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Polyvinyl chloride monthly report

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RAW MATERIAL

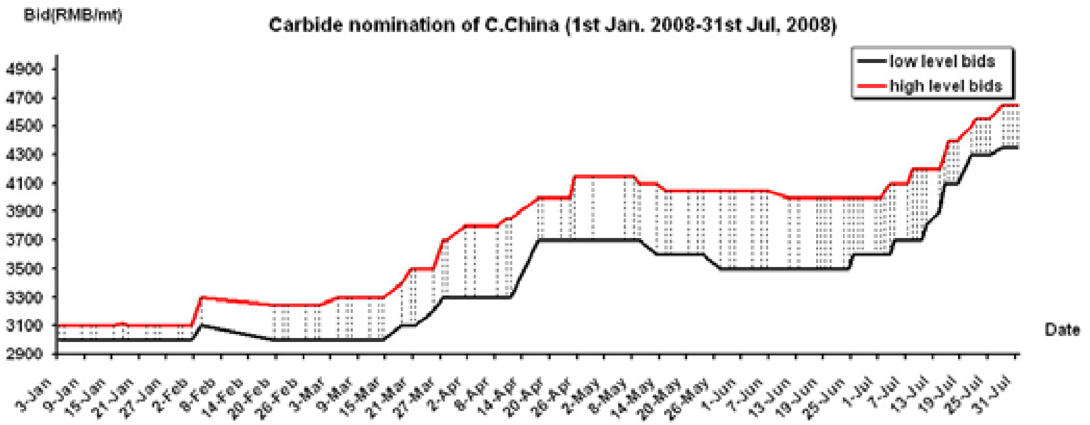
➢ Calcium carbide

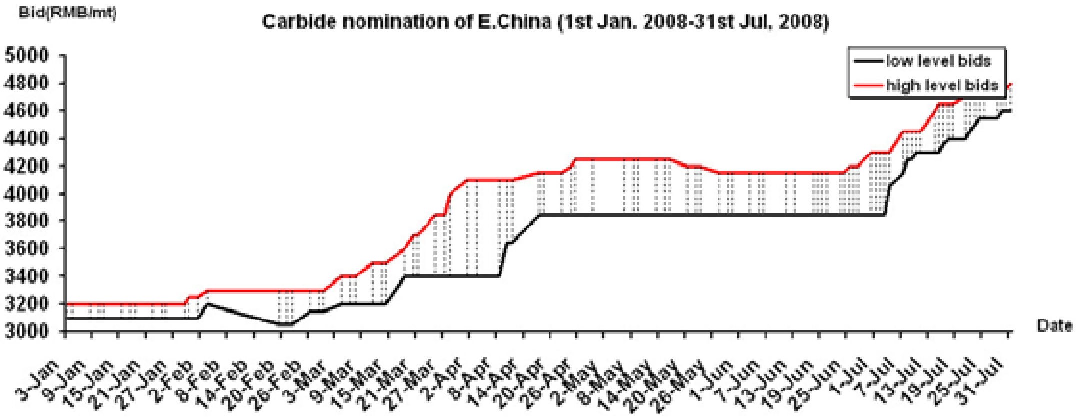
DOMESTIC CARBIDE MARKET

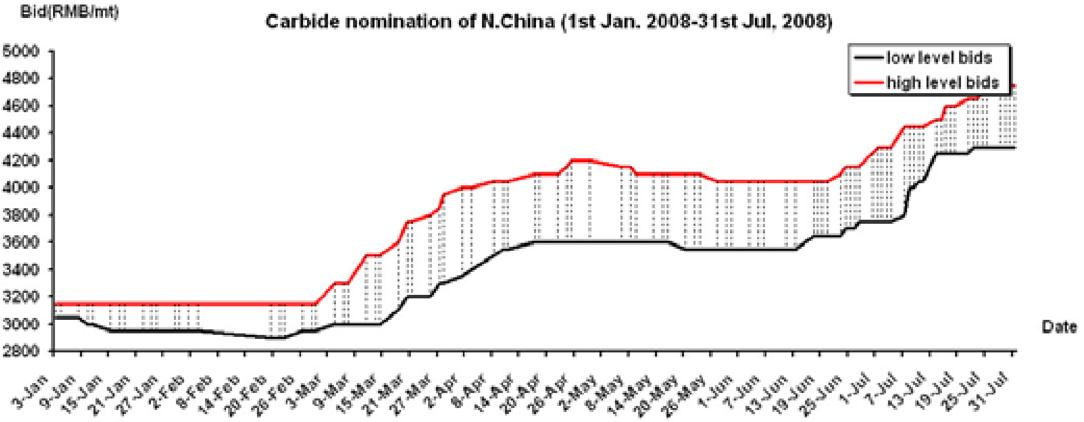
Region	FD price		Trend	Market movement
	RMB/mt	four weeks ago		
E.China	4321-4578	3850-4170	↗	Basically being stable, owing to lack supply situation, there was a slight increase in bids in Zhejiang, Anhui and Jiangsu provinces at the end of last month.
N.China	4121-4547	3640-4093	↗	Owing to power restriction in Shanxi, low operatiing rates emerged in this region. Logistic problem in Inner Mongolia, Baotou and Wulanchabu Meng were extremely serious, pushing bids climbing up again. In Tianjin, Hebei and Shandong provinces, bids also rose.
C.China	4013-4354	3527-4010	↗	Owing to Power restriction, operation situation was very bad, especially in Henan. And bids increased, too.

Note:

