-5300 or email to [tgiang@bdallc.com](mailto:tgiang@bdallc.com).

---

## TAIWAN

**Shinkong Synthetic Fibre**, the Taiwanese polyester company, and **DuPont Textiles & Interiors (DTI)**, a subsidiary of US-based **Dupont**, will jointly invest in a 6,000tpa elastic fibre facility in Chungli, Northern Taiwan. The project, which will cost NT\$900m (US\$22.9m), will be a 50:50 JV between Shinkong and DTI. The project is scheduled to come onstream in Q3 2003. DTI will provide know-how to the project and be responsible for marketing the product in Asia. The product will be marketed under DTI's brandname *Lycra*. Shinkong will provide its management expertise and offer usage of some of its facilities in Chungli, where the company has a polyester production base. (December 11, 2002)

---

## THAILAND

**GE Toshiba Silicones**, a JV between **General Electric** and **Toshiba**, plans to invest another Bht2.2bn (US\$52m) to set up a silicone finishing plant in Thailand. The plant, which will have production capacity of 45,000tpa, would be set up in Map Ta Phut, Rayong province. In 2001, the company had announced a plan to build a Bht10.5bn (US\$245m) plant to jointly produce silicone end products with **Shin-Etsu Chemicals**. The plant will come into operation during H1 2004, and most of its output would be exported. (December 4, 2002)

---

## VIETNAM

**Isammi**, a local producer and distributor of decorative paint and construction additives, plans to form a JV with **Omnium National Industriel Des Peintures (ONIP)** of France. The new JV will be based in Duc Hoa Industrial Park, Long An Province and will produce emulsion paint and other construction materials. Isammi is a distributor of ONIP additives in Vietnam. (January 6, 2003)

The **Phu My Plastics and Chemicals Company**, a JV established by Malaysia's **Petronas, Vietnam Oil and Gas Corporation** and the Vung Tau-based **Tramatsuco**, has inaugurated its PVC plant. The plant, with a capacity of 100,000tpa, is located in Cai Mep Industrial Park in Ba Ria-Vung Tau Province, 85km Southeast of Ho Chi Minh City. (January 9, 2003)

---

Euan Rellie, Managing Director  
Terrence Giang, Analyst

Kathleen Ng, Associate

---

## 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. BDA helps clients to find local business and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul, Shanghai, Taipei and Tokyo. For further information on BDA's services or on any of the articles in this newsletter, please contact our offices below.

### New York

Andrew Huntley  
Business Development Asia LLC  
The Economist Building, Suite 1105  
111 West 57th Street  
New York, NY 10019  
Tel: (212) 265-5300  
Fax: (212) 265-4300

### Singapore

Genevieve Wong  
Business Development Asia Utd Pte Ltd  
7 Temasek Boulevard  
#17-02 Suntec City Tower 1  
Singapore 038987  
Tel: (65) 6339-9500  
Fax: (65) 6339-9501

### London

Euan Rellie  
Business Development Asia Ltd  
10 Crown Place  
London EC2A 4FT  
United Kingdom  
Tel: (44) 20-7655-3154  
Fax: (44) 20-7655-8953

### Shanghai

Simon Wu  
Business Development Asia  
Shanghai Centre, Suite 504B  
1376 Nanjing Road West  
Shanghai, China, 200040  
Tel: (86) 21-6279-8390  
Fax: (86) 21-6279-8906

### Tokyo

Charles Maynard  
Business Development Asia  
Crane Toranomon Building  
5th Floor, 3-20-5 Toranomon, Minato-ku,  
Tokyo 105-0001 Japan  
Tel: (81) 3-3433-5803  
Fax: (81) 3-3433-5269

### Hong Kong

Paul DiGiacomo  
Business Development Asia (HK) Ltd  
23/F Tung Hip Commercial  
244-256 Des Voeux Road Central  
Hong Kong  
Tel: (852) 2537-9565  
Fax: (852) 2537-4406

bda@bdallc.com

www.bdallc.com