

Mergers and Acquisitions in Chinese Pesticide Industry in H2 2023-H1 2024

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Kcomber Inc.

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1. Introduction

2. Approach for this report

The report is drafted by diverse methods as follows:

- Desk research

The sources of desk research are various, including published magazines, journals, government websites and statistics, industrial statistics, association seminars as well as information from the Internet. A lot of work has gone into the compilation and analysis of the obtained information.

- Internet

CCM visited government websites and contacted with players in the domestic agrochemical industry through BXB websites and software as well as obtained registration information on the internet.

- Data processing and presentation

The data collected and compiled are sourced from:

- CCM's database
- Published articles in periodicals, magazines, journals and third-party databases
- Statistics from governments and international institutes
- Telephone interviews with domestic producers, joint ventures, service suppliers and governments
- Third-party data providers
- Comments from industrial experts
- Professional databases from other sources
- Information from the internet

The data from various sources have been combined and cross-checked to make this report as precise and scientific as possible. Throughout the process, a series of internal discussions were held in order to analyse the data and draw the conclusions.

In this issue, the USD/CNY and USD/MYR exchange rate used are USDX.XX=CNYX.XXXX and USDX.XX=MYRX.XXXX sourced from the People's Bank of China on X August, XXXX. Unless otherwise specified, all the prices mentioned in this newsletter will include the VAT.

3. Executive summary

In recent years, establishing large business groups by mergers and acquisitions (M&As) to expand production scale of enterprises has been one main guideline of the Chinese government for the pesticide industry. M&A has also become one of the key words in Chinese pesticide industry.

In an attempt to transform the small-and-scattered landscape of pesticide industry, China has been working on industrial structure optimisation by encouraging investment, merger and acquisition of pesticide enterprises to concentrate industrial resources to the top players and advance their collective, branding and international development with a whole-chain layout for production, meanwhile weeding out those of small scale and with weak competitiveness through raising the entry threshold.

International and domestic agrochemical enterprises' business transfers and acquisitions are becoming more frequent, thus forming a new industry giant pattern in which the resources and advantages are more concentrated and the strong will be stronger. In the XXth Five-year Plan period (XXXX–XXXX), a number of new pesticide policies and the environmental protection requirements have increased the environmental protection & safety pressure of pesticide production. A group of scattered, disorderly and small enterprises are eliminated. The survival of the fittest competition intensifies.

4. What is in the report?

Note: Key data/information in this sample page is hidden, while in the report it is not.

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2.1 Overview of major investments

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Table 2.1-1 Number of restructuring transactions of selected pesticide listed enterprises in H2 2023–H1

2024

Investment mode	2024 Top 100 enterprise	Others	XXXXX
XXX XXXXXXXXXXX XXXXXXXX XXX XXXXXXXXXXXXXXX	XX	X	XX
XXXXXXXX XXXXXXXX	XX	X	XX
XXXXXXXXXXXX XXXXXXXXXXXXXXX	XX	X	XX
XXXXX	XX	XX	XX

*Note:Restructuring transactions refer to M&A, capital increases, subsidiary establishment, business investments and others.
Source:CCM*

Table 2.1-2 18 Selected public pesticide companies in China, as of H1 2024

No.	Company name (EN)	Company name (CN)	Stock code	Abbreviation	Location	Date of establishment	Number of cases	Ranking in 2024 List
X	XXXXXXXX XXXXXXXX XXXXXXXXXXXX X XXXX XXXX	XXXXXXXXXXXXXXXX X	XXXXX X	XXXXXXXX XXXXXXXX	XXXXXXXX XXXXXXXX	XX XXXXX XXXX	XX	XX
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Note:1.Restructuring transactions refer to M&A, capital increases, subsidiary establishment, business investments and others. 2.

The 2024 list refers to the List of 2024 China's Top 100 Pesticide Enterprises.

Source:CCM

Table 2.1-3 Top 10 pesticide companies ranked by gross value of restructuring deals in H2 2023–H1 2024

No.	Name of listed company	Ranked in 2024 List	Location	Amount, million USD	Number of cases
X	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXX XXXX	XX	XXXXXXXX XXXXXXXX	XXXXXX	X
X	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXX XXXX	XX	XXXXXXXXXX XXXXXXXXXX	XXXXXX	XX
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XXXXXX				XXXXXX	XX
XXXXXX				XXXXXXXXXX	XX

Note: The 2024 list refers to the List of 2024 China's Top 100 Pesticide Enterprises.

