



NEWS RELEASE

MEGACHEM ACHIEVES 9% GROWTH IN SALES TO A RECORD S\$117.9 MILLION IN FY2018

- *Net profit after tax up 1.9% to S\$4.3 million, led by broad based growth across major markets as well as in both distribution and manufacturing segment*
- *Broadens footprint in Asia with a presence in Myanmar and an acquisition of a chemical distributor in Thailand in 2018*
- *Healthy balance sheet with sound liquidity and low gearing of 0.41 time*
- *Proposes final dividend of 0.8 cent per share, translating to total dividends of 1.5 cents per share for FY2018, representing payout ratio of 49.0%*
- *Enhances products centricity and fosters stronger relations with suppliers and customers to power next wave of growth*

Singapore, 21 February 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, is pleased to announce a 9.0% growth in revenue to a record S\$117.9 million for the full year ended 31 December 2018 (“FY2018”). Correspondingly, the Group recorded a 10.7% increase in gross profit to S\$29.4 million and a 1.9% in net profit after tax to S\$4.3 million for FY2018.

Executive Chairman and Managing Director of the Group, Mr. Sidney Chew, said: “We are heartened to celebrate our 30th anniversary with a solid set of financial performance, achieving record sales, despite the challenging operating environment marked by trade tensions, financial markets fragility and fear of a global economic growth stagnation. This was achieved on improvements in our Group’s distribution and manufacturing activities as well as board-based growth across most major markets, led by the North Asian, ASEAN and European markets. This underscores the robustness of our strategy and the soundness of our business model.”

“We are also pleased to have successfully completed the acquisition of C.M.J. Anchor Co., Ltd, a chemical distributor in Thailand, and expanded our global footprint with the establishment of a presence in Myanmar. This brings our presence in Asia to nine markets, which is in line with our strategy to grow our presence in this region, a bright spot for the Group,” added Mr. Chew.

Performance Review

In terms of geographical segments, North Asia, the Group’s second largest market comprising 13.6% of total sales, recorded the fastest growth with an increase in turnover of S\$4.2 million or 35.4% in FY2018. ASEAN, the Group’s largest topline contributor at 64.4%, rose by S\$2.8 million or 3.9%. Europe, the Middle East and Australia also recorded improvements in sales by 21.5%, 10.7% and 10.3% respectively.

Other income decreased by S\$2.1 million to S\$0.4 million in FY2018 from the absence of a one-time valuation gain of S\$1.8 million from the listing of the Group’s associated company on the Stock Exchange of Thailand in FY2017 and fair value gain from the listed equity of S\$0.4 million. The decline was partially offset by higher bad debt recovered, higher grant income and higher fair value gain from foreign exchange contracts.

The Group's share of profit from associated companies held steady at S\$0.8 million year-on-year as the higher profit recorded by the chemical distribution business was offset by higher losses incurred by the natural latex pillow manufacturing business.

Total operating expenses (excluding financial costs) increased marginally by S\$0.3 million to S\$24.5 million in FY2018 from the previous corresponding period ("FY2017"). This was mainly due to the fair value loss on listed equity, higher staff costs, and rental expenses. The increase was partially offset by lower allowance for impairment of trade receivables, which fell by S\$1.0 million or 75.5% largely as a result of the allowance for impairment of receivables from Venezuela made last year.

Net profit before tax of the Group improved by 3.3% to S\$5.4 million in FY2018 on the back of a 10.7% increase in gross profit to S\$29.4 million. However, the increase in gross profit was offset by the absence of a one-time valuation gain from the listing of the associated company recorded in FY2017 and changes in fair value of listed equity.

Excluding the change in fair value of listed equity, one-time valuation gain from the listing of associated company and further adjusting for allowance for impairment of trade receivables from Venezuela, net profit before tax would have increased by S\$1.5 million or 36.3% from last year.

In tandem with the increase in net profit before tax, net profit after tax grew by S\$0.1 million or 1.9% from FY2017.

The Group's balance sheet continued to be robust with an increase in cash and bank balances to S\$12.2 million as at 31 December 2018, from S\$9.3 million as at 31 December 2017. Gearing ratio remained low at 0.41 time as at 31 December 2018, notwithstanding increased total borrowings of S\$2.8 million to finance higher sales.

Earnings per share for FY2018 dipped slightly to 3.06 cents, from 3.18 cents in FY2017. Net asset value per share increased from 33.47 cents as at 31 December 2017 to 35.38 cents as at 31 December 2018.

Proposed Dividend

In appreciation to valued shareholders of Megachem for their continuous support, the Board of Directors is pleased to propose a final dividend of 0.8 cent per share, which will be paid on 24 May 2019, subject to shareholders' approval at the upcoming Annual General Meeting. In addition to the interim dividend of 0.7 cent per share, the collective dividends of 1.5 cents per share for FY2018 represents a payout ratio of 49.0%.

Outlook

Looking ahead, the Group expects to face continued headwinds which may pose a threat to Megachem's growth momentum, including mounting trade tensions between China and United States, rising interest rates, volatility in currency and oil prices and overall poorer growth sentiments. External risk factors may lead to lower demand for chemicals, given the industry's strong correlation with the overall economy.

Despite the aforementioned uncertainties, the future presents many opportunities for Megachem. Supported by its deep expertise within the industry, extensive geographical presence and strong relationship with both suppliers and customers, Megachem is well-positioned to seize any opportunities that the future may present.

Mr Chew commented, "While the operating environment seems challenging, we remain confident in the resilience of our business that is backed by our strong network of supplier and customer relationships. Our strategy of providing value added solution through custom-blending services will also be further intensified. We believe that these factors are the key to our continued growth, and we will persist at further strengthening the platform for the next wave of growth."

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, China, Vietnam, Myanmar, 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, metal finishing, 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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