

ASIAN SPECIALTY CHEMICALS NEWSLETTER

Issue 52, September 2007

A Quarterly newsletter of developments in the chemicals sector

CONTENTS

INTRODUCTION	1
CHINA	1
INDIA	3
JAPAN	4
KOREA	4
MALAYSIA	5
SINGAPORE	5
TAIWAN	5
THAILAND	6

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. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Euan Rellie
Managing Director, erellie@bdallc.com

China

Air Liquide's electronics unit has invested US\$68m this year, predominantly in long-term gas supply deals in China, Singapore and Vietnam. In China, Air Liquide has signed a 15-year contract with **Semiconductor Manufacturing International Corporation** (Shanghai) to supply on-site bulk gases to the company's future semiconductor fabrication facility, which is to be located in Wuhan. Air Liquide also signed a contract to provide gas and chemical management services for the French company, **Soitec's** new 300-mm fabrication plant at Pasir, Singapore. In Vietnam, Air Liquide will supply carrier gases to an undisclosed semiconductor manufacturer. Air Liquide says that Asia is a "key growth driver" for its electronics business; as 100% of the flat panel manufacturing industry and 80% of the planned fabrication plants are in the region. (August 31, 2007)

Akzo Nobel has opened a new decorative coatings site in Langfang, northern China, to strengthen its presence in the China coatings market. Akzo Nobel currently has three decorative paint production sites in Beijing, Suzhou and Guangzhou. The new site will help to meet increased demand and allow Akzo Nobel's decorative coatings business unit to further improve service to its customers in northern China. (July 1, 2007)

Ashland will spend US\$78m on expansion projects in China. The projects include a new resin production plant with an initial investment of US\$35m in northern China, and a US\$43m

technology and business services center in Shanghai. The resin plant will be operational in 2009 and the technology center will be completed in 2008. (July 25, 2007)

BASF will increase the capacity of its Chinese neopentylglycol JV with **Jilin Chemical Industries** by 10,000 tpa. (July 9, 2007)

Blackstone, the US-based PE firm, announced that it would acquire a 20% stake in Bluestar, which is owned by **ChemChina**, the Chinese government-controlled chemicals group for US\$600m. (September 10, 2007)

US chemical company **DuPont** has formed a venture with **Sinopec Corp**, China's top refiner and petrochemical producer, to produce ethyl vinyl acetate (EVA). The plant, in Sinopec's Beijing-based unit Yanshan Petrochemical Corp, will be able to produce 60,000 tons of EVA, one of the largest of its kind in China, and is scheduled for start-up at the end of 2008. Sinopec owns 55% of the venture and DuPont holds 45%. (September 21, 2007)

Invista has completed the asset acquisition of **Honeywell's** nylon 6 bulked continuous filament (BCF) businesses in Asia-Pacific, including its plant in China. Invista owns or operates (independently or in ventures) 12 manufacturing facilities across Asia, including Singapore, Taiwan and China producing a variety of products. (July 6, 2007)

Kemira has begun construction of a 15,000 tpa production facility for calcium propionate, a feed and food additive, at its site in Yixing, Jiangsu Province in east China. The plant will be completed by 2008. (July 9, 2007)

Kumho Petrochemical broke ground on a 700,000-sq.-ft. SB-latex factory in Rizhao, the firm's third production base in China. The project will cost US\$40m, half from Kumho Petrochemical and the rest from **Shandong Jinma Industrial Group**, a Rizhao-based private company that

operates in the petrochemical industry. Production at the plant is set to begin in 2008, with expected annual capacity of 150,000 metric tons and estimated sales revenue of US\$130m per year. The production capacity will be more than double the capability of Kumho Petrochemical's Ulsan, Korea, plant, which the firm said has the largest domestic market share of SB-latex. August 20, 2007

Mitsubishi Gas Chemical (MGC) intends to set up a complex in Shanghai for an 80,000 tpa polycarbonate (PC) resin facility and a 35,000 tpa compounding plant. The compounding plant is due for commissioning in 2009. MGC will also build a technical facility under a JV with Mitsubishi Engineering Plastics. (August 23, 2007)

Momentive Performance Materials Inc, a US based chemical company, received approval from Chinese regulatory authority to set up a manufacturing JV with China's **Zhejiang Xinan Chemical Industrial Group Co**. The total investment is US\$97m and will have an initial capacity of 50,000 tpa of siloxane, or 100,000 tpa of silane products. The JV will be located in the southeastern province of Zhejiang. (July 24, 2007)