Source: CCM

2.2 M&As of major public pesticide enterprises

From HX XXXX to HX XXXX, China's pesticide industry saw XX M&As, all involving business transfers and acquisitions, covering areas such as pesticide technical and formulation operations, according to CCM's research.

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Table 2.2-1 Other business transfers and acquisitions of selected pesticide companies, H2 2023–H1 2024

No.	Parent company	Buyer	Target company	Disclosure date	Amount, million USD	Status	Remark
X	XXXXXXXXXX XXXXXX XXXXXXXXXX XXXXXXXXXXXX XXXXXX XXXX XXXXX	XXXXXXXXXX XXXXXXXX XXX XXXXXXXXXXXX XXXX XXXX	XXXXXX XXXXXXXXXXXX XXX XXXXXXXXXXXX XXXXXXXXXXXX XXXX XXXX	XXXXXXXXXXXX X	XXXXX	XX XXXXXXXXXXXX	XXXX XXXXX XXXXXXXXXX X XXXX XXXXX XX XXXXXX XXXXXXXXXXXX XXX XXXXXXXXX XXXXXXXXXXXX XXXX XXXX
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Note: Other business transfers and acquisitions refer to deals concerning to pesticide-related products and other fields, such as new materials, food, feed, plastics, etc.

Source: CCM

-Major M&As of pesticide companies in the List of XXXX China's Top XXX Pesticide Enterprises

Lianhe Chemical Technology Co., Ltd.'s Singapore unit, Lianhetech Singapore Pte. Ltd., has established a new subsidiary, Lianhetech Malaysia Sdn. Bhd., to invest USDXX.XX million (MYRXX.XX million) in acquiring XX.XX acres of land from Johor Corporation in the Tanjung Langsat Industrial Park, Johor, Malaysia. This land is used to build a plant for producing intermediates and active pharmaceutical ingredients for pesticides and medicines, as well as chemicals related to new energies. The project plans to be carried out in three phases, with the first phase expected to take approximately three years.

Sichuan Guoguang Agrochemical Co., Ltd.'s controlling subsidiary, Hebi Quanfeng Biotechnology Co., Ltd., established Anyang Xinquanfeng Biotechnology Co., Ltd. and transferred relevant inventory, fixed assets, intangible assets, and other resources to the new entity. This transfer included production qualifications such as pesticide and fertiliser registration certificates, as well as associated receivables, payables, and labour. Through this integration, the company has largely consolidated its production, sales, procurement, human resources, and financial accounting, significantly enhancing its strategic position and overall market competitiveness in the plant growth regulator industry.

Shenzhen Noposion Agrochemicals Co., Ltd. (Shenzhen Noposion) repurchased equity in several subsidiaries from Guangdong Noposion Yichuang Industry Investment Fund Partnership (L.P.), reflecting the approaching end of the fund's investment period and aiming to cut costs. The company highlighted its strategic shift in pesticide formulation in XXXX annual report, focusing on integrating resources to build a leading agricultural distribution and regional service platform, centered on comprehensive agricultural inputs and plant protection technology. In fresh produce, the company is prioritising blueberries, developing new farm organisations, enhancing sales channels, and advancing digital Amoeba management and data visualisation for farm operations.

Jiangsu Lanfeng Bio-chemical Co., Ltd. (Jiangsu Lanfeng) has sold its XXX% stake in wholly-owned subsidiary Ningxia Lanfeng Fine Chemical Co., Ltd. to Hebei Wanglian Agricultural Technology Co., Ltd. This sale is part of Jiangsu Lanfeng's strategy to divest inefficient agrochemical assets and refocus

resources on its core business, particularly in new energy. Additionally, Jiangsu Lanfeng has entered the photovoltaic sector by acquiring a XX% stake in Anhui Xuhe Technology New Energy Co., Ltd., aiming to rapidly expand into clean energy, resolve long-standing operational issues, and create new growth opportunities.

Hubei Xingfa Chemicals Group Co., Ltd. (Hubei Xingfa) has completed the acquisition of XXX% of Gucheng Xingfa New Materials Co., Ltd. through its wholly-owned subsidiary, Hubei Xingrui Silicon Materials Co., Ltd. This move aims to enhance the company's silicon raw material supply, optimise the silicon industry chain, reduce procurement costs, and improve operational efficiency. With a silicon stone mining capacity of X million t/a, Gucheng Xingfa would meet Hubei Xingfa's current production needs and support future expansion, thereby boosting overall industry efficiency and competitive edge.