1 →: stable, ↗:slight increase, ↘: slight drop, ↑: sharp increase, ↓: sharp drop







➢ EDC

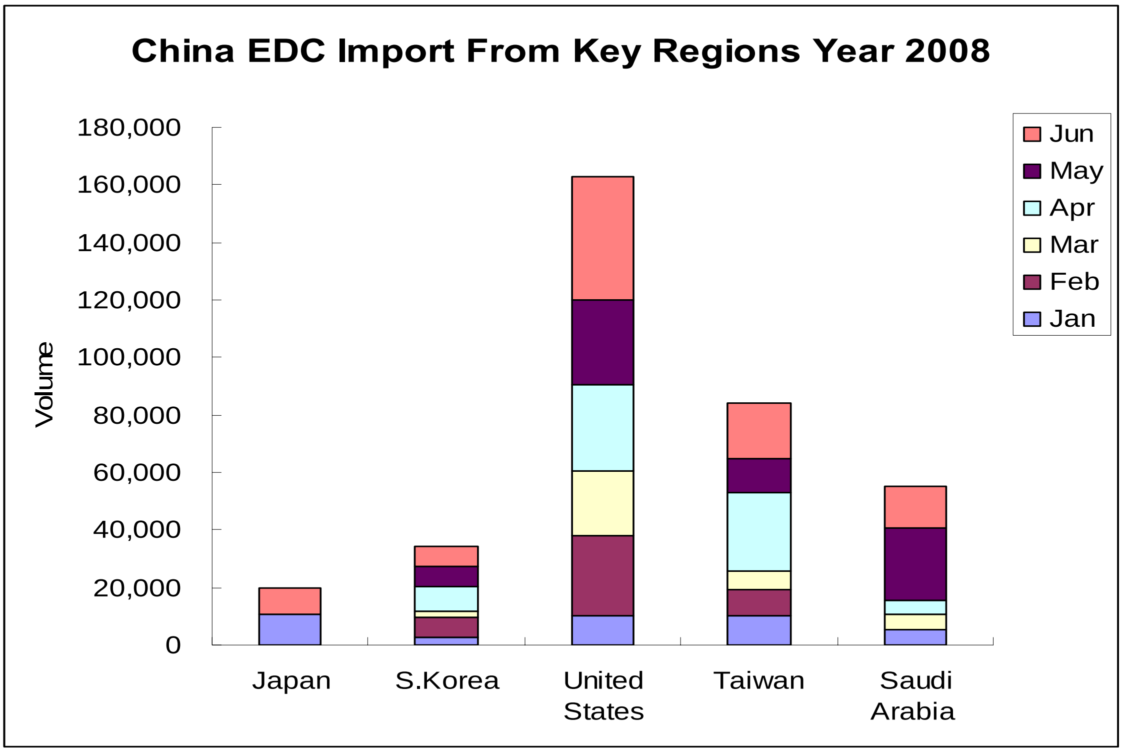
CHINESE EDC IMPORTS

From	June 08	May 08	Jan-Dec 07
	Tons	Tons	Tons
Japan	8,754	-	13,140
Saudi Arabia	14,675	24,754	45,495
S. Korea	7,214	6,926	73,968
Taiwan	19,543	11,487	88,579
United States	42,494	29,578	120,284
Indonesia	-	-	9,600
Canada	-	-	-
Total	92,679	72,745	351,066

In June of 2008, total EDC imports were 92,976 tons, increased by 27.4% than it of May. And there was naerly no exports.

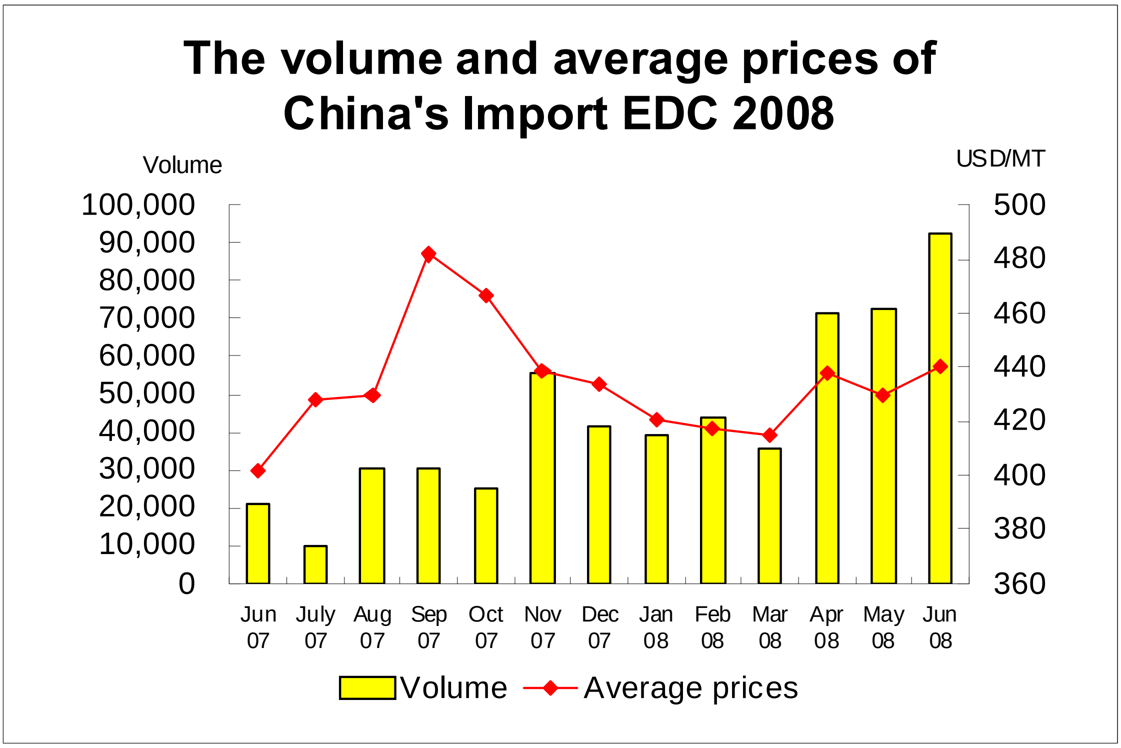
At the begain of July, International EDC import bid was USD 500-510/tonne CFR and market was stagnant. Until to middle ten days of last month, bids increased to USD 530-540/tonne CFR and less deals had been done. And at last ten days of last month, it slid down to USD 520/tonne CFR. Sources presented that a bid of USD 505/tonne CFR from Indonesia was heard and domestic buyers got these tonnages by USD 515/mt CFR. One deal of 1,000-2,000 tons had been heared in East China ports, reportedly at USD 495-500/tonne CFR.

In domestic market there was a slight upward movement in bids at the beginning of July, reported at RMB 4000-4100/mt ex-tank in East China, RMB 4250/mt in Fujian and RMB 4300/mt in Guangzhou. At the middle ten days of last month, East China market just kept stable, Fujian bids increased to RMB 4500-4600/mt owing to lack supply and in Guangzhou bid was 4400/mt. At last ten days of last month, EDC prices slid down slightly and then kept stable basically. Bids were RMB 3950/m in East China, RMB 4300-4400/mt in South China. Due to poor downstream demand, market kept stable in July.



CHINA EDC IMPORTS IN JUNE 2008				
Buyer	**Source From**	**Customs**	**Volume Tons**	**Average Prices USD/MT**
Jiangsu Overseas Group	Taiwan	Nanjing	2,007	440
Hebei Jinniu Energy Group Co., Ltd.	Saudi Arabia	Tianjin	9,677	432
	United States	Tianjin	4,750	425
Jiangyin Huifeng Trading Co., Ltd.	S. Korea	Nanjing	953	446
Ningbo Lucky Chemical Corp	S. Korea	Ningbo	1,903	530
Lianhua Technology Co., Ltd.	S. Korea	Nanjing	3,408	490
Liaoning Zhongyu Imp.& Exp. Corp	S. Korea	Nanjing	950	446
Nantong Chemical & Light Industry Co., Ltd.	Taiwan	Nanjing	4,101	444
Shanghai Shixin Petrochem Corp	Taiwan	Nanjing	3,131	525
Shanghai Tian Yuan International Trading Co., Ltd.	Japan	Nanjing	7,199	433
Tianjin Dagu Trading Corp	United States	Tianjin	27,244	426
	Japan	Tianjin	1,555	400
	Taiwan	Tianjin	5,239	445
SP Chemical (Taixing)	United States	Nanjing	10,500	479
	Saudi Arabia	Nanjing	4,998	444
	Taiwan	Nanjing	5,065	459
Total			***92,679***	

Note: * Marked information seems to be deviant



Note: Average prices of Import EDC are calculated from General Trade.