Nippon Paint Co will invest US\$40m to build a new R&D site in China by 2010 to meet local demand and will aim to increase Asian sales by 60% to US\$1.3bn. The R&D center will cover 500 square meters at its plant in Shanghai and will cost US\$40m. The site will initially have three researchers from Nippon Paint and plans to expand to fifteen. (August 9, 2007)

Polynt SpA of Italy acquired a TMA (trimellitic anhydride) plant - **Changzhou Boda Fine Chemical Company Ltd** for US\$23m to strengthen Polynt's presence in global TMA market. It has set up a wholly-owned subsidiary - **Polynt Chemical (Changzhou) Company Ltd**. (July 26, 2007)

Rohm and Haas and **Weihai Jinhong Polymer Co. Ltd** announced the **Jinhong Rohm and Haas Chemical Company (JinHaas) JV**. JinHaas will

produce methacrylate butadiene styrene (MBS), acrylic impact modifiers (AIMs) and acrylic processing aids for distribution in China, as well as in other emerging markets. (September 8, 2007)

Transcor, maker of base materials for paint, will commission a new facility in Ningbo, Zhejiang in a JV with **Hongda** and **Xiangshan Dongfeng**. Transcor has been procuring raw materials for its plants in Brazil from its Chinese partners since 1997. (July 31, 2007)

Wuxi Advanced Kayaku Chemical, Nippon Kayaku's Chinese JV with **Toyota Tsusho**, started commercial operation of its newly established plant in Wuxi, Jiangsu Province, for the production of synthetic dyestuff for textiles. The plant, the JV's second in China, will have two lines with a capacity of 2,000 tpa for water-soluble dyestuff, mainly reactive dyestuff tripling the water-soluble dyestuff capacity. (August 30, 2007)

Yip's Chemical Holdings, the Hong Kong-listed solvents, coatings and lubricants manufacturer with market capitalization of US\$320m, will acquire a lubricant business for US\$9m. The acquisition will be funded through the company's internal capital. No target name or financials were disclosed. (September 3, 2007)

Zhejiang Longsheng Group Co announced it will acquire a 10% interest in **Shandong Befar Group Co Ltd** for a consideration of US\$19m. Shandong Befar, located in Shandong Province, is engaged in fine chemical, chlor-alkali chemical and petrochemical production. Its main products are propylene oxide and caustic soda. Longsheng, a privately-held company, located in Zhejiang Province, is a manufacturer of environmentally-friendly dyestuffs including disperses dyes, reactive dyes, acid dyes, assistants and intermediates. With the acquisition, Zhejiang Longsheng will extend its product portfolio and use the hydrogen in Shandong Befar's production of chlor-alkali for intermediates. (September 4, 2007)

India

Asian Paints is building a paints and coatings plant in Haryana. The facility will come online in 2008 with capacity of more than 100,000 kiloliters pa. Asian Paints already owns a 100,000 kiloliters pa facility in Chennai. Further site and investment details are still under review. The decorative coatings facility is likely to be commissioned next year. (July 9, 2007)

Berger Paints India Ltd (BIPL) and Nippon Bee Chemical (NBC) of Japan have set up a 51:49 JV with an equity base of US\$2m. The new JV will have a facility near Noida to manufacture plastic coatings for the automotive industry. (July 31, 2007)

Huntsman Corporation's Textiles Effects business is to buy **Metrochem Industries' Baroda** division, a textile dyes and intermediates manufacturer based in India, for US\$47m in cash. The transaction, which is subject to regulatory approvals, is expected to close in January 2008. It will optimise the company's supply chain in Asia. (July 2, 2007)

ICI India is headed for a demerger after its parent company ICI accepted a takeover offer from Dutch conglomerate **Azko Nobel** for US\$16bn. ICI India's paints and speciality chemicals businesses will be divided as Azko Nobel has an agreement with **Henkel** to sell ICI's adhesives and electronic material businesses. (August 14, 2007)

Lanxess Chemicals Group has decided to set up an ion exchange resin plant at the new Jhagadia chemical park in Gujarat. The construction of the plant at the US\$41m will commence in Q2 2008. The plant will start production by 2010. (September 2, 2007)

