

ASIAN SPECIALTY CHEMICALS NEWSLETTER

MARCH 2011, ISSUE 66

A Quarterly newsletter of developments in the chemicals industry

We hope you find the Asian Specialty Chemicals Newsletter informative.

The chemical sector is consolidating fast. Its center of gravity is shifting to Asia, including the Middle East.

BDA is an investment banking firm which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs, capital raising, and restructuring. We have offices and professional staff throughout Asia, the Middle East, 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.

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China

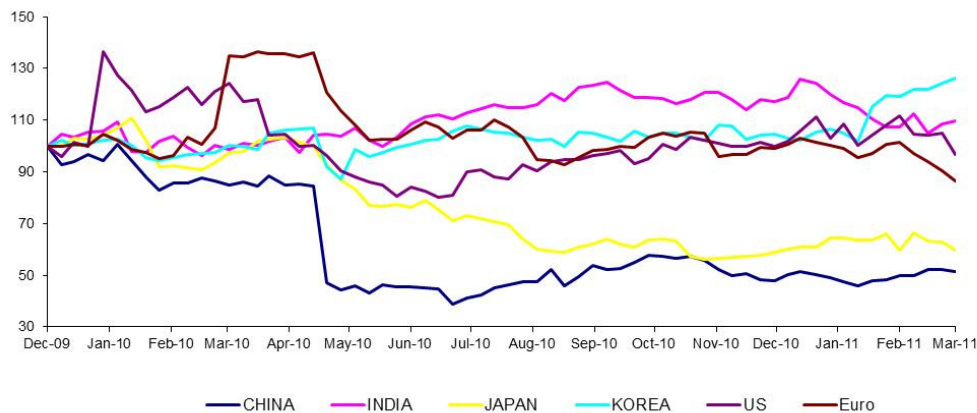


Cabot, a US chemicals company, has begun construction of a new black masterbatch plant at the company's facility in Tianjin, China. Cabot will invest US\$20m in the 45,000 mtpa facility. The plant will be operational in mid 2011. *February 10, 2011*

Chongqing Huayi Group, a Chinese pharmaceutical company, has agreed to acquire **Chongqing Paints Tuzhuang Anticorrosion Project**, a Chinese manufacturer of paints, coatings, and other chemical products, for US\$33m. *December 8, 2010*

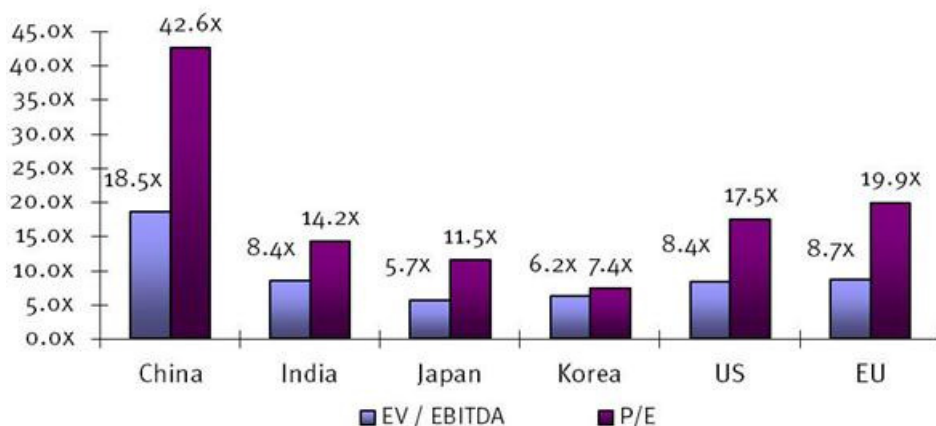
DSM, a Dutch global life sciences and performance materials company, has agreed to acquire a majority of **Shandong ICD High Performance Fibre**, a Chinese manufacturer of ultra-high molecular weight polyethylene (UHMW-PE) fiber, for an undisclosed amount. *February 17, 2011*

Specialty Chemicals Sector Stock Indices (12 months ending 16Mar11)



Source: Capital IQ, BDA

Specialty Chemical LTM Trading Multiples (14Mar11)



Source: Capital IQ, BDA

Gansu Yasheng Salt Chemical Group, a Chinese chemical company, has agreed to acquire 51% of **Lanzhou New Western Vinylon**, 51% of **Gansu Lanwei New Material**, and 90% of **Shangdong Shenglong Industrial**. It will buy into the three chemical fiber manufacturers, from **Gansu Yasheng Industrial Group**, a Chinese processor of high technology new agricultural products, for US\$126m. *December 12, 2010*