➢ VCM

CHINESE VCM IMPORTS

From	June 08	May 08	Jan-Dec 07
	Tons	Tons	Tons
S. Korea	18,538	2,100	125,862
Japan	37,110	45,544	507,395
Taiwan	16,551	25,276	234,064
Other	-	-	533
Total	72,200	72,920	867,854

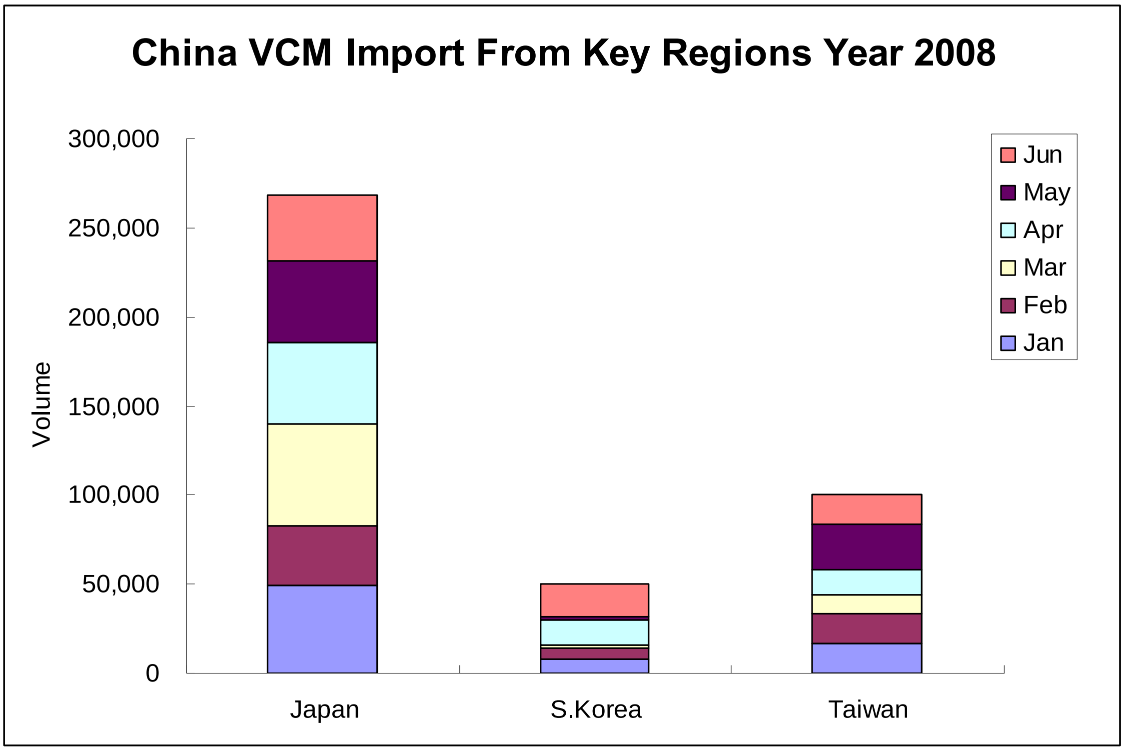
In June of 2008, total VCM imports were 72,200 tons, decreased by 0.99% than it of May. And exports were 7,605 tons.

International VCM import bid was USD 1100/tonne CFR, mainly owing to increament in prices of naphtha and ethylene. One deal of 6,000 tons was heared bargainning on USD 980/tonne CFR at the beginning of last month. One deal of 10,000 tons had been heard at the middle ten days of last month, bargainning at USD 1000/tonne CFR. Facing with cost pressure and poor dowmstream demands, domestic PVC producers were nagtive to purchase international VCM.

Domstic VCM bid was RMB 7300/mt ex-tank in East China for July and market kept stable. Sources presented that due to the strong upward momentum in international bid, dometic VCM bid will increase to RMB 7700/mt in August.

VCM & EDC DOMESTIC AND IMPORT NOMINATION FOR JULY

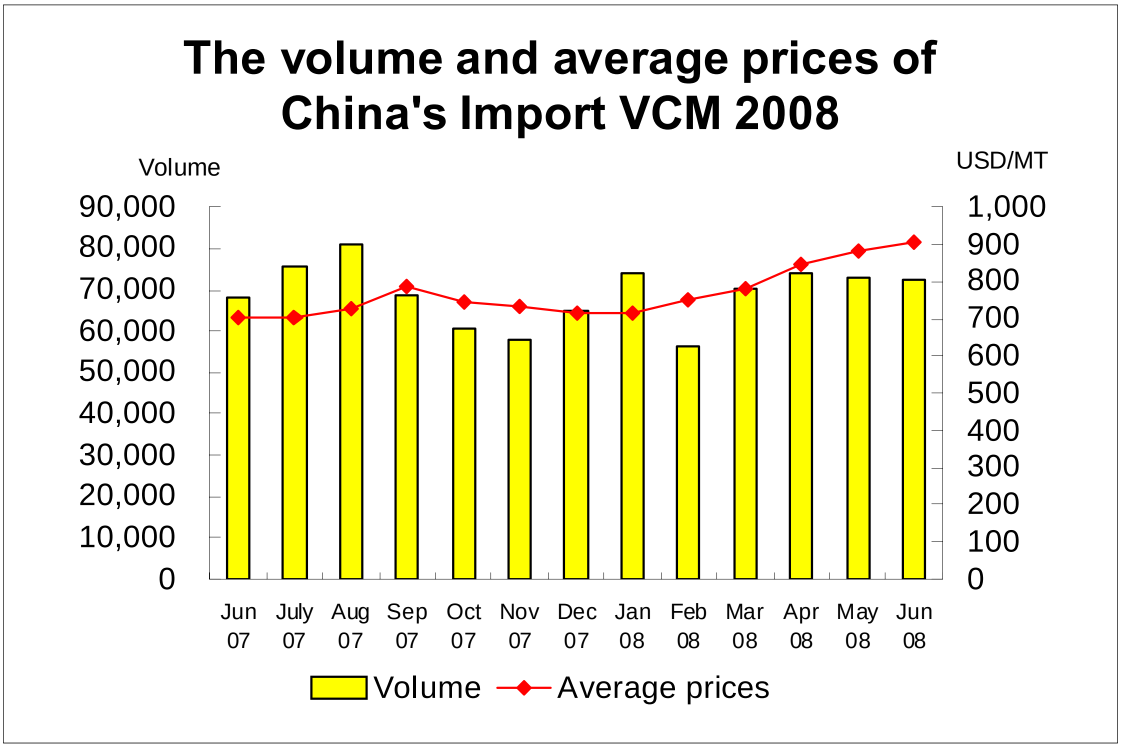
	Domestic bid (RMB/mt)	**Import bid**	
		Nomination (USD/tonne)	**Conclusion Price (USD/tonne)**
EDC	3950-4100	520-550 CFR	490-510 CFR
VCM	7200-7300	1100 CFR	980-1000 CFR



