

ASIAN SPECIALTY CHEMICALS NEWSLETTER

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A Quarterly newsletter of developments in the specialty chemicals sector

We hope you find the Asian Specialty Chemicals Newsletter informative.

BDA is an investment bank 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 in the future.

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China

Bayer Material Science, part of the **Bayer Group**, is constructing a new polyurethane paint plant in Shanghai with capacity of 20,000 MT as part of its US\$45m plan to boost production of water-borne paints. *June 30, 2008*

China BlueChemical, a listed fertilizer unit of **China National Offshore Oil Corp**, expects to complete the acquisition of a phosphate fertilizer business from its parent before the end of 2008. China BlueChemical is seeking to diversify its sources of raw materials. The assets include a phosphate rock mine in Hubei and 84% of a phosphate fertilizer plant. *September 1, 2008*

DuPont has announced a capacity increase for its Zytel and Zytel HTN high

performance polyamide resins at its plant in Shenzhen. The new capacity will come onstream in Q2 2009. DuPont has also announced capacity expansions in Korea. These projects will provide an additional 65,000 tpa of resin capacity to help DuPont meet rising demand from the Asian automotive and electronics sectors. *July 15, 2008*

Global Sweeteners Holdings Ltd, a listed Hong Kong food and beverage manufacturer, has agreed to acquire **Jinzhou Yuancheng Bio-Chem Technology Co**, a Chinese corn sweets producer, for US\$67m, or 7.8x 2007 earnings. The acquisition will allow Global Sweeteners to control the supply of corn starch for its production and reduce sourcing from **Global Bio-chemical Technology**, its parent company. *July 4, 2008*

Guizhou Chitianhua Co, a listed Chinese chemical company, has acquired the remaining 50% in **Guizhou Jinchi Chemical Co**, its 50:50 coal chemical JV, from **West Electric Power**. The transaction value is estimated at US\$38m. *June 12, 2008*

Idemitsu Kosan Co, a Japanese petrochemical supplier, plans to build a 10,000 tpa functional resin compound plant in Guangdong Province. The plant, scheduled to come online in Q4 2009, will produce functional resin compounds for automotive and electronic component producers in southern China and SE Asia. *July 6, 2008*

H.B. Fuller Co, a US manufacturer of adhesives, sealants, and paints, will build a new hot melt moisture cure and polyisobutylene facility in China. The

facility will produce specialty adhesives for textiles and performance wood applications, to include insulating glass, textile lamination and footwear.

July 21, 2008

Hebei Baoshuo Co, a listed Chinese plastics and chemicals manufacturer, has agreed to acquire **Chengdu Huarong Chemical Co** and **Gansu XinChuan Chemical Co**, two local PVC resin products manufacturers, for US\$131m. Chengdu Huarong generated net profit of US\$1m in 2007, while Gansu XinChuan incurred net loss of US\$200k in 2007. *July 2, 2008*

Jilin Pharmaceutical Co, a listed Chinese pharma company and a subsidiary of **Jilin Jinquan Baoshan Pharmaceutical Group** will acquire **Qinghai Bindi Potash Co**, a Chinese chemicals maker, for US\$235m. Jilin Pharmaceutical will be renamed **Qinghai Bindi Potash Co** and cease manufacturing pharmaceuticals. *July 16, 2008*

Lanxess AG, a German performance polymers and advanced intermediates manufacturer, has invested US\$15m to build a new rubber research centre in Qingdao. This project is a joint investment by the three Lanxess business divisions: Technical Rubber Products, Butyl Rubber and Performance Butadiene Rubbers. *August 6, 2008*

Lushang Group, a Chinese department store and shopping mall operator, and **Zibo City Assets Management** have agreed to acquire 44.2% of **Shandong**

Wanjie High-tech Co, a listed Chinese chemical fiber textiles manufacturer, from **Wanjie Group**, a maker of chemical fiber textiles, medical care products, pharmaceuticals and steel, for US\$36m. The divestment proceeds will be used by Wanjie Group to repay debt. *June 17, 2008*

Monsanto will invest an additional US\$84m in its 51:49 JV **CNSGC-DEKALB Seed Co (CNDK)**, with **China National Seed Group Corp**, a subsidiary of **Sinochem Corp**. CNDK will have access to corn seed hybrids developed by its two holders. *August 22, 2008*

Sichuan Jinlu Group Co, a Chinese manufacturer and distributor of polyvinyl chloride (PVC) resins, will build a 100,000 tpa PVC plant. The investment will expand Sichuan Jinlu's PVC capacity to 400,000 tpa. *August 16, 2008*

Sika AG, a Swiss specialty chemicals group, has acquired an undisclosed majority in **Sichuan Keshuai Additive Co**, a concrete additives wholesaler to the western Chinese markets, through its Chinese subsidiary. The acquisition will be used to expand Sika's concrete admixtures business into western China. *June 3, 2008*