Gaomi Kingboard Chemical Industry, a Chinese chemicals producer, has agreed to acquire the production assets of **Gaomi Luzhou Chemical Industry**, a Chinese chemicals producer, from **Sunvim Group**, a Chinese manufacturer of home textile products, for US\$25m. *January 20, 2011*

General Electric has agreed to form a JV with **Shenhua Group**, a Chinese coal mining firm, to develop and deploy industrial coal gasification technologies. Terms have not been disclosed. *January 18, 2011*

Jingling DSM Resins, a JV between **DSM**, a Dutch global life science and

performance materials company, and **Sinopec**, a Chinese chemical company, will invest US\$70m to build a new production facility for composite resins in Nanjing. The new plant is expected to be operational in early 2012. *February 25, 2011*

Lanxess, a German specialty chemicals group, will invest US\$41m to build a leather chemicals plant in Changzhou. The plant will be able to produce up to 50,000 mta and it will be operational by H1 2013. *December 9, 2010*

Toray, a Japanese global manufacturer of fibers, textiles, resins, plastics, films, ceramics, chemicals, composite materials, medical products, and electronics, announced that it will invest US\$67m to increase production capacity of **Yihua Toray Polyester Film**, its China based JV producing optical-use thick films, by 15,000 mta. *January 28, 2011*

Vertellus Specialties, a US based global supplier of specialty chemicals, announced that it has bought out its JV partner, **Nantong Acetic Chemical**, a

Chinese chemicals company, for an undisclosed amount. The JV, **Nantong Reilly Chemical**, produces pyridine and picoline. *December 14, 2010*

Weifang Yaxing Chemical, a Chinese chemicals company, has agreed to acquire **Weifang Ohlay Chemical**, a Chinese chemicals company for US\$17m. *December 29, 2010*

Xiamen Changsu Industrial, a Chinese manufacturer of biaxial oriented polyamide (BOPA) film, has agreed to acquire the BOPA film manufacturing subsidiary of **Changtian Plastic & Chemical**, a Chinese manufacturer of adhesive tapes and release papers, for US\$26m. *March 3, 2011*

Gulf Cooperation Council



Saudi Arabia

Saudi Kayan Petrochemical, a chemicals company affiliated with **Saudi Basic Industries Corp (SABIC)**, will form a three-way JV to build a 330,000 mta butanol plant in Jubail, Saudi Arabia. The other JV partners are **Saudi Acrylic Acid**, and a JV between **Saudi Aramco** and **Dow Chemical**. The cost of the project is estimated at US\$477m. The plant will be operational by H2, 2014. *March 1, 2011*

India



Rallis India, a producer of agrochemicals and a subsidiary of **Tata Chemicals**, an Indian manufacturer of inorganic chemicals and food additives, has acquired 53.5% of **Metahelix Life Sciences**, an Indian agriculture biotech

company, for US\$22m. *December 9, 2010*

Rhodia, a French manufacturer of functional chemicals and organic and services clusters, has agreed to acquire **PI Polymer**, the engineering plastics business of **PI Industries**, a manufacturer of agri inputs, fine chemicals, CRAMS, polymers and provider of engineering services, for US\$17.5m. *December 20, 2010*

Sumitomo Chemical, a diversified Japanese chemicals company, has acquired Indian agrochemical company **New Chemi Industries**, which had estimated sales of US\$17m in 2010. Terms were undisclosed.

December 17, 2010

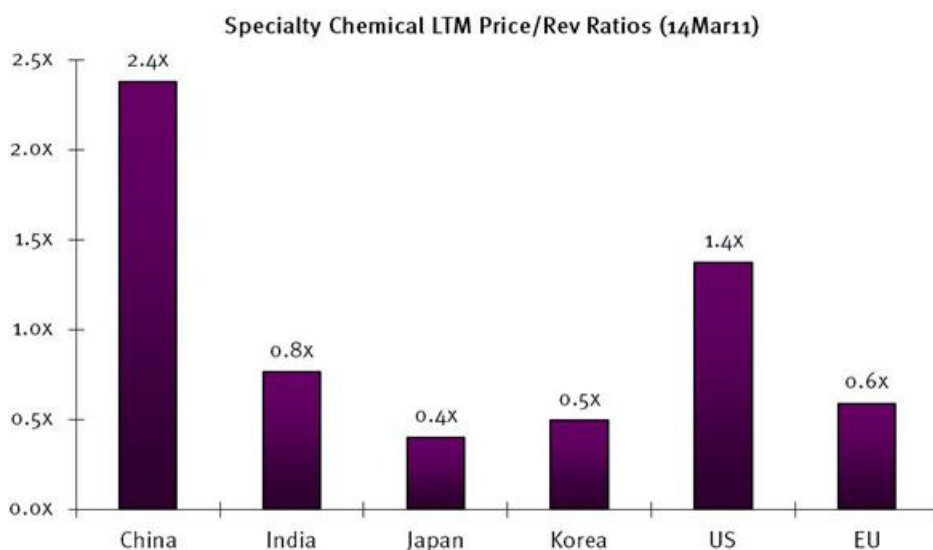
Indonesia

Brenntag, a German specialty and industrial chemicals distribution company, has opened a new chemical distribution facility as Jakarta. The new facility is owned by **PT Brenntag**, a subsidiary of the Brenntag group. *February 9, 2011*

