

# ASIAN SPECIALTY CHEMICALS NEWSLETTER

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A Quarterly newsletter of developments in the chemicals industry

We hope you find the Asian Specialty Chemicals Newsletter informative.

BDA is an investment banking advisory 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](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.

Euan Rellie, Senior Managing Director  
[erellie@bdallc.com](mailto:erellie@bdallc.com)

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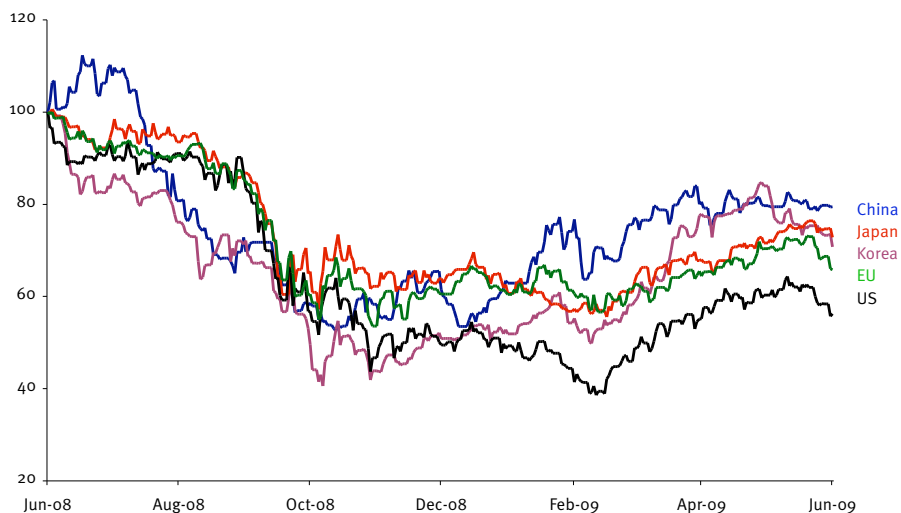
## China

**China Blue Chemical Ltd**, a Chinese nitrogenous fertilizer company, has acquired 83.2% of **Hubei Dayukou Chemical Co** ("DYK") and 100% of **ZHJ Mining Co** ("ZHJ") from **China National Offshore Oil Corp** for US\$184m. The acquisition will allow China Blue Chemical to start phosphate ore mining and produce phosphate-based fertilizers, and thus develop its phosphate fertilizer and phosphoric chemical business.

*March 30, 2009*

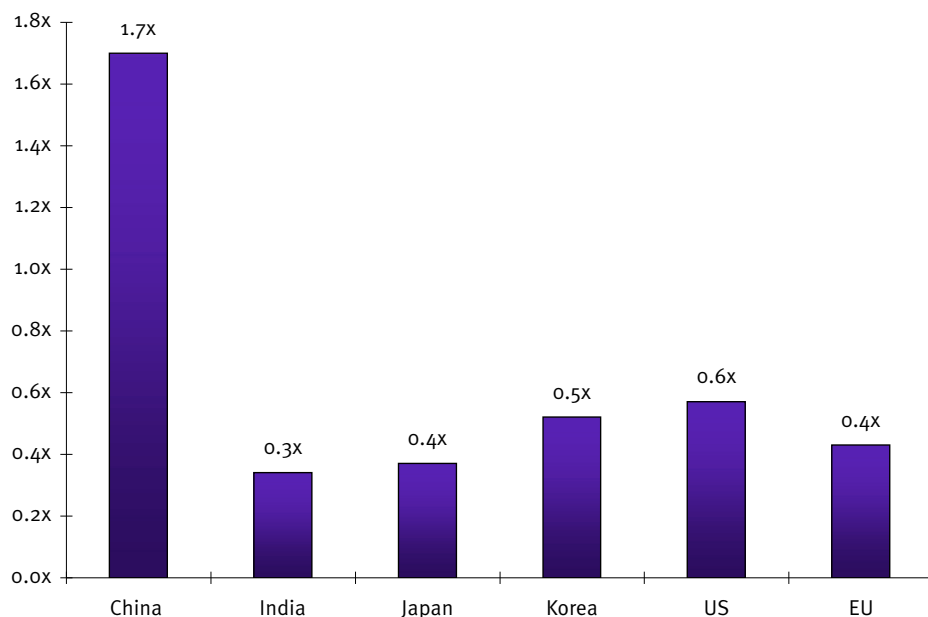
**Bio-Bridge Science Inc**, a biotechnology company that develops vaccines and vaccine-related products announced that its wholly-owned subsidiary, **Bio-Bridge Science (HK) Co** has entered into a JV with **JR Scientific Inc**, a US-based