Punjab Chemicals and **Crop Protection Ltd** have agreed to acquire 100% stake in **Pegevo Beheer BV** for an EV of US\$55m. Pegevo makes crop protection formulas and has a product range including herbicides, insecticides and fungicides. (August 27, 2007)

Rohm and Haas's second, state-of-the-art acrylic emulsions facility located in the Sriperambudur industrial area of Tamil Nadu, is opening with the capacity to make 30,000 to 40,000 tpa of specialty materials used in the manufacture of paints and coatings, adhesives, textiles, paper and leather. The total investment in this plant is US\$12m. (September 3, 2007)

Mitsui Chemicals plans to increase its production capacity for the gas nitrogen trifluoride for use in the fabrication of semiconductors and liquid crystal displays. The company has opened a new 400 tpa facility at Shimonoseki, and plans to build a 700 tpa plant by Q4 2008. There are potential sites in Japan, Korea and Taiwan. If both these developments go ahead, total capacity will rise by more than 80% from the current 1,300 tpa to 2,400 tpa. (August 2, 2007)

Nippon Steel and **JFE Steel Corp** will build separate plants for the manufacture of multicrystal silicon for solar cells. Nippon Steel is building a 480 tpa silicon plant at its Yahata steelworks at a cost of US\$26m. Newspaper reports say the plant is due to open in October. (August 31, 2007)

Victrex Plc of the UK intends to expand its Japanese operations following its acquisition this April of **Mitsui Chemicals'** stake in their former JV, **Victrex-MC Inc.** to form a wholly-owned subsidiary called **Victrex Japan**. It will foster and strengthen new businesses such as those for its next-generation coating materials and high-performance films that are based on PEEK resin. (July 5, 2007)

Japan

Arysta LifeSciences, the Japanese agrichemicals business, is being sold by its parent, **Olympus Capital**, in an auction that could raise more than US\$2bn. Olympus has retained Goldman Sachs and Lehman Brothers as its advisors. Bidders for the US\$1bn major are said to include Bain Capital and Permira, Israel's Makhteshim Agan Industries and Australian farm chemical maker, Nufarm Ltd. (September 4, 2007)

GE Plastics (which is about to be purchased by **Sabco**) recently acquired the shares held by **Mitsui Chemicals** and **Nagase** in their Japanese JV, **GE Plastics Japan**. GE Plastics (GEP) now controls 100% of the latter's capital. Meanwhile, GEP has announced the closure of GE Plastics Japan's polycarbonate factory at Mitsui's complex in Ichihara. GE has also acquired Nagase's share in **GEM PC** (another Japanese JV). It owns 58% of the company compared with Mitsui's 42% stake. The JV will be dissolved by the end of Q1 2008 after which date, the Japanese market will be covered by GE Plastics' other polycarbonate units. (August 30, 2007)

Korea

DuPont has increased capacity for nylon resins by 20,000 tpa at its Ulsan compounding facility. The company cites "rapid growth in demand" for nylon resins in the region, particularly for automotive and electronics applications. Financial terms have not been disclosed. (August 31, 2007)

To submit stories to the *Asian Specialty Chemicals* Newsletter, please contact Sherry Zhou in Shanghai at (86) 21-5407-5580 or email szhou@bdallc.com.

SKC Ltd, Korea's leading manufacturer of chemicals, film and display materials, will establish a display materials-related JV with **Rohm and Haas**. According to SKC, Rohm and Haas will invest up to US\$190m for a 51% share of the JV. This JV will help the two companies develop high-end chemical products and display materials. (August 14, 2007)

Mitsui Chemicals will invest US\$151m to set up a new plant on Jurong Island in Singapore to double its production capacity for a resin modifier. It will increase Mitsui's resin output in Singapore to 200,000 tpa by 2009. (July 9, 2007)

Malaysia

Reliance Industries, the world's largest producer of yarn used for making textiles, agreed to buy assets of Malaysia's bankrupt **Hualon Corp** to increase its polyester capacity to 2.5m tpa which will increase revenue by US\$1bn. By boosting output by 25%, Reliance will control 7% share of the world's polyester yarn and fiber market. (September 10, 2007)

Singapore

Kanto Chemical will spend US\$12.5m for the construction of its first Singapore plant, which will produce 6,000 tpa of functional chemicals for use in semiconductor fabrication and the production of hard disc drives. The plant will be operational by Q3 2008. The company already has storage and logistic facilities in Singapore, supplying local users with functional and high purity chemicals imported from Japan. The intention of opening the new plant is to strengthen its exports to neighboring countries, such as Malaysia and Thailand, as well as to continue to meet local demand. (September 20, 2007)