Cargill, a US agriculture conglomerate, has agreed to acquire 85% of **PT Sorini Agro Asia**, an Indonesian producer of starch and starch derivatives from **PT AKR**, an Indonesian chemical distribution company and **UOB Kay Hian**, a Singaporean securities firm, for US\$300m. *December 15, 2010*

Japan

IWAKI, a Japanese pharma, specialty chemicals, and food company, has acquired the remaining 65.8% in



Source: Capital IQ, BDA

Meltex, a Japanese chemical producer of plating solutions for wiring and circuit boards, for US\$25m.

December 28, 2010

Japan Industrial Partners, a Japanese private equity firm, has agreed to acquire **Kyowa Hakko Chemicals**, a Japanese manufacturer and distributor of alcohols and oxygenated solvents, from **Kyowa Hakko Kirin**, a Japanese manufacturer of medical products and pharmaceuticals, for US\$726m.

January 27, 2011

Mitsubishi Paper Mills, a Japanese paper producer, has agreed to acquire **KJ Specialty Papers**, a Japanese chemical paper producer, from **Kohjin**, a Japanese chemicals producer, for US\$73m. *February 25, 2011*

Riken Technos, a Japanese manufacturer of compounds, film and food wrapping materials, has agreed to acquire a PVC resin business from **Zeon Chemical**, a Japanese manufacturer of synthetic rubber, synthetic latex and

chemicals, for an undisclosed amount.

December 13, 2010

Toagosei, a Japanese chemicals company, announced that it will fully acquire **Aronkasei**, a Japanese plastic products manufacturer. The transaction will be conducted via a share swap, 1.25 Toagosei shares for each Aronkasei share. After the transaction, Aronkasei will become a wholly owned subsidiary of Toagosei and it will delist from the Tokyo Stock Exchange. *February 10, 2011*

Korea

A group of financial investors based in Korea, has agreed to acquire 78% of **Dongbu Hannong**, a Korean agrochemical business, from **Dongbu HiTek**, a Korean chemical company, for US\$308m. *December 14, 2010*

Chemtura, a US specialty chemicals company, and **UP Chemical**, a Korean

metal precursors company, have agreed to form a JV to produce high-purity metal organic precursors for the LED market. The facility will have an initial production capacity of 30,000 mta and is expandable to 60,000 mta. Financial terms were not disclosed.

February 3, 2011.

Mitsubishi Rayon, a Japanese specialty chemicals company, and **Honam Petrochemical**, a Korean producer of petrochemicals and polymers, have agreed to expand the production capacity of their JV **Daesan MMA**, a methyl methacrylate monomer (MMA) and acrylic resin pellets producer. The production capacity for MMA monomer will be increased to 188,000 mta from 90,000 mta and the acrylic resin pellet production capacity will be increased to 120,000 mta from 50,000 mta.

March 1, 2011.

Samsung Fine Chemicals, a subsidiary of the **Samsung Group**, and **MEMC Electronic Materials**, a US manufacturer of silicon wafers for the semiconductor industry, have agreed to form a high-purity polysilicon JV based in Ulsan, Korea. The JV will build and operate a 10,000 mta plant and is expected to begin production in 2013. Financial terms were not disclosed.

February 15, 2011.

Singapore



Huntsman, a US chemical company, will invest US\$57m to expand its polyetheramine capacity by 40,000 mta at its Jurong Island plant.

February 22, 2010

Zeon Chemicals, a Japanese manufacturer of synthetic rubber, synthetic latex and chemicals, will build

a new solution polymerized styrene-butadiene rubber (SSBR) plant on Jurong Island. The plant will use a solution polymerization process, have a capacity of 80,000 mta, and expected to be operational in July 2013. *January 7,*

2011

Taiwan



New Fibers Textile, a Taiwanese synthetic fibers producer, has acquired 50% of **Pan Asian Plastics**, a Taiwanese plastics manufacturer of shaped materials containing macromolecular substances, for US\$10m. *December 13, 2010*

TSRC, a Taiwanese synthetic rubber materials producer, has agreed to acquire **Dexco Polymers**, a producer of styrenic block copolymers that is a JV between **Dow Chemical** and **ExxonMobil Chemical**, for US\$168m.