Chemical Sector Stock Indices (12 months ending 23Jun09)



Source: Bloomberg, BDA \* Note: No chemical index available for India

Specialty Chemicals P/R Ratios for Selected Countries (23Jun09)



Source: Bloomberg, BDA

manufacturer of classical and custom cell culture medium and sera products (“JRS”) and several other investors, to form a new cell culture medium JV in Beijing. The registered capital of the JV will be US\$15m. [July 1, 2009](#)

**Lanxess AG**, a German specialty chemicals company, has acquired **Jiangsu Polyols Chemical Co** (“PCC”), a polyol producer serving China’s lubricants, paints, coatings and printing as well feed additives markets. Financial details of the transaction were not disclosed. [June 26, 2009](#)

**Venturepharm Laboratories Ltd’s** NASDAQ-listed flagship company, **Commonwealth Biotechnologies**

**Inc** has agreed to acquire all of the outstanding shares of a privately owned Shanghai-based chemical company and the largest supplier of research-grade peptide products and peptide reagents globally. The acquired company has demonstrated compound annual revenue growth of over 40% over the past five years, and reported 2008 revenues of over US\$13m and net income after tax of US\$2m. [July 4, 2009](#)

**Commonwealth Biotechnologies**, a US-based provider of R&D products and services, has agreed to acquire **GL Biochem**, a Shanghai-based chemical company and supplier of research-grade peptide products and peptide

reagents. The transaction will involve the issuance of 6.6 million fully paid ordinary CBI shares to the shareholders of GL Biochem, representing 51% of CBI’s outstanding share capital. As part of the transaction, GL Biochem will grant CBI an unencumbered option to purchase all the issued capital of three related businesses, namely GL Biochem (Danyang) Ltd, GL Peptide (Shanghai) Ltd and GL Peptide (Binhai) Ltd (collectively, the “Associated Companies”) within twelve months of the closing of the transaction (the “Option”). The purchase price of the Option will range between 8.14 million shares and 18.64 million CBI shares, based on the forthcoming 2008 audited after-tax profit results of GL Biochem and Associated Companies.

[June 9, 2009](#)

**Dragon Boom Investments Ltd**, a subsidiary of **China Zenith Chemical Group Ltd**, has agreed to acquire a stake in **Racing Dragon Group Ltd** from **Time Boost Holdings Ltd**. All the companies involved in the transaction are based in British Virgin Islands. Racing Dragon is an investment holding company that owns industrial land, China Zenith Chemical produces coal-related chemical and biochemical products. Dragon Boom will acquire 55% of the issued share capital of Racing Dragon for US\$10m. [June 1, 2009](#)

**Hoe Seng**, a Singapore-based rice products company, has acquired the Guangdong-based ceramic opacifiers and polyester resin catalysts activities of **Arkema Group SA**, the listed French manufacturer of chemical products, for an undisclosed consideration. The

operations employed 115 people and recorded 2008 revenues of \$18m. Arkema was advised by BDA, and the divestment will enable it to focus on the development of core business segments.