Suli Co., Ltd. (Jiangsu Suli) announced that its wholly-owned subsidiary, Suli Pharmaceutical Technology Jiangyin Co., Ltd., has acquired an XX.XX% stake in Dalian Yongda Suli Pharmaceutical Co., Ltd., increasing its total ownership to XX.XX%. This strategic move is intended to explore new business areas and create synergies with Jiangsu Suli's existing operations to drive growth potential.

2.3 Major investments by geographic distribution

By geographic distribution, domestic markets accounted for XX.XX% of the total value of asset restructuring deals among selected public pesticide companies from HX XXXX to HX XXXX. Guizhou Province led with USDXXX million in investments, followed by Hubei and Guangdong provinces.

Table 2.3-1 Investment location led by major listed pesticide enterprises, H2 2023–H1 2024

No.	Province/Region	Investment amount, million USD	Number of investing enterprises	Number of asset restructuring deals
X	XXXXXXXX XXXXXXXX	XXXXXX	X	X
X	XXXXX XXXXXXXX	XXXXXX	X	X
X	XXXXXXXXXX XXXXXXXX	XXXXXX	X	X
X	XXXXXXXX XXXXXXXXXXXXXX	XXXXXX	X	X
X	XXXXXXXX XXXXXXXX	XXXXX	X	XX
X	XXXXXXXX XXXXXXXX	XXXXX	X	X
X	XXXXXXXX XXXXXXXX	XXXXX	X	X
X	XXXXX XXXXXXXX XXXXXXXXXXXX XXXXXXX	XXXXX	X	X
X	XXXXXXXX XXXXXXXX	XXXXX	X	X
XX	XXXXXXXX XXX XXXXXXXXXXXX XXXXXXX	XXXXX	X	X
	XXXXXX	XXXXX	X	XX
	XXXXXXXXXX	XXXXX	X	X
	XXXXX	XXXXXXXXXX	XX	XX

Note:1. Overseas refer to Malaysia and Singapore.2. Pesticide companies have invested in one or more regions, so the sum of the number of enterprises might not equal the total.

Source:CCM

From HX XXXX to HX XXXX, China's pesticide industry recorded outbound investments totalling USDXX.XX million, involving two transactions led by Lianhe Chemical Technology Co., Ltd. and Jiangsu Lanfeng Bio-chemical Co., Ltd.

Table 2.3-2 Outbound investments of selected listed pesticide company, H2 2023–H1 2024

No.	Parent company	Transaction	Disclosure date	Amount	Status	Investment Type
X	XXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXX XXXX	XXXXXXXXXXXX XXXXXXXXXXXX XXXX XXXXXXXX XXXXX XXXXXXX XX XXXX XXXX XXXXX XXXXXXXXXXXX XX XXXXXXX XXXXXXX XXXXXXXXXXXX XXXXX	XXXXXXXXXXXX	XXXXX	XX XXXXXXXXXXXX	XXXXX XXXXXXXXXXXX
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Source:CCM

2.4 Subsidiary investments led by pesticide players

During HX XXXX to HX XXXX, the selected public companies undertook XX cases of subsidiary

establishment and XX cases of capital increases in their subsidiaries.

Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. increased the registered capital of its wholly-owned subsidiary, Jiangshan (Yichang) Crop Science Co., Ltd., by USDXX.XX million (RMBXXX million). This investment is intended to support the company's growth and the construction of the "Novel Green Herbicide TC and Formulation Project". With a total investment of USDXXX.XX million (RMBXXX.XX million), the project includes building a XXX-tonne production unit for herbicide benzoxazole (JS-TXXX), along with formulation production facilities as well as supporting equipment and auxiliary infrastructure, and it is scheduled to be completed within X.X years.

Sichuan Guoguang Agrochemical Co., Ltd. (Sichuan Guoguang) increased its investment in its secondary subsidiary, Chongqing Run'er Technology Co., Ltd., with Sichuan Run'er Technology Co., Ltd. (Sichuan Run'er) and Chongqing Yier Shuangfeng Technology Co., Ltd. (Chongqing Yier Shuangfeng) contributing a total of USDXX.XX million (RMBXX.XX million). Sichuan Run'er invested USD X.XX million (RMBXX.XX million) from raised funds, while Chongqing Yier Shuangfeng provided USDX.XX million (RMBXX.XX million) from its own resources. The investment aimed to support plant growth regulator production, lower costs, and boost profitability. In recent years, Sichuan Guoguang has focused on expanding its upstream active ingredient supply chain. It has increased production capacity through acquisitions and plans to establish a new XX,XXX t/a pesticide TC and intermediates synthesis project in the Wansheng Economic Development Zone, Chongqing Municipality.