Taiwan

Bayer MaterialScience (BMS) has completed its acquisition of **Ure-Tech Group (Chang Hwa, Taiwan)**, the largest producer of thermoplastic polyurethane (TPU) in Asia. BMS plans to move the global HQ of the TPU business unit to Hong Kong by Q4 2007. The acquisition makes BMS the largest worldwide supplier of TPU resins and films. Ure-Tech has 17,000 tpa of TPU resins capacity at Taichung, Taiwan and 10,000 tpa of resins capacity at Shenzhen, China. (July 2, 2007)

Kyoeisha Chemical will enter into a 55:45 JV with two local Taiwanese companies to construct a plant for lubricants and processing agents used in electronic materials. An investment of ¥1bn (US\$8.7m) has been made for the 4,000 tpa plant, that is scheduled to be completed at Yunlin Technology Industrial Park by the end of 2008. Sales of ¥1bn (US\$8.7m) are anticipated, and an eventual boost in output capacity to 10,000 tpa is planned. (September 6, 2007)

Yushiro Chemical has begun production of silicon-wafer cutting lubricants at its JV, **Chemical San-I's** 400 tonnes per month capacity plant in Taipei, Taiwan. The move is aimed at meeting soaring local and other Asian nation demand for these lubricants, which are used in the manufacture of solar cell substrates. The company has also recently been working to diversify its operations into three new areas: development of precision cleaning agents; mold-release agents for aluminum die-casting and cutting lubricants for use in the IT industry. (July 12, 2007)

Thailand

Dow Chemical and **Solvay** have agreed to set up a JV hydrogen peroxide plant in Thailand. The plant is due on stream in 2010 and will produce the starting material for production of propylene oxide with capacity of 330,000 tpa. The plant would be the second using Dow-BASF's HPPO (hydrogen peroxide-to-propylene oxide) technology. (August 2, 2007)

Lanxess is considering sites in Thailand, Malaysia and Singapore for a major new industrial plant to make butyl rubber. The expected investment will be US\$400m. In the next few months, the company will hold talks with possible host locations to determine the feasibility of constructing the new plant. (July 7, 2007)

TOA Paint, one of the major construction paint makers in Thailand, has teamed up with Japan's **Isamu Paint Co** to form a JV to manufacture auto refinishing paint in Thailand. The 55:45 JV named **TOA-ISM Paint (Thailand)**, has registered capital of US\$4m. It has the capacity to produce over 400 tpa of paint in the initial period. (July 4, 2007)

Euan Rellie, Managing Director

Sherry Zhou, Analyst

ABOUT BDA

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

New York

Euan Rellie
Business Development Asia LLC
The Economist Building, 11th Floor
111 West 57th St
New York, NY, 10019
Tel (212) 265-5300
Fax (212) 265-4300

London

Andrew Huntley
Business Development Asia Ltd
10 Crown Place
Clifton St
London EC2A 4FT
Tel (44) 20-7655-3500
Fax (44) 20-7655-8913

Bahrain

Tamer Makary
Business Development Asia
2119 Al Moayyed Tower
Seef District
Manama, Bahrain
Tel (973) 17567915
Fax (973) 17567901

Mumbai

Rohit Singh
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai 400050, India
Tel (91) 22-2643-0290
Fax (91) 22-2643-0291

Hong Kong

Paul DiGiacomo
Business Development Asia (HK)
#1206 Lippo Centre, Tower 1
89 Queensway
Hong Kong
Tel (852) 2537-9565
Fax (852) 2537-4406

Shanghai

Jeffrey Wang
Business Development Asia Co Ltd
The Center, #3706
989 Changle Road
Shanghai 200031, China
Tel (86) 21-5407-5580
Fax (86) 21-5407-5680

Seoul

Hans Kim
Business Development Asia
#1201, Gwanghwamun Officia
163 Sinmunno 1-Ga, Jongno-Gu
Seoul, 110-999, Korea
Tel (82) 2-3276-3150
Fax (82) 2-3276-3155

Tokyo

Yuuichiro Nakajima
Business Development Asia K.K.
4F, T3 Gates
3-8-25 Toranomom
Minato-ku, Tokyo 105-0001 Japan
Tel (81) 3-3433-5803
Fax (81) 3-3433-5269