CHINA VCM IMPORTS IN JUNE 2008

Buyer	Source From	Customs	Volume Tons	Average Prices USD/MT
Changzhou Hanhe Resin Corp	Japan	Nanjing	2,999	890
Tosoh Guangzhou	Japan	Guangzhou	17,445	896
Jiangyin Huashi Glass Fibre Corp	Japan	Nanjing	3,003	940
Nantong Huiyufeng New Material Company	Japan	Nanjing	1,000	990
Shanghai Chlor-alkali Chemical Co. Ltd.	Japan	Shanghai	2,996	950
Suzhou Huasu Plastics Corp	S. Korea	Nanjing	4,304	940
	Japan	Nanjing	4,657	939
Formosa Plastics Ningbo Corp	S. Korea	Ningbo	4,198	882
	Japan	Ningbo	2,505	837
	Taiwan	Ningbo	16,551	914
Tianjin Dagu Chemical Co. Ltd.	S. Korea	Tianjin	4,208	952
	Japan	Tianjin	2,504	953
Tianjin LG Dagu	S. Korea	Tianjin	5,828	962
Total			***72,200***	

Note: * Marked information seems to be deviant

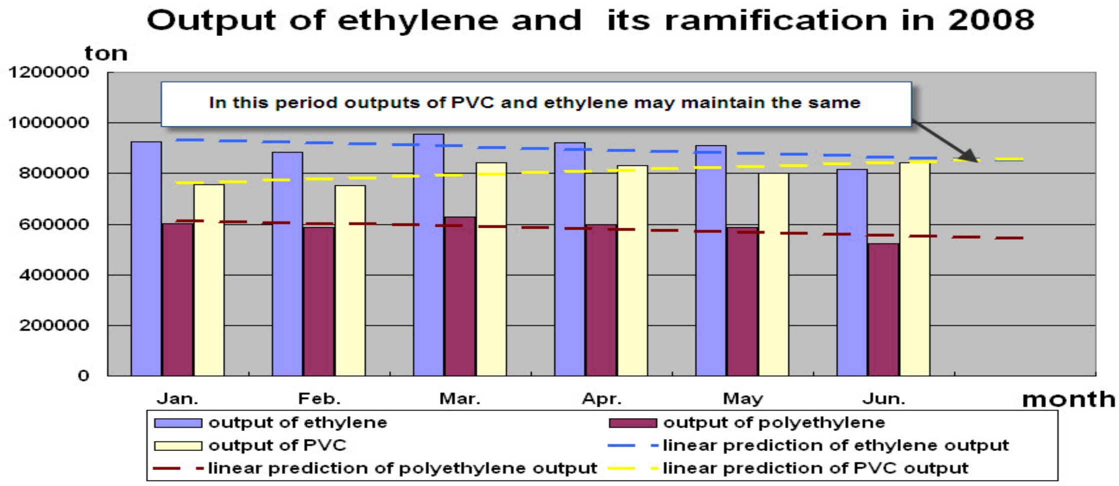


Note: Average prices of Import VCM are calculated from General Trade.

- **Ethylene**

CHINA ETHYLENE PRODUCTION OUTPUT, EXPORT AND IMPORT, MT

	Output	Export	Import	Apparent consumption
Jan	925,000	12	59,292	984,280
Feb	884,000	0	46,938	930,938
Mar	955,000	2,484	61,713	1014,229
Apr	922,000	5,758	62,541	978,783
May	909,000	3,016	61,495	967,479
Jun	818,000	2,951	59,973	875,022