Sinofert Holdings Ltd a Hong Kong-listed Chinese fertilizer importer and distributor, has acquired 75% of **Shandong Deqilong Chemical Group**, a Chinese urea producer, for US\$107m. Deqilong has a capacity of 1.1m tpa of urea, 250,000 tpa of ammonium bicarbonate and 300,000

tpa of methanol. Deqilong recorded net profit of US\$15m in 2007. The acquisition will double Sinofert's urea capacity to 2m tpa, making it one of the largest chemical fertilizer producers in China. *June 16, 2008*

Sinopec Yizheng Chemical Fibre Co, a Chinese manufacturer of polyester, chemical fibers and raw materials, and a subsidiary of **Sinopec Corp**, will form a 50:50 JV, **Yihua Unifi Fibre Industry Co**, with **Unifi Asia**, a multi-filament textured polyester and nylon yarn manufacturer. The JV will produce polyester filament yarn to meet growing demand in China. *August 16, 2008*

Teljin Chemicals, a leading Japanese plastics company, plans to increase the PC mixture coating capacity of its Shanghai subsidiary from 39,000 tpa to 102,000 tpa, to meet rising demand from the Chinese and Asian markets. *June 17, 2008*

Xinjiang Zhongtai Chemical Co is building a second phase 360,000 tpa PVC plant as well as a 300,000 tpa ion-membrane caustic soda unit in Xinjiang Province. Zhongtai Chemical's PVC and caustic soda capacities will be 739,000 and 639,000 tpa, respectively. *June 6, 2008*

The second phase epoxy resin plant of **Zhuhai Pearlfield Chemical Co** will be operational in Q4 2008. With a US\$15m investment, the plant has a capacity of 10,000 tpa of epoxy resin and 18,500 tpa of low-bromine epoxy resin. *August 1, 2008*

Hong Kong

Huabao International Holdings Ltd, a listed Hong Kong-based tobacco, food flavors and fragrances company, has agreed to acquire **Wealthy King Investments Ltd**, a Hong Kong-based maker of flavors and fragrances used in Chinese tobacco, for US\$112m. The investment will be financed through borrowings and internal accruals. *July 7, 2008*

India

Air Liquide SA, the listed French industrial and medical gases supplier, has acquired **Pure Helium Group**, an Indian supplier of diving gases and liquid helium, for an undisclosed consideration. Pure Helium operates through four subsidiaries in Egypt, India, Saudi Arabia and the United Arab Emirates, and recorded revenues of US\$20m in 2007. The acquisition will allow Air Liquide to expand into the Middle East where rapid growth is being driven by rising demand from hospitals and oil activities. *July 15, 2008*

Berger Paints India Ltd, India's third-largest paint manufacturer, has acquired Poland-based paint company **Bolix SA** from **Advent International**, a global private equity firm, for an undisclosed amount. Bolix is one of the largest providers of EIFS (exterior insulation finish systems) in Poland with revenues of US\$45.5m in 2007. *August 17, 2008*

ICI India, the Indian paints, specialty chemicals and adhesives maker, plans

to invest US\$58m through 2010 to build a new production facility and to upgrade existing facilities. Output for the company's three production facilities in India is 70m liters per annum. *June 30, 2008*

Kansai Nerolac Paints Ltd, an Indian decorative and industrial paint maker, plans to invest US\$30m for a 24% increase in its paint capacity in India, to 215,100 tpa. The expansion includes capacity additions of 24,000 tpa at a greenfield site in Tamil Nadu, 10,200 tpa in Maharashtra and 7,000 tpa in Haryana. *May 26, 2008*

SRF Ltd, an Indian textiles and fluorochemicals manufacturer, has acquired **Thai Baroda Industries Ltd (TBIL)**, a Thailand-based yarn and cord fabric manufacturer, for US\$23m. SRF's tyre cord capacity increases to 65,000 tpa, making it the second largest nylon 6 tyre cord fabric manufacturer in the world. TBIL has capacity of 12,000 tpa of dipped nylon tyre cord fabric with annual sales of US\$50m. *September 8, 2008*

Sud-Chemie AG, a listed German specialty chemicals company, has acquired a majority in **Ajay Metachem Ltd**, an Indian supplier of chemicals and other materials for foundries, for an undisclosed consideration. In 2007, Ajay Metachem recorded revenues of US\$17m. *May 26, 2008*

Indonesia

Barito Pacific Group, the Indonesian

group engaged in chemicals, forestry, wood processing, banking, plantation and mining, has agreed to acquire 76% of **PT Tri Polyta Indonesia TBK (TPI)**, the Indonesia-based petrochemical company for US\$137m. Barito Pacific will issue unsecured notes worth US\$200m to finance the acquisition. TPI recorded revenues of US\$455m and EBITDA of US\$48m in 2007. *May 21, 2008*

Orica Ltd, an Australian manufacturer of explosives, chemicals and paints, is building a new ammonium nitrate plant in Bontang, Indonesia with an investment of US\$550m and 300,000 tpa capacity of ammonium nitrate. *June 7, 2008*

Japan

Henkel AG & Co, the German consumer and chemical group, has merged **Acheson** and the adhesives assets of **Nippon NSC** with its own Japanese subsidiary to establish a new adhesives company in Japan. The new company, **Henkel Technologies Japan**, opened in June 2008 and has a market capitalization of US\$47m. The new firm will focus on forging and die-casting lubricants, building sealing materials, construction coatings and industrial adhesives. *July 10, 2008*

Kaneka Corp, the Osaka-based chemical group, will bring its new 20,000 tpa chlorinated polyvinyl chloride (CPVC) resin plant online in Texas in Q4 2008. Kaneka will relocate a portion of its current production to the new plant.