*May 4, 2009*

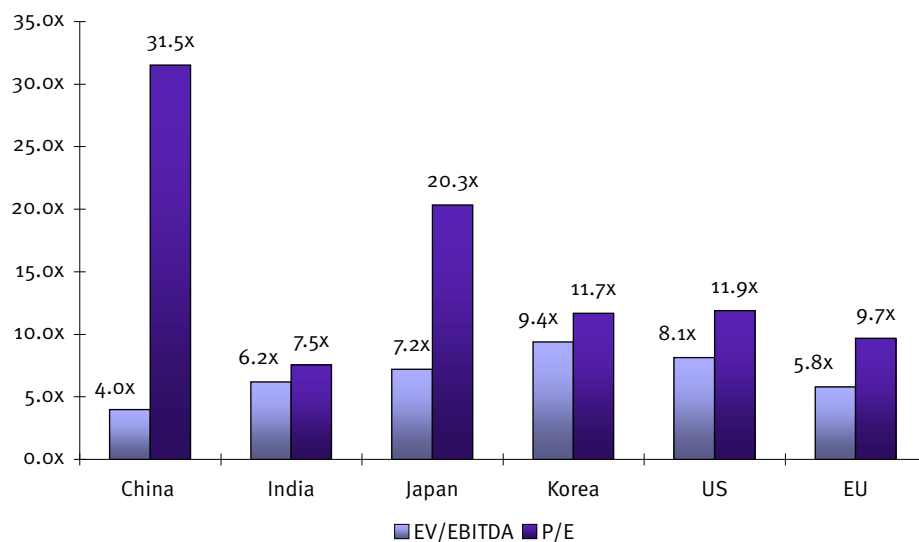
**Mitsubishi Rayon** will acquire **Lucite International** for US\$1.6bn, creating an entity with a 64% share of the Chinese market for methyl methacrylate (“MMA”), much bigger than the market shares of the second- and third-biggest suppliers, **Jilin Petrochemical** and **Heilongjiang Longxin Chemical Co.** China’s Ministry of Commerce (“MOFCOM”) has given conditional approval, but has said this merger would diminish competition in China’s MMA market. MOFCOM and Mitsubishi Rayon have, as a result, agreed that Lucite’s Chinese subsidiary will give up the rights to 50% of its annual production to one or several third-party buyers. The arrangement will be effective for five years following completion of Mitsubishi Rayon’s acquisition of Lucite.

*May 28, 2009*

**PetroChina**, a Chinese oil and gas producer, has acquired 45.5% of **Singapore Petroleum Co** for US\$1bn and plans to make an offer for the company’s remaining shares. The transaction, when completed, will trigger a general offer for the remaining shares. PetroChina and **Keppel Corp** have also agreed to cooperate in offshore oil platforms. *May 25, 2009*

**PetroChina Kunlun Gas**, a subsidiary of **Petro China**, has agreed to acquire the **City Gas Business** from multiple

Specialty Chemicals Trading Multiples for Selected Countries (23Jun2009)



Source: Bloomberg, BDA

shareholders including **China Huayou**, **China Petroleum Pipeline Bureau**, and **China National Petroleum Corp** for \$160m. The transaction is expected to be completed by December 31, 2009.

*May 18, 2009*

**Sinopec**, the Chinese petroleum refiner, has agreed to acquire **Addax Petroleum**, a Canadian oil and gas exploration company, for US\$7.2bn. The deal follows **PetroChina**’s agreement in May 2009 to buy **Singapore Petroleum** for US\$2.3bn and **CNOOC**’s oilfield-services arm’s acquisition of Norway’s **Awilco Offshore** in July 2008 for US\$2.5bn. *June 24, 2009*

**Sud-Chemie AG**, a German speciality

chemical company, has agreed to acquire a synthesis gas catalyst manufacturing facility in Nanjing, China from **BASF**, a German chemical company, for an undisclosed consideration. The manufacturing facility has 400 employees and produces more than 30 different types of syngas catalysts. The transaction reflects Sud-Chemie’s expansion strategy in the Chinese synthesis gas catalyst market. *April 20, 2009*

**Praxair**, a US-based manufacturer of industrial, process and speciality gases, has announced that its wholly-owned subsidiary, **Praxair (China) Investment Co** has set up a JV in Guangzhou, with **Sinopec**, the Chinese petroleum refiner. The JV, **Praxair-GPC Industrial Gases Co**,

will produce, sell and distribute industrial gases such as oxygen, nitrogen, and argon for a wide range of industrial applications. The JV will also meet the demands of Sinopec for a quality, reliable nitrogen supply. The venture is expected to start operations in Q4 2009. Financial details of the transaction were not disclosed. *May 5, 2009*

**Sinopec**, the Chinese petroleum refiner, has secured supplies of crude oil via a \$10bn loans-for-oil agreement with Brazil's **Petrobras**. The deal will help guarantee supply for Sinopec, which produces only 20% of the oil it needs. The funds will help Brazil finance development of the Tupi field, the largest crude discovery in the Americas in more than 30 years. Sinopec will get 150,000 barrels of oil a day from Petrobras, rising to 200,000 barrels from 2010 to 2019. *May 19 2009*