POLYVINYL CHLORIDE

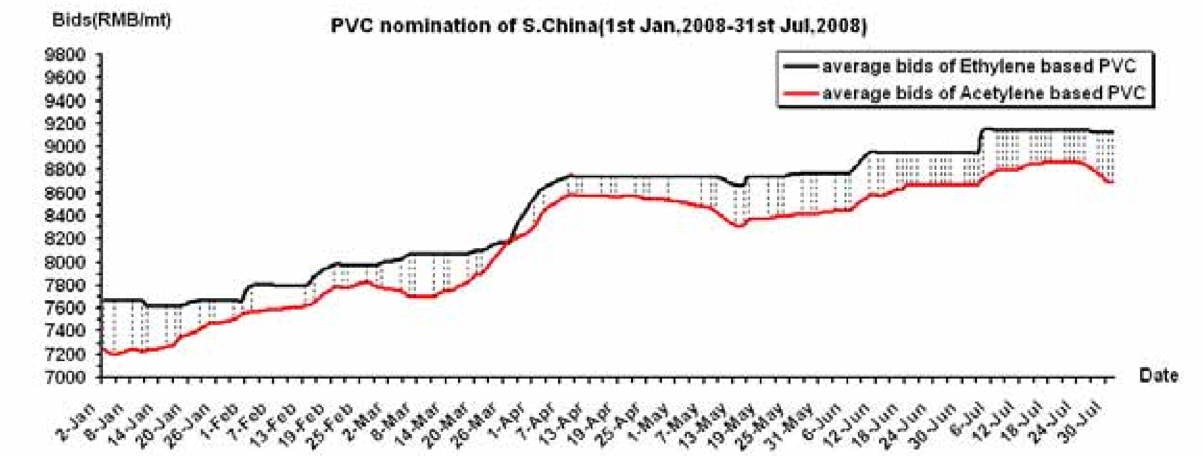
➢ Domestic market

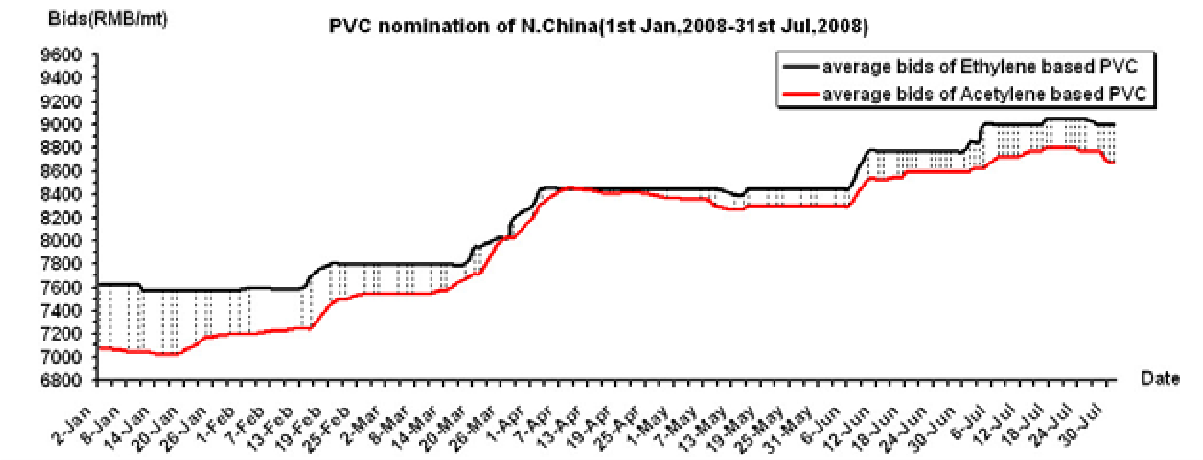
Region	prevailing price RMB/mt						Market movement
	E-route	July trend	four weeks ago	C-route	July trend	four weeks ago	
S.China	8974-9265	↘	8774-9065	8728-8864	↘	8541-8682	Regional market was still weary, owing to rejections of downstream producers, bids had to slid down.
N.China	8835-9157	↘	8588-8847	8650-8813	↘	8424-8632	Mainly owing to Power brownouts policy, low operating rates emerged in Shandong and Shanxi provinces. Impact by dangerous cargo embargo policy, it was difficult to transport from Inner Mongolia to Shandong, which pushing bids increasing.
E.China	8974-9265	↘	8774-9065	8740-8862	↘	8561-8674	Bids dropped and downward tendency lasted
NW.China	-	-	-	8330-8552	↘	8056-8329	Bids increased slightly, but there were some problems in railway transportation.
NE.China	8835-9087	↘	8574-8847	8687-8807	↘	8391-8521	Local market was sluggish, output and storage were both at low levels.
SW.China	-	-	-	8754-8920	↘	8544-8706	Market was stable. Costs increasing brought a big pressure to producers. Especially in Sichuan province, adrift with logistic problem, local producers got a huge problem to purchase enough calcium carbide.
C.China	8861-9089	↘	8547-8756	8646-8781	↘	8418-8568	Tight supply situation emerged due to power brownouts, especially in Henan province, producers had to increased bids, but deals were difficult to be done.

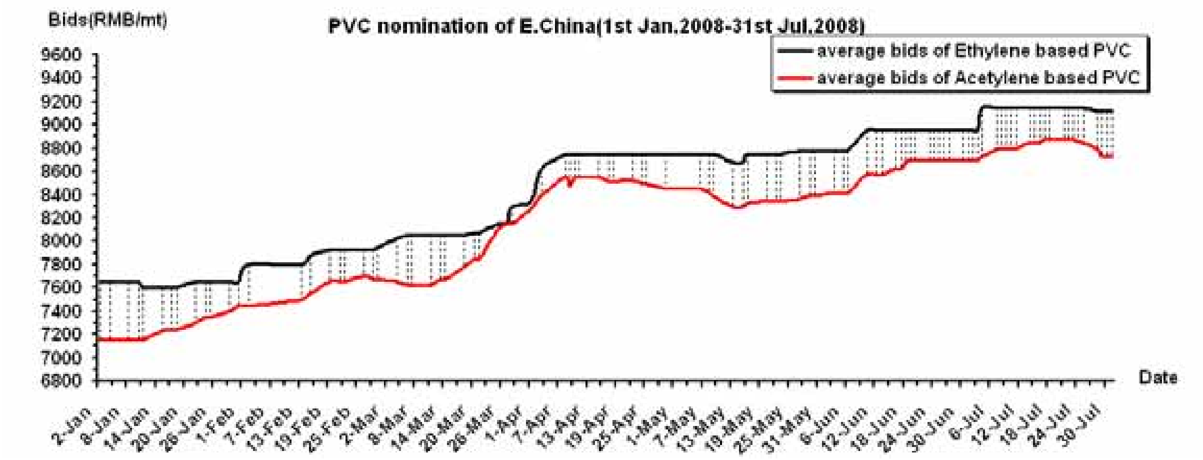
Note:

1 E-route: Ethylene route C-route: Carbide route

2 →: stable, ↗:slight increase, ↘: slight drop, ↑: sharp increase, ↓: sharp drop





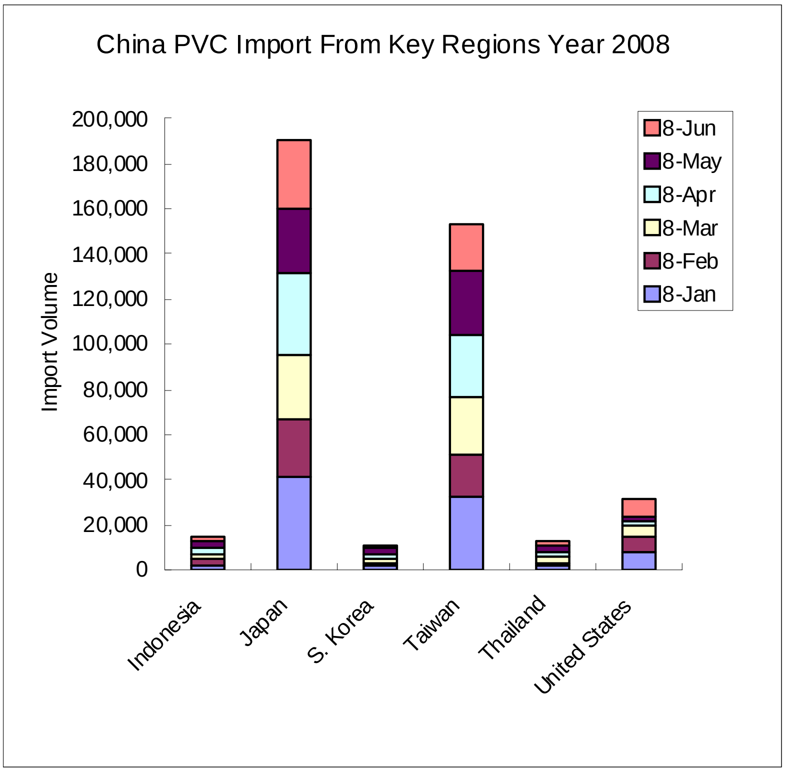


➢ Import Market

Import bids reportedly at USD 1320-1330/tonne CIF/CFR CMP of Taiwan and USD 1360/ tonne CIF/CFR CMP of Japan at the middle ten days of last month. Taiwan and Japan sellers finally decreased their bids in order to make the deal done. And imports basically finished at the end of last month, mainly bargined on USD 1290-1310/tonne CFR CMP, and it was reported that deals of 20,000 tons belonged to Formosa Plastic, deals of 25,000 tons belonged to Janpan and 1,500-2,000 tons deals belonged to Thailand sellers.