CPVC resin is used to make pipes that need improved heat resistance, such as residential hot water pipes and industrial pipes. *July 10, 2008*

Kikkoman Corporation, the leading listed Japanese food processor, has agreed to acquire 30% of **Riken Vitamin Co**, a listed Japanese food manufacturing company, from **SFCG Co**, a listed Japanese investment company, for US\$241m. The acquisition will enable Kikkoman and Kiken Vitamin to concentrate on product development, safety measures and sales promotion activities. *June 18, 2008*

New Japan Chemical Co, a listed Japanese chemicals company, will acquire 60% of **Chiba Fatty Acid Co**, a Japan-based fatty acids and glycerin maker, for an undisclosed consideration. Chiba Fatty generated revenues of US\$29m in 2007. *July 7, 2008*

Nippon Paint Co (NP), a Japan-based paint and coating maker, has increased its stake in **Nippon Paint Philippines Inc**, a manufacturer and seller of paint and metal surface treatment agents by 11%. NP has also increased its stake in an undisclosed Korean company by 11%. Both targets produce metal surface treatment agents. NP bought its stake in Nippon Paint Philippines for US\$1m. NP bought its stake in the Korean company for US\$5m. The stakes will be acquired from **Nipsea Holdings International Ltd**. *June 5, 2008*

Sojitz Corporation, a listed Japanese trading and distribution group active in chemical and synthetic resins, petroleum

and gas, automotive components and energy sectors, has acquired **Cymetech LLC**, the US-based paints and organic chemicals maker, for an undisclosed consideration. *June 13, 2008*

Two Japanese chemicals groups, **Sumitomo Chemicals** and **Taki Chemical**, have agreed to establish a 50:50 JV to produce coated compound fertilizers. The new venture will have a capacity of 20,000 tpa and will allow both firms to enter the Japanese coated compound fertilizers market, which has been growing at rates of 3%-5%. *May 22, 2008*

Korea

Hyosun Group, a Korean industrial conglomerate, will invest US\$300m to construct a high-grade spandex yarn plant with a capacity of 15,000 tpa in southern Dong Nai province, Vietnam. The plant will supply the domestic apparel sector in SE Asia. *June 6, 2008*

LG Chem Ltd, a listed Korean chemical company and a subsidiary of the **LG Group**, will acquire the Korean Super Absorbent Polymer business unit from **Kolon Industries Inc**, a listed Korean chemicals manufacturer, for US\$82m. LG Chem aims to expand its super-absorbent polymers capacity by 70,000 tpa. *June 24, 2008*

Malaysia

PTT Chemical Public Co, Thailand's

largest producer of olefins, through its Singapore subsidiary has acquired 50% of Malaysian oleo-chemicals manufacturer **Cognis Oleochemicals Group** for US\$156m cash. The transaction is expected to be completed by the end of September 2008. *July 22, 2008*

Singapore

North Asia Strategic Holdings, a listed Hong Kong company engaged in trading of surface mount technology assembly equipment, has agreed to acquire 33% of **TK Chemical Co**, a Korean resin chips maker, for US\$50m. The acquisition will allow North Asia Strategic to expand its global presence, with the increasing demand for polyester, fiber, spandex and PET resin products. *May 21, 2008*

Sherwin-Williams Co has completed the acquisition of the liquid coatings subsidiaries of **Inchem** for US\$28m. Headquartered in Singapore, Inchem has subsidiaries in China, Hong Kong, Malaysia, the Philippines and Vietnam, and produces water and solvent-based coatings applied to wood and plastic products. In 2007, Inchem recorded revenues of US\$30m. *July 31, 2008*

Taiwan

Etic Co, a Taiwanese electronics maker, will acquire **Ta Fong Electro Chemical Industry Co**, from **Tamura Kaken Corporation** for an undisclosed consideration. Both are Japanese

electrochemical materials makers. Ta Fong Electro Chemical Industry recorded revenues of US\$26m in 2007.

July 16, 2008

TSRC Corporation, a leading Taiwanese manufacturer of styrene butadiene rubber and polybutadiene rubber, plans to establish new production facilities in India and Vietnam. TSRC is also considering setting up a plant in the Middle East, given the cost-advantages of raw materials in local markets.

July 16, 200

Vietnam

Rohm and Haas Co (which **Dow Chemical** agreed to acquire in July 2008) plans to set up an acrylic emulsion plant in Nhon Trach city in Vietnam's Dong Nai province. Rohm and Haas will invest US\$10m for the unit, which is due to be finished by mid 2009. *July 28, 2008*

To submit stories to the Asian Specialty Chemicals Newsletter, please contact Mr. Euan Rellie in New York at (212) 265-5300 or erellie@bdallc.com.

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.

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