**Sinopec Yizheng Chemical Fibre Co** ("SYCF"), a Chinese producer and seller of polyester chips and polyester fibers, has acquired the remaining 50% stake in **Yihua Unifi Fibre Industry Company Ltd** ("YUFIC") from **Unifi Asia Holding Srl** ("UAH"), a Barbados-based manufacturer of textured polyester yarns, for US\$9m. Both SYCF and YUFIC are based in China. YUFIC was initially set up as a 50:50 JV between SYCF and UAH in 2005 to manufacture, process, and market polyester filament yarn. *April 6, 2009*

## India

**BASF SE**, a German chemical group,

has offered to acquire an additional 20% of **Ciba India**, an Indian chemical company, at USD\$4.9 a piece. Earlier in April 2009, BASF SE had acquired a controlling stake in **Ciba Holding AG**, the Switzerland-based parent of Ciba India, which triggered a 20% open offer for Ciba India. BASF now holds 95.8% of Ciba Holding AG. *April 13, 2009*

**Cognis**, a German supplier of ingredients for personal and home care products, agriculture, coatings, lubricants, food ingredients, pharmaceuticals, and dietary supplements, has opened an affiliate in Mumbai, India. The Indian subsidiary will be a wholly-owned subsidiary of Cognis and will operate under the name of **Cognis Specialty Chemicals Pvt Ltd**. Cognis first opened a liaison office in India in February 2008, with the aim of bringing the company closer to its customers in the region and gaining a greater understanding of local markets, following which it recorded a 30% increase in revenues. *March 23, 2009*

**Lanxess AG's** India subsidiary **Lanxess India Pvt Ltd**, a specialty chemicals firm, will acquire the chemical businesses and assets of **Gwalior Chemical Industries**, an Indian producer of sulphur chlorides for the agrochemicals and pharmaceuticals industries, for US\$114m. *June 8, 2009*

**Lanxess AG** will also acquire the business and production assets of Chinese-based **Jiangsu Polyols Chemical Co**, a manufacturer of polyols. Financial details of the transaction were not disclosed. The transaction is expected to close in Q3 2009. Jiangsu Polyols Chemical Co,

which was founded in 2006, is located in Liyang, west of Shanghai. *June 10, 2009*

**Reliance Industries Ltd** ("RIL") has bought back the entire 5% stake in **Reliance Petroleum Ltd** ("RPL") held by **Chevron India Holdings** for US\$280m. The acquisition has increased RIL's holding in RPL to 75.4%. *May 1, 2009*

## Indonesia

**UNIPOL(TM)** Polypropylene Process Technology from **Dow Basic Plastics**, a subsidiary of US-based **Dow Chemical Co**, has been selected by **PT Pertsmina** ("PERSERO"), a state-owned Indonesian oil and gas company, for its new 250 KTA polypropylene facility at its Balongan complex in West Java, Indonesia. A license agreement for the facility was signed earlier this month. When the project is completed in 2011, the facility will produce a mix of polypropylene products including homopolymer, random copolymer and impact copolymers. Products will be marketed primarily in the domestic market. *June 24, 2009*

Hidayat Nyakman, Chairman of the Indonesian Chemical Industry Federation, announced that **Mitsubishi Corp**, Japan's largest trading company, will invest US\$1.5bn to set up a coal gas-based petrochemical plant in East Kalimantan. *June 16, 2009*

## Japan

**Nippon Oil Corp**, a Japanese petroleum

product supplier, acquired 31% of **Space Energy Corp**, a Japanese producer of solar cell silicon wafers, for US\$30m.

*April 7, 2009*

**Sekisui Chemical**, a Japanese building materials and construction company, has acquired the non-core polyvinyl alcohol business of **Celanese Corp**, a US-based chemicals company, for US\$173m. Sekisui acquired one unit in Tarragona, Spain, and the facilities and resources in the US. The transaction also included long term supply agreements between both companies. With the acquisition of the polyvinyl alcohol resin business, Sekisui secures a stable supply of raw materials. The acquisition is expected to be completed by Q3 2009. *April 27, 2009*