CHINESE PVC IMPORTS*			
From	**Jun 08 Tons**	**May 08 Tons**	**Jan-Dec 07 Tons**
France	44	39	2,273
Germany	674	725	9,346
Hong Kong	55	133	2,134
Indonesia	2,332	2,366	36,085
Japan	29,786	28,732	465,877
Malaysia	313	226	6,973
Philippines	76.5	51	1,498
Russia	-	-	7,722
S. Korea	1529.6	2,508	45,962
Sweden	140	183	3,146
Taiwan	20,330	28,322	335,048
Thailand	1563	2,386	34,642
United States	7082.8	2,041	57,462
Others	583	926	6,159
Total	***64,509***	***68,638***	***1,014,326***

*** Pure PVC**



IMPORT NOMINATION OF POLYVINYL CHLORIDE

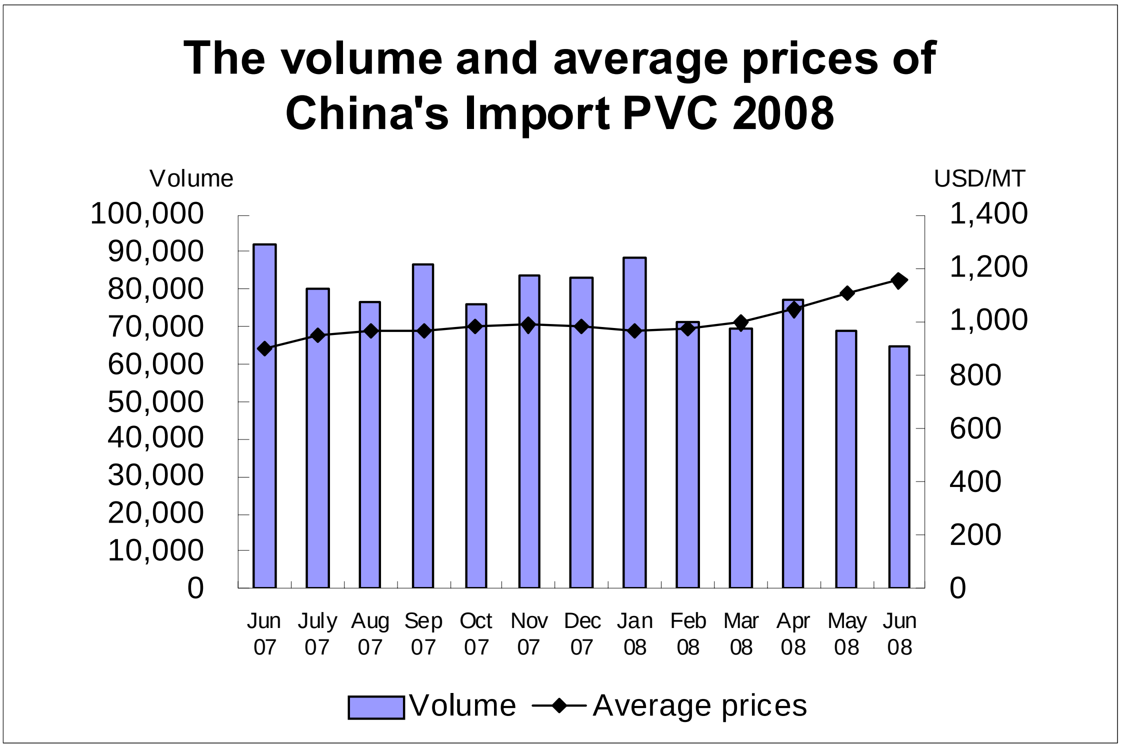
Date	Source	Harbor	Nomination (USD/tonne)	Conclusion Price (USD/tonne)			Seller	ETD
				July	Four weeks ago	Change		
4 Aug	Taiwan	CMP	1320-1330 CIF	1290-1310 CFR	1250 CIF	+40/+60	Formosa Plastic	Aug
4 Aug	Japan	CMP	1360 CFR	1290-1310 CFR	1230-1250 CFR	+60/+60	Taiyo	Aug

CMP: China Main Port

CHINA PVC* IMPORTS IN JUNE 2008

Trade mode	Volume Tons	Sum USD	Average prices USD/MT
Bonded Warehouse	5,982	7,054,995	1,179
Bonded Area Resale	520	624,822	1,202
Frontier Small Trade	50	45,500	910
Processing Trade	47,740	54,977,527	1,152
Assembling Trade	9,428	9,441,775	1,001
General Trade	788	1,513,197	1,920
Others	1.1	4,327	
Total	*64509*	*73662143*	

Note: * marked information is pure PVC
All data sourced from CIQ


The volume and average prices of China's Import PVC 2008

Note: Average prices of import PVC are calculated from Processing Trade.

➢ Export market

The whole market was stagnant, bids increased but deals were very difficult to be done. And at the last ten days of last month, international crude oil prices dropped, causing a downward pressure to PVC bids.

✧ Acetylene-based PVC export

Basically most exports were stopped temporarily in last month. The situation of the market were worse than last June obviously. In Shanghai port, bids increased to USD 1300/tonne FOB, with less deals being done. Most tonnages were exported to Middle East region. In Qingdao port, exporters withdraw bids for whole month, adrift with some ocean shipping problem owing to dense fog. In Tianjin port, only one deal was heared to be done at early days, reportedly at USD 1190-1200/tonne FOB. In A LaShanKou, exports were stable, mainly flowing into Russia, with quoted bids lower than the average prices.

✧ Ethylene-based PVC export

The market was firm at early days of last month, then it came to be sluggish, turning point seemed to emerg with international crude oil price falling sharply. In Tianjin port, early bids were turning point and then decreased to USD 1250/tonne FOB. In Qingdao port, bids and deals were both difficult to be done. And impacted by Olympic Game, PVC output has decreased already, giving a support to firm bids. In Shanghai port, at early days, bids stayed at USD 1220/tonne FOB, and then increased to USD 1280-1290/tonne FOB, one deal of 700 tons had been heared at last ten days of last month.