Zhejiang Xinnong Chemical Co., Ltd. enhanced its investment in its wholly-owned subsidiary, Jiangsu Xinong Chemical Co., Ltd., with raised funds of USDXX.XX million (RMBXXX.XX million). This investment is for the X,XXX t/a pyraclostrobin and XXX t/a sodium chloride project, which has a total investment of USDXX.XX million (RMBXXX.XX million) and is being developed in two phases. The first phase, including the XXX t/a pyraclostrobin facility, is already in operation, while the second phase is underway. The project is expected to be fully completed by XX Dec., XXXX.

Table 2.4-1 Capital increase in China's pesticide industry, H2 2023–H1 2024

No.	Parent company	Funded XXXXXXXXXX	Disclosure date	Amount, XXXXXX USD	Status	Remark
X	XXXXXXXX XXXX XXXXXXXX XXXXXXXXXX	XXXX XXXXXXXXXX XXX XXXXXXXXXX	XXXXXXXXXX	XXXX	XX XXXXXXXXXX	XXXXXXXX XXXX XXX XXXXXXXXX XXXX XXXX

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Source:CCM

Table 2.4-2 Subsidiary establishment of selected public companies, H2 2023–H1 2024

No.	Parent company	XXX subsidiary	Disclosure date	Amount, XXXXXX USD	Status	Remark
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Source:CCM

3 Summary and outlook

According to CCM's research, XX restructuring deals (M&A, subsidiary establishment and capital increase) took place in China from HXXXXX to HX XXXX, participated by listed pesticide companies, valued to over USDX billion in total.

Purposes of restructurings:

- M&A: To enhance and extend industrial chains, most listed pesticide companies in China have pursued external acquisitions. From HX XXXX to HX XXXX, there were XX such transactions (XX.XX% of XX deals). For example, Jiangsu Lanfeng Bio-chemical Co., Ltd. acquired XX% of Anhui Xuhe New Energy Technology Co., Ltd. to enter the photovoltaic industry, while Shanghai ABA Chemicals Co., Ltd. jointly established a controlling subsidiary Shanghai Shanyan New Energy Technology Co., Ltd. to develop new materials technology.
- Capital Increases: Pesticide groups have boosted investments in their subsidiaries, with XX transactions (XX.XX% of XX deals) in HX XXXX–HX XXXX. For instance, Sichuan Guoguang Agrochemical Co., Ltd. increased its investment in Chongqing Run'er Technology Co., Ltd. to support plant growth regulator production, reduce costs, and enhance profitability, while Limin Group Co., Ltd. raised its investment in Inner Mongolia Xinweiyuan Biochemical Co., Ltd. to enhance its operational performance.
- Establishing Subsidiaries: From HX XXXX to HX XXXX, XX transactions (XX.XX% of XX deals) involved setting up new businesses. Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. co-established Guizhou Wengfu Jiangshan Chemical Co., Ltd. for a new materials and electronic chemicals project in Guizhou's Weng'an Economic Development Zone, while Yingde Greatchem Chemicals Co., Ltd. founded Hubei Shengkang Chemical Co., Ltd. to develop a specialty chemicals project.

The scale of restructuring by Chinese companies remains relatively small compared to global standards. From HX XXXX to HX XXXX, only X transactions (X.XX% of XX) exceeded USDXX.XX million (RMBXXX million), while XX transactions (XX.XX%) were at or below the figure, with X deals having undisclosed values. In HX XXXX, XX transactions, including mergers, subsidiary establishments, and capital increases, totalled USDX.XX million (excluding X with undisclosed amounts), representing a XX.XX% increase YoY.

For HX XXXX, China is expected to see a rise in the number and value of mergers, subsidiary

establishments, and capital increases, driven primarily by mergers to enhance industry concentration. The pesticide industry is anticipated to gradually recover, with increased transaction volumes and values in asset mergers and acquisitions compared to XXXX.

If you want more information, please feel free to contact us

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