**Idemitsu Kosan**, a Japanese petroleum company, and **Mitsui Chemicals**, a Japanese chemical company, have formed a JV to optimize naphtha supply at their manufacturing complexes at Chiba, Japan. The JV will enable Idemitsu to reduce crude oil processing at its Chiba refinery. The plan involves greater consumption of imported naphtha through the joint use by Idemitsu and Mitsui of the Chiba refinery's storage tanks and jetty, and the construction of additional loading facilities and naphtha pipelines to supply the two ethylene plants. Separately, Mitsui says it will cease production at Chiba and Iwakuni-Ohtake, Japan of C9 petroleum resins in March 2010. Financial details of the transaction were not disclosed. *May 25, 2009*

## **Korea**

**Techno Semichem**, a listed Korean manufacturer of functional chemicals and advanced materials, has agreed to acquire 23% of **Phicom**, a listed Seoul-based company engaged in semiconductor-testing devices and reliability-measuring systems. The transaction is valued at US\$22m, a premium of 177% over Phicom's closing price one month prior to the announcement. *March 9, 2009*

**Korea Kumho Petrochemical Co**, a Korean chemical producer, has completed the construction of a US\$40m plant in Shandong Province, China. The plant will produce 150,000 tpa of SB-Latex for paper coating. *June 24, 2009*

**KP Chemical Co.**, the petrochemical arm of Korea's **Lotte Group**, said Monday that it has acquired a controlling stake in **Pakistan PTA Ltd**, a Pakistani petrochemical company. KP Chemical bought a 75-percent stake in the Pakistani company from **ICI Omicron B.V.** of the Netherlands, KP Chemical said. The Korean company plans to increase its stake in Pakistan PTA by 90 percent through a tender offer. *June 2, 2009*

**Kumho Petrochemical Shenyang Co**, a JV between Korea Kumho Petrochemical Co and China's **Shenyang Chemical Industry Construction Investment Co**, will construct a new plant in Shenyang in Northeast China. The plant will produce 12,800 tpa of commercial

building materials such as extruded polystyrene foam starting May 2010.

*June 24, 2009*

## **Taiwan**

**Danisco** has formed a JV with Chinese microcrystalline cellulose ("MCC") manufacturer **Mingtai Chemical**, the second-largest MCC producer globally, to develop MCC products for the food industry. The deal adds MCC to Danisco's Grindsted line of hydrocolloids. Financial terms of the partnership were not disclosed. The joint agreement allows Danisco to market MCC and both companies to share production and costs of new product development. The global food market for MCC is estimated to be more than US\$86m. *February 23, 2009*

## **Thailand**

**SCG Chemicals Co**, the petrochemical division of the **Siam Cement Public Co**, based in Bangkok, Thailand, plans to bring its upcoming polyolefins production facility in Rayong online in the first quarter of 2010 as scheduled. The firm intends to export products from the new plant to India, China and Southeast Asia, where demand remains high. *June 19, 2009*

**PTT Chemical PCL** ("PTTCH"), Thailand's largest olefins maker, planned to sell bonds worth US\$135bn, with expected maturities of 7-10 years, in the third quarter, to help finance its investment. PTTCH has said it planned to invest US\$1.2bn during 2009-2013, of which

US\$734m would be spent this year to boost olefins capacity by 100,000 tpa and propylene by 50,000 tpa. PTCH produces ethylene and propylene for packaging and other industries. *June 21, 2009*

*To submit stories to future editions of this newsletter, please contact Mr. Marc Liu in New York on 212-265-5300 or email [mliu@bdallc.com](mailto:mliu@bdallc.com)*

## Vietnam

**SP Chemicals (Singapore)** has cancelled previously announced plans to build a \$1.5bn petrochemical complex in Vietnam, citing unfavorable market and economic conditions. The complex would have been built at Hoa Tam and was to have featured a naphtha cracker with capacity for 800,000 MT of ethylene.