✧ Chinese export & import prices

EXPORT POLYVINYL CHLORIDE

Harbor	Category	ETD	Nomination Range	Conclusion Price Range	
				July	Four weeks ago
Tianjin	E-route	July	$ 1220-1340/mt FOB	$ 1220-1300/mt FOB	$1170-1200/mt FOB
Tianjin	C-route	July	$ 1190-1200/mt FOB	$ 1160/mt FOB	$ 1100-1150/mt FOB
Shanghai	E-route	July	$ 1200-1290/mt FOB	$ 1200-1280/mt FOB	$ 1200/mt FOB
Shanghai	C-route	July	$ 1220-1310/mt FOB	$ 1200-1220/mt FOB	$ 1150-1160/mt FOB
Shanghai	Mixed	July	-	-	-
Qingdao	E-route	July	$ 12470-1255/mt FOB	$ 1240/mt FOB	$ 1170-1220/mt FOB
Qingdao	C-route	July	$ 1300/mt FOB	-	$1150-1160/mt FOB
Frontier Trade	C-route	July	$ 1200-1220/mt DAF	$ 1180-1200/mt DAF	$ 1180-1210/mt DAF

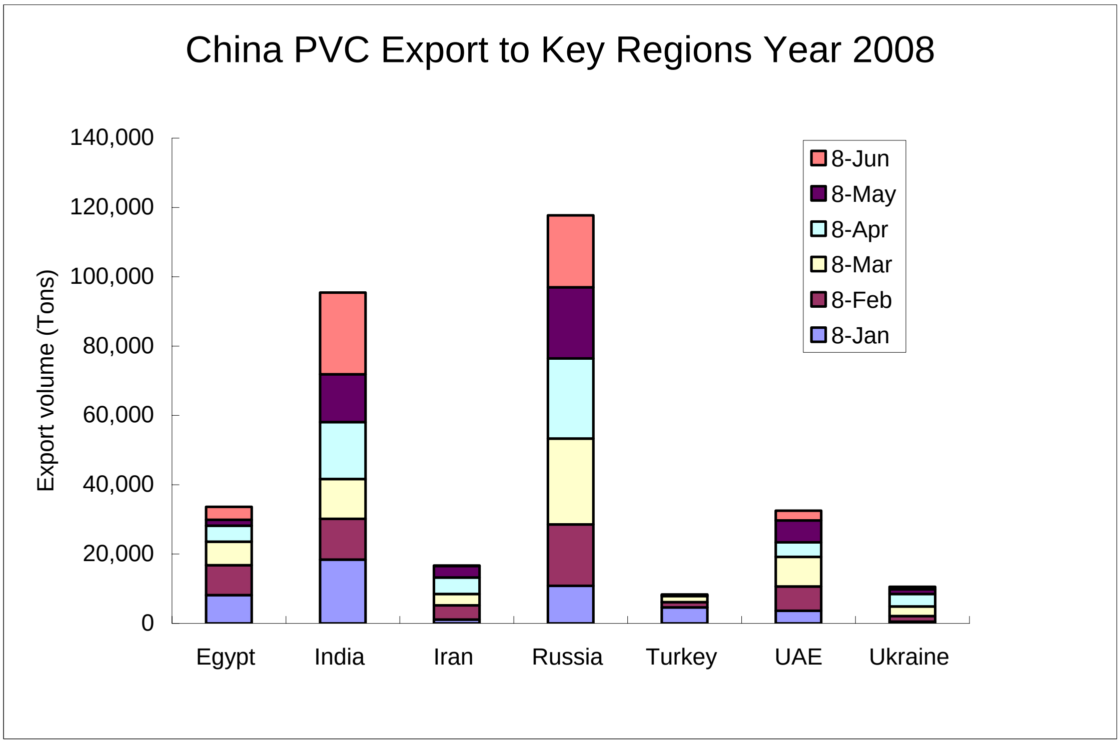
ETD: Estimate Time of Departure

CHINA PVC* EXPORTS

To	June 08 Tons	Average price USD/MT	May 08 Tons	Average price USD/MT
Australia	2,445	1,158	2,620	1,136
Bangladesh	297	1,150	-	-
Bahrain	-	-	363	1,035
Brazil	105	1,082	331	1,054
Cameroon	-	-	26	1,075
Canada	25	1,169	6	2,897
Congo	132	1,170	-	-
Deutschland	18	154	-	-
Ecuador	102	1,169	-	-
Egypt	3,777	1,142	1,686	1,094
Georgia	-	-	306	1,072
Philippines	26	1,200	-	-
France	15	1,092	-	-
Guyana	-	-	170	1,085
Hongkong	254	1,045	223	1,021
India	23,595	1,151	13,800	1,098
Indonesia	2	2,840	-	-
Iran	153	1,154	3,330	1,104
Japan	0.025	2,120	-	-
Jordan	554	1,155	323	1,157
Korea	29	1,427		
Kazakhstan	468	1,204	1,414	1,143
Kenya	642	1,115	1,006	1,103
Kyrgyzstan	150	1,140	126	1,207
Lebanon	102	1,170	-	-
Lithuania	-	-	34	1,112
Mauritius	-	-	134	1,053
Mongolia	120	110	-	-

New Zealand	26	1,079	-	-
Nigeria	330	1,204	-	-
Pakistan	1	4,757	99	1,035
Reunion	51	1,075		
Russia	20,784	1,181	20,523	1,171
S. Korea	1,268	1,122	513	1,088
Sudan	408	1,160	102	1,080
Suriname	51	1,212	15	1,217
Syria	1,233	1,082	396	1,065
Tanzania	271	1,132	-	-
Taiwan	34	1,003		
Tajikistan	60	1,180	60	1,180
Thailand	-	-	75	930
Turkey	-	-	306	1,050
UAE	2,813	1,115	6,285	1,068
United States	-	-	19	1,984
Ukraine	722	1,156	1,378	1,143
Uzbekistan	1,708	1,194	1,981	1,201
Vietnam	7	1,500	3	2,000
Yemen	1,294	1,138	764	1,048
Total	***64,072***		***58,416***	

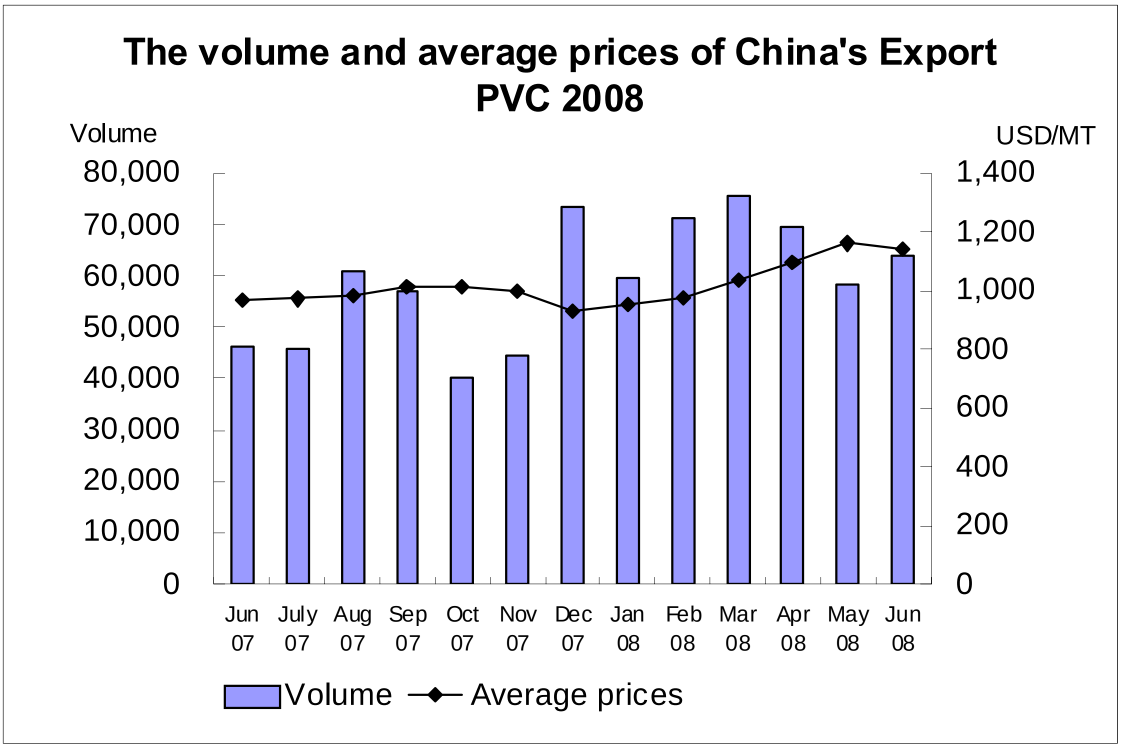
Note: * marked information is pure PVC
All data sourced from CIQ



