



## NEWS RELEASE

### MEGACHEM ANNOUNCES NET PROFIT AFTER TAX OF S\$2.0 MILLION ON REVENUE OF S\$55.8 MILLION IN H1 2019

- ***Topline and net profit affected by challenging external uncertainties***
- ***Proposes interim dividend of 0.5 cent per share***

**Singapore, 13 August 2019** – Megachem Limited (“Megachem” or the “Company”, and together with its subsidiaries and associated companies, collectively the “Group”), a global one-stop specialty chemical solutions provider, today reported a revenue of S\$55.8 million and net profit after tax of S\$2.0 million for the half year ended 30 June 2019 (“H1 2019”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group commented, “The chemical industry is closely tied to the global economy, and the business environment these six months has been challenging, plagued by trade tensions, fading business confidence and financial market fragility.”

“While our growth remained muted for the period, we have maintained financial discipline to ensure our balance sheet remain sound as well as streamlining our operational processes,” Mr Chew added.

## **Performance Review**

In the first half of 2019, Megachem achieved sales of S\$55.8 million, a decline of 5.5% as compared to S\$59.0 million in the six months ended 30 June 2018 (“H1 2018”), as a result of the lower contributions from both business segments which were impacted by the challenging external uncertainties. The Distribution segment recorded a decline of 5.5% year-on-year to S\$54.1 million for H1 2019, due mainly to waning business confidence amongst customers and softer prices. Separately, the Manufacturing segment recorded a lower turnover decline of 4.2% year-on-year to S\$1.7 million in H1 2019 due to weaker market conditions.

In terms of geographical segment, sales to Europe and Middle East expanded 27.6% and 17.1% respectively. In line with the Company’s plans to focus on Asia, the ASEAN market continues to be the biggest contributor to the topline at S\$36.6 million. With the exception of Europe and Middle East, most of the markets recorded lower sales in H1 2019 as compared to H1 2018. Sales to the ASEAN, North Asia, South Asia, Australia and the US markets declined 4.1%, 18.2%, 8.6%, 39.1% and 77.7% respectively.

The Group recorded a year-on-year decrease in other income by S\$0.14 million due to lower fair value gain from forward exchange contracts, lower grant income and lower gain on disposal of plant and equipment, which was partially offset by higher interest income and higher bad debt recovered.

The Group’s share of profit of associated companies for H1 2019 increased by S\$0.1 million year-on-year due to profit contribution from its recently acquired chemical distribution business in Thailand.

Total operating expenses (excluding finance costs) decreased 4.8% or S\$0.6 million in H1 2019 as compared to H1 2018, due mainly to lower net foreign exchange loss and the absence of fair value loss on listed equity. The Group had adopted SFRS(I) 16 since the start of 2019, which require the recognition of right-of-use assets for operating lease arrangements. Correspondingly, depreciation of right-of-use assets of S\$0.2 million was recorded in 1H 2019.

Consequently, net profit after tax declined 16.0% to S\$2.0 million, from S\$2.4 million over the same comparative periods.

The balance sheet remained sound in the period under review, with an increase in cash and bank balances to S\$13.1 million as at 30 June 2019. Gearing ratio remained healthy at 0.44 time, a slight increase from 0.41 time as at 31 December 2018, in line with higher total borrowings to finance inventory purchases.

Earnings per share for H1 2019 stood at 1.44 cents, a 15.3% decrease from the earnings per share of 1.70 cents in H1 2018. Net asset value per share increased to 36.11 cents as at 30 June 2019, from 35.38 cents as at 31 December 2018.

### **Proposed Dividend**

The Board of Directors is pleased to recommend an interim dividend of 0.5 cent per share, which will be paid on 12 September 2019, in appreciation of the support from our valued shareholders of Megachem all these years.

## **Outlook**

Looking ahead, external uncertainties are expected to continue to pose a threat to the Group's growth momentum, with trade tensions intensifying and major economies showing signs of lethargy. These risk factors weigh on the prospects for the global economy and the chemical industry. In the same vein, reports on the chemical industry are mostly projecting a dimmer outlook for the second half of the year. As the Group's business is closely tied to the global economy, it expects performance in the second half to mirror the challenging external economic conditions.

Despite the difficult operating business environment to come, the Group is confident of its long-term prospects and is well-positioned to leverage on any opportunities that the future may present. Megachem has a wide customer base in a broad spectrum of industries, which mitigates and diversifies the Group's risk, allowing it to be less susceptible to an economic downturn.

Mr. Chew remarked, "Over the years, Megachem has crafted a solid foundation held up by our operational excellence and strong network of suppliers and customers. Even as the global economy is starting to slow and business confidence wanes, we are confident in our business fundamentals and remain focused on strengthening our tried-and-tested business model."

## **About Megachem Limited**

Established in 1988, Megachem is today a one-stop specialty chemical solutions provider. We provide integrated value-added services including distribution and contract manufacturing of specialty chemicals to meet our customers' requirements.

The Group distributes its products globally through its extensive distribution network in Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam, Myanmar, China, India, Middle East, Australia and the United Kingdom.

Megachem distributes over 1,000 different types and grades of specialty chemicals, with a wide range of applications to an established and diversified base of more than 2,000 industrial customers, comprising mostly well-known multinational companies. The Group serves a wide spectrum of industries including water treatment, construction, oil and gas, food, beverage, flavours, fragrance, pharmaceuticals, polymers, coatings, electronics, rubber and plastics.

To enhance the Group's competitive edge and complement its strength in distribution, Megachem provides integrated services such as the contract manufacturing of specialty chemicals and other ancillary services for its customers.

For more information, please visit [www.megachem.com.sg](http://www.megachem.com.sg).

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*This press release has been prepared by the Company and the contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange").*

*This press release has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made or reports contained in this press release.*

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