*May 25, 2009*

### Selected Asian Chemicals Transactions with Multiples (12 months ending in 23Jun09)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
2-Jun-09	Shinnika Thermal Ceramics	JP	Krosaki Harima Corp	JP	\$15.0	50% ACQ	-	0.9x	22.4x
5-Apr-09	Kingboard Copper Foil Holdings	JP	Kingboard Laminates Holdings Ltd	JP	\$12.0	36% ACQ	1.5x	0.2x	6.6x
30-Jan-09	Wavelock Holdings Co	JP	Wavelock Investment	JP	\$150.0	100% ACQ	17.0x	0.7x	53.5x
16-Nov-08	Hempel-Hai Hong (China) Limited	HK	Hempel AS	Denmark	\$148.0	64% ACQ	-	-	7.6x
11-Nov-08	Lucite International Ltd	UK	Mitsubishi Rayon Co Ltd	JP	\$1,600.0	100% ACQ	7.1x	0.9x	-
22-Jul-08	Cognis Oleochemicals Group	Malaysia	PTT Chemical International Private Limited	Thailand	\$164.0	50% ACQ	-	0.4x	-
21-May-08	TK Chemical Co Ltd	SK	North Asia Strategic (Singapore) Pte Ltd	SI	\$50.0	33.7% ACQ	1.9x	-	-
28-Apr-08	Deuchem Co Ltd	TW	Elementis Holdings Limited	UK	\$81.0	100% ACQ	7.2x	1.1x	11.0x
28-Mar-08	ICI India Ltd (Adhesive business)	IN	HENKEL AG & CO KGAA VORZUG	GE	\$65.2	DIV	-	2.1x	-

Source: Bloomberg, BDA

Business Development Asia is an investment banking 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 listed.

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Euan Rellie  
Senior Managing Director  
[erellie@bdallc.com](mailto:erellie@bdallc.com)

Tanya Wang, Associate [twang@bdallc.com](mailto:twang@bdallc.com)

Alexander Ditchfield, Analyst  
[aditchfield@bdallc.com](mailto:aditchfield@bdallc.com)

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[www.bdallc.com](http://www.bdallc.com)  
[newsletter@bdallc.com](mailto:newsletter@bdallc.com)

**NEW YORK**

Euan Rellie, [erellie@bdallc.com](mailto:erellie@bdallc.com)  
Charles Maynard, [cmaynard@bdallc.com](mailto:cmaynard@bdallc.com)  
Business Development Asia LLC  
The Economist Building, 11th Floor  
111 West 57th St, New York, NY 10019  
T (212) 265-5300  
F (212) 265-4300

**BAHRAIN**

Tamer Makary, [tmakary@bdallc.com](mailto:tmakary@bdallc.com)  
Business Development Asia  
Building #2572, Road #2833, 4th Floor, Office #42, Block #428  
PO Box 30295, Seef District  
Manama, Bahrain  
T (973) 17581336  
F (973) 17581483

**HONG KONG**

Paul DiGiacomo, [pdigiacom@bdallc.com](mailto:pdigiacom@bdallc.com)  
Business Development Asia (HK)  
#1206 Lippo Centre, Tower 1  
89 Queensway, Hong Kong  
T (852) 2537-9565  
F (852) 2537-4406

**SEOUL**

Heejun Yang, [hyang@bdallc.com](mailto:hyang@bdallc.com)  
Business Development Asia  
#1201, Gwanghwamun Officia  
163 Sinmunno 1-Ga, Jongno-Gu  
Seoul 110-999, Korea  
T (82) 2-3276-3150  
F (82) 2-3276-3155

**LONDON**

Andrew Huntley, [ahuntley@bdallc.com](mailto:ahuntley@bdallc.com)  
Business Development Asia Ltd  
33 Cavendish Square  
London W1G 0PW, United Kingdom  
T (44) 2071824518  
F (44) 2071824100

**MUMBAI**

Rohit Singh, [rsingh@bdallc.com](mailto:rsingh@bdallc.com)  
Business Development Asia  
898 Notan Plaza, Suite 4A  
Turner Road, Bandra (West)  
Mumbai 400050, India  
T (91) 22-2643-0290  
F (91) 22-2643-0291

**SHANGHAI**

Jeffrey Wang, [jwang@bdallc.com](mailto:jwang@bdallc.com)  
Business Development Asia Co Ltd  
The Center, #1602, 989 Changle Road  
Shanghai 200031, China  
T (86) 21-5407-5580  
F (86) 21-5407-5680

**TOKYO**

Jeff Acton, [jacton@bdallc.com](mailto:jacton@bdallc.com)  
Business Development Asia K.K.  
4F, T3 Gates  
3-8-25 Toranomon, Minato-ku  
Tokyo 105-0001, Japan  
T (81) 3-3433-5803  
F (81) 3-3433-5269