CHINA PVC* EXPORTS IN JUNE 2008

Trade mode	Volume Tons	Sum USD	Average prices USD/MT
Bonded Warehouse	-	-	-
Bonded Area storage transit trade	982	1119393	1,164
Frontier Small Trade	161	63777	640
Processing Trade	26,775	30795399	1,150
Assembling Trade	50	31680	396
General Trade	36,105	42027052	1,140
Others	-	-	-
Total	***64,071***	***74,037,301***	

Note: * marked information is pure PVC
All data sourced from CIQ



Note: Average prices of Export PVC are calculated from General Trade.

➢ Production news

CHINESE PVC PLANTS OPERATION (UNIT: KMT/YR)

Region	Producer	Operating Rate	PVC Plant Update (unit: kt/yr)
Northeast China	Jinxi Chemical	normal	June, run normally At 5 July maintenance finished and started work
	Siping Haohua	normal	June/July, run normally
	Qihua Chemical	normal	June/July, run normally
North China	Tianjin Chemical	normal	June/July, run normally
	Sinopec Qilu Petrochemical		June, keep at a low operating rate July, run normally
	Qingdao Hygain Chemical	normal	June/July, run normally
	Shandong Bohui	normal	June/July, run normally
	Tangshan Sanyou Chlor-Alkali	normal	June, shut down for maintenance until 1st,July At 7 July maintenance finished and started work
	Hebei Baoshuo	normal	June, run normally Stopped production from 1st August
	Shanxi YuShe Chemical	normal	June/July, run at a low operating rate due to the electricity restriction
	Inner Mongolia Sanlian Chemical	normal	June/July, run normally
	Inner Mongolia Elion Chemical	normal	June/July, run normally
	Henan Heng Tong		9 July, maintenance for about a week;
	He Bei Liang Chen		14 July, maintenance for about a week;
Center China	Haohua Yuhang Chemical	normal	June/July, run normally
	Henan Shenma Chlor-Alkali	normal	May 21, maintenance for about a week; June/July, run normally
	Zhuzhou Chemical	normal	June, running at a low operating rate due to the electricity problems July, run normally
	Hubei Yihua Group	normal	June July, run normally
Northwest China	Ningxia Jinyuyuan Chemical	normal	June July, run normally
	Western Chlor-Alkali	normal	June July, run normally
	Shaanxi Jintai Chlor-Alkali	normal	9 June, maintenance for about one week July, run normally
	Xinjiang Zhongtai Chemical	normal	June, run normally 17 July, maintenance for 5 Days
East China	Shanghai Chlor-Alkali	normal	June July, run normally
	Zhejiang Juhua	normal	June, maintenance until 5, June and restart at 10, June July, run normally
	Jiangdong Chemical	normal	June July, run normally
	Northern Chlor-Alkali	normal	June July, run normally
	Hangzhou Electrochemical	normal	June July, run normally
	Formosa Plastic Ningbo	normal	15 July, maintenance for about one week
	Suzhou Huasu Plastics	normal	June July, run normally
	Xiao shan Lian Fa	normal	3 July, maintenance for 5 days
	Jie Ma Chemical	normal	At 10 July maintenance finished and started work
	Anhui Chlor-Alkali		Stopped production from the end of July
South China	Southeast Electrochemical	normal	June July, run normally
	Nanning Chemical	normal	June July, run normally
Southwest China	Sichuan Jinlu Group	normal	June July, run normally
	Yibin Tianyuan Group		May, earthquake influenced the normal production June July, run normally

PVC EXPANSION (UNIT: KMT/YR)

No	Producer	PVC Capacity			PVC Expansion			
		C-route*	E-route*	Paste	C-route	E-route	Paste	Update
1	Shanxi Yushe Chemical	270			100			June/July, run normally
2	Inner Mongolia Elion Chemical				400			June/July, run normally
3	Ningxia Yinglite Chemicals	30			100			June/July, run normally
5	Tangshan Sanyou Chlor-Alkali	100			100			June, shut down for maintenance until 1,July At 7 July maintenance finished and started work
6	Tianjin Chemical Plant	160		50			60	June/July, run normally
7	Hubei Yihua Chemical	13			120			June/July, run normally
8	Yibin Tianyuan Group	320			180			June/July, run normally
9	Haohua Yuhang Chemical	180			200			June/July, run normally
10	Shandong Haihua Chemical	100			100			June/July, run normally
11	Henan Shenma Chlor-alkali	20			200			May 21, maintenance for about a week June/July, run normally
12	Jilantai Group				200			June/July, run normally
13	Xinjiang Tianye	320			200			June/July, run normally
14	Xinjiang Zhongtai Chemical	300			120			June/July, run normally
15	Jiangdong Chemical	240			100			June/July, run normally

Forecast

trend	supply	demand	Production output
Basically stable	Due to lack of calcium carbide supply and high bids, PVC producers had to reduce outputs, bringing a tight supply.	Downstream producers were basically took negative sentiment to conclude at such a high price.	Reduced

Glossary	
East China	Jiangsu, Jiangxi, Zhejiang, Anhui, Shanghai
North China	Beijing, Tianjin, Hebei, Inner Mongolia, Shanxi, Shangdong
South China	Guangdong, Guangxi, Fujian
Northeast China	Heilongjian Jilin, Liaoning
Southwest China	Sichuan,Chongqing, Yunnan,Guizhou
Center China	Henan, Hubei, Hunan
Northwest China	Shanxi, Qinghai, Gansu, Sinkiang, Ningxia

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