



NEWS RELEASE

MEGACHEM ACHIEVES 14.8% GROWTH IN REVENUE TO S\$59.0 MILLION IN 1H 2018

- *Asia market sees significant topline growth, with commendable performance by other key markets*
- *Net profit improves 8.9% to S\$2.4 million*
- *Proposes interim dividend of 0.7 cent per share*
- *Continues to strengthen market position in Thailand with acquisition of business of CMJ, a Thai importer and distributor of chemical products*

Singapore, 10 August 2018 – 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 14.8% increase in revenue to S\$59.0 million, from S\$51.4 million in the previous corresponding period (“1H 2017”). Correspondingly, net profit after tax improved by 8.9% to S\$2.4 million, from S\$2.2 million over the same comparative period.

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group commented, “We are pleased to have achieved another set of strong sales performance, underpinned by robust chemical demand witnessed particularly in the North Asian and ASEAN market. To tap on higher demand and prices in the chemical industry, we have continued to widen our network of suppliers and customers to expand our market reach. Notably, to further broaden our industry coverage and strengthen our market position in Thailand, we have completed the acquisition of business of C.M.J Anchor Co., Ltd, a Thai importer and distributor of chemical products. This represents an important step forward for us to capitalise on potential business prospects in Thailand.”

Apart from intensifying its marketing efforts, Megachem continues to be at the forefront of exemplary corporate governance practices. It was accorded the Best Managed Board Award (Bronze) – in the “less than \$300 million market capitalisation” category at the 2018 Singapore Corporate Awards (“SCA”). The said accolade bears testament to the Group’s excellence in corporate governance and commitment towards upholding good and diverse board performance.

Additionally, Megachem has received at least one award in ten out of thirteen years, since the launch of the Singapore Corporate Awards in 2005.

Performance Review

In the first half of 2018, Megachem achieved a 14.8% increase in sales to S\$59.0 million as compared to the first half of 2017, underpinned by the robust demand from North Asia and ASEAN, the Group’s core market segments by topline contribution. Sales to the North Asia market grew substantially by S\$3.0 million or 55.4%, while ASEAN markets recorded an increase in sales of S\$3.0 million or 8.5%.

Sales to the Australia and Europe markets also contributed to the sales growth with an increase in sales of 28.6% and 23.5% respectively, on a year-on-year basis. However, sales to the Middle East markets and South Asia markets were relatively flat.

Total operating expenses decreased marginally by S\$0.1 million or 0.8% in 1H 2018 when compared to 1H 2017, mainly due to an allowance for impairment of trade receivables from Venezuela in 1H 2017.

The Group recorded a year-on-year decrease in other income by S\$1.8 million for 1H 2018, primarily due to the absence of the one-time valuation gain of S\$1.8 million arising from the listing of our associated company in the Stock Exchange of Thailand in 1H 2017, and the absence of S\$70,000 fair value gain from listed equity.

In addition, the Group's share of profit of associated companies for 1H 2018 remained relatively flat as compared to 1H 2017.

Notably, excluding the change in fair value of listed equity, one-time valuation gain arising from the listing of the Group's associated company and the allowance for impairment of trade receivables from Venezuela, net profit before tax surged 108.3% or S\$1.7 million.

The balance sheet remains strong, with a healthy gearing ratio of 0.45 time (31 December 2017: 0.37 time). Cash and cash equivalents increased from S\$9.3 million as at 31 December 2017 to S\$10.9 million as at 30 June 2018.

Earnings per share for 1H 2018 stood at 1.7 cents, a 14.9% increase from the earnings per share of 1.48 cents in 2H 2017. Additionally, net asset value per share increased to 34.84 cents as at 30 June 2018, from 33.47 cents as at 31 December 2017.

Proposed Dividend

As part of Megachem's efforts to reward shareholders and in appreciation of their unwavering support, the Board of Directors has recommended an interim dividend of 0.7 cent per share, which will be paid on 12 September 2018.

Outlook

In the first half of 2018, Megachem witnessed a positive start to the year, as the Company benefited from a favourable business landscape characterised by increased demand and improved prices.

However, heightened market volatility continues to pervade the global macroeconomic landscape – escalating trade tensions, rising interest rates, China's economic transition, fragile Euro zone and unstable financial markets. While the International Monetary Fund ("IMF") projects global economic growth to be positive, the aforementioned factors have contributed to increasing unease in the external environment and may wane global growth.

Mr. Chew remarked, “Amidst the macroeconomic uncertainties plaguing the global economy, Megachem will continue to build resilience by improving our operational excellence and strengthening our risk management capabilities. Leveraging our strong network of suppliers and customers, we will continue to grow our business across a wide spectrum of our market segments, and capitalise on growth opportunities in Asia’s chemical demand, which has outpaced other regions.”

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, Shanghai, Beijing, Vietnam, 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.

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