December 28, 2010

Thailand



Akzo Nobel, a Dutch producer of healthcare products coatings and chemicals, has agreed to acquire 33% of **Akzo Nobel Paints (Thailand)**, a specialty chemicals, decorative paints, and performance coatings company from **The East Asiatic Company**, a Danish manufacturer of food products, and industrial ingredients, for US\$30m.

December 7, 2010

PTT Chemical, a Thai petrochemical company, has agreed to merge with **PTT**

Aromatics & Refining, the chemical units of Thailand's biggest company. The merger will create Southeast Asia's second-biggest petrochemical group by market value, worth US\$11bn.

February 25, 2011

Asian Specialty Chemicals Transactions with LTM Multiples (12 months ending in 15Mar11)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Percentage Acquired	EV / EBITDA	EV / Revenue	P/E
15-Dec-10	PT Sorini Agro Asia Corporindo	Indonesia	Cargill	US	\$393.2	85%	15.2x	2.3x	31.9x
16-Jul-10	Titan Chemicals Corp Berhad	Malaysia	Honam Petrochemical	Korea	\$1,144.9	72%	5.9x	.7x	-
24-Jun-10	Reyphon Agriceutical	Singapore	Suntar Investment	Singapore	\$2.8	22.9%	10.4x	0.4x	-
16-Jun-10	Feixiang Chemicals	China	Rhodia	France	\$427.9	87.5%	9.x	2.x	-
25-May-10	Wattyl Ltd	Australia	The Valspar Corp	US	\$155.4	100.0%	11.3x	0.5x	27.6x
13-May-10	Fumakilla Ltd	Japan	ST Corp	Japan	\$17.3	-	-	0.6x	33.6x
8-May-10	Guizhou Yihua Co Ltd	China	Yichang Wealth Invest Mgmt Co	China	\$50.1	-	-	0.8x	7.7x
29-Apr-10	Manasi Xinao Specialty Fiber	China	Jiangsu Aoyang Tech Co Ltd	China	\$26.4	-	-	2.2x	58.3x
28-Apr-10	Kyodo Chemical Co Ltd	Japan	Sakai Chemical Industry Co Ltd	Japan	\$2.0	-	-	0.3x	54.8x
27-Apr-10	Beijing Gufeng Chemical Products	China	China Green Agriculture	China	\$43.6	100.0%	10.2x	0.8x	7.2x
20-Apr-10	Shenzhen Hongde Battery Co Ltd	China	Scud (Fujian) Electn Co Ltd	China	\$5.1	-	-	0.5x	4.1x
26-Mar-10	DIC Coatings India	India	The Valspar (Singapore) Corp	US	\$8.9	100.0%	-	0.9x	8.3x
12-Mar-10	Taeyoungentec	Korea	SK Chemicals Co	Korea	\$33.1	25.0%	-	2.4x	35.9x
11-Feb-10	Sichuan Yongxiang Co Ltd	China	Tongwei Group Co Ltd	China	\$16.3	-	-	0.2x	35.9x
8-Feb-10	Zhongshan Wing Shing Chemical	China	-	-	\$3.9	100.0%	-	0.6x	-
8-Jan-10	UPC Technology Corp	Taiwan	Lien Hwa Industrial Corp	Taiwan	\$47.1	-	80.4x	0.5x	-
2-Jan-10	Himadri Chem & Inds	India	Bain Capital India Investments	India	\$70.4	-	11.8x	4.3x	27.3x
31-Dec-09	Taiyuan Chemical Industry	China	-	-	\$4.1	0.5%	-	2.4x	-
29-Dec-09	Nufarm Ltd	Australia	Sumitomo Chemical Co	Japan	\$546.3	20.0%	12.3x	1.6x	39.9x
24-Dec-09	CNNC Hua Yuan Titanium Dioxide	China	Jiangsu GPRO Group	China	\$35.6	-	-	10.1x	-
8-Dec-09	Greenfield Chemical Holdings	Hong Kong	Hong Han Ltd	Hong Kong	\$37.9	51.3%	-	1.6x	19.1x
8-Dec-09	Micro Inks Ltd	India	MHM Holding GmbH	Germany	\$103.4	29.5%	8.5x	1.1x	16.5x
26-Oct-09	Iconic Holdings	Singapore	Resources Equities	Singapore	\$8.1	59.7%	-	0.8x	-
29-Sep-09	Showa Tansan	Japan	Showa Denko	Japan	\$56.8	49.9%	6.0x	0.3x	-
				Median	\$36.8	59.7%	10.4x	0.8x	27.6x

Source: Capital IQ, BDA

The stock indices and trading multiples graphs shown in this newsletter represent the ten largest publicly traded consumer products companies in Asia.

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through 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 listed.

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