



## NEWS RELEASE

### MEGACHEM'S HALF YEAR RESULTS SET NEW RECORDS

- *Record sales and net profit for half-year results*
- *244.9% surge in net profit after tax to S\$2.8 million*
- *1HFY2010 net profit after tax exceeds FY2009*
- *41.7% increase in sales to S\$45.2 million*
- *ROE increases from 5.0% in 1HFY2009 to 15.1% in 1HFY2010*
- *Earnings per share increases by 237.3% to 1.99 cents*
- *Gearing remains low at 0.28*
- *Healthy cash and bank balances of S\$6.3 million*
- *Proposes interim dividend of 0.5 cents*

S\$'million	1HFY2010	2HFY2009	1HFY2009	1HFY2010 vs 1HFY2009	Change (%)	1HFY2010 vs 2HFY2009	Change (%)
Revenue (S\$'mil)	45.2	38.7	31.9	13.3	+41.7	6.5	+16.7
Gross Profit (S\$'mil)	9.8	8.5	6.8	3.0	+44.6	1.3	+15.2
Gross Profit Margin (%)	21.7	22.0	21.3	+0.4 % points	-	-0.3 % points	-
Net Profit After Tax (S\$'mil)	2.8	1.9	0.8	2.0	+244.9	0.9	+49.2
Earnings per share (S\$ cents)	1.99	1.39	0.59	1.4	+237.3	0.6	+43.2
ROE (%)	15.1	11.1	5.0	+10.1 % points	-	+4.0 % points	-

**Singapore, August 6, 2010 – MegaChem Limited** (“MegaChem” or the “Group”), a global one-stop specialty chemical solutions provider, today reported a 244.9% surge in net profit after tax (“NPAT”) from S\$0.8 million in the half year ended June 30, 2009 (“1HFY2009”) to S\$2.8 million for the half year ended June 30, 2010 (“1HFY2010”). This figure is a record for half-year NPAT for the Group and notably, exceeded NPAT for the full year ended December 31, 2009 (“FY2009”) of S\$2.7 million. This was achieved on a 41.7% increase in revenue from S\$31.9 million to S\$45.2 million in 1HFY2010, as compared to the same corresponding period in 2009. This figure also marked a new record of half-year sales for the Group.

Mr Sidney Chew, Executive Chairman and Managing Director, commented on the outstanding set of results for the half-year, “I am pleased to report MegaChem’s record results for the half year, both in terms in revenue and profits. We saw higher growth across majority of our market segments and manufacturing activity returning to pre-crisis levels. This sterling set of results is a testament to the strong relationships we share with our clients, as well as success in building global networks across diversified industries in the market. With the sales growth gaining momentum, I believe that we are on track for record full-year sales.”

### **Performance Review**

At S\$45.2 million for 1HFY2010, the bulk of the Group’s sales came from the ASEAN region comprising 71.1%, followed by North Asia at 7.7%. Sales for the ASEAN region, the Group’s largest market segment grew 43.8% year-on-year. Coupled with a vibrant market and intensified efforts to grow the business in China, the Group’s North Asia market segment also recorded strong growth for 1HFY2010.

As a result of markedly higher sales, gross profit increased by S\$3.0 million or 44.6% year-on-year. In addition, MegaChem’s gross profit margin for the first half of 2010 remained relatively stable at 21.7% as compared to both the first and second half of 2009.

In line with the increase in revenue, the Group's NPAT for 1HFY2010 came in at S\$2.8 million. This marks a remarkable 244.9% increase from S\$0.8 million in 1HFY2009, and a 49.2% increase from S\$1.9 million for the second half of the year ended December 31, 2009 ("2HFY2009"). Net profit attributable to equity holders of the company likewise more than tripled to S\$2.7 million from S\$0.8 million year-on-year, matching FY2009 results. As compared to 2HFY2009, the increase was considerable at S\$0.8 million or 43.4%.

In anticipation of tight supply for the remaining half of the year, inventory purchases were more aggressive in the second quarter of 2010. This led to increase in trade and other payables and borrowings from S\$8.8 million and S\$6.8 million as at December 31, 2009 to S\$10.7 million and S\$9.9 million as at June 30, 2010 respectively. Despite this, gearing ratio remains low at 0.28.

In line with the improved business of the Group, operating expenses increased by 15.7% to S\$7.1 million for the first half of 2010. The increase in operating expenses was noted in advertising and entertainment, travelling and transport charges and employee remuneration, directly related to the pick-up in business activities as well as better performance. Correspondingly, higher inventory holdings in the light of anticipated demand, also led to the increase in rental expenses.

The higher sales, marginal increase in gross profit margin and higher contribution from the Group's associate contributed to the higher profit for the first half results. As a result, the Group's Return on Equity ("ROE") improved from 5.0% in 1HFY2009 and 11.1% in 2HFY2009, to 15.1% in 1HFY2010. The Group's earnings per share also increased by 237.3% to 1.99 cents year-on-year and 43.2% compared to 2HFY2009.

The Group's balance sheet remains healthy with cash and bank balances of S\$6.3 million, sound liquidity and low gearing.

## **Proposing Interim Dividend**

To reward shareholders' for their loyalty to MegaChem, the Group intends to pay out an interim dividend for the financial period ended June 30, 2010 at 0.5 cents per share. This represents a dividend payout of 25.1% and in line with its financial performance, the Group hopes to continue to provide a better total return to its valued shareholders.

## **Outlook**

Commenting on the market outlook, Mr Chew said, "Our key risks are found in the market conditions that others also face, namely the volatile raw materials market, oil price, continuing financial and debt crisis in Europe amongst others. General market consensus suggests moderation in the pace of economic growth and we anticipate chemical demand and prices to track the economic growth."

"Our strategic initiatives over the last few years such as the expansion of our geographical network, development of regional relationships and the integration of value-added services into our business model, will enable us to accelerate our growth in the near future and in the coming years. We will seek out opportunities to implement our strategy and focus on improving business activities in order to better service our clients and partners. Our strategy includes a consistent process of improving our market portfolio, creating a platform for broad-based market growth across the diversified industries that we serve, a keen focus on key growth markets as well as to continue to leverage on MegaChem's wide network of relationships in the global sphere. Although there remain risks with regard to a self-sustaining upturn in the global economy, we expect full year results for 2010 to improve considerably over 2009 and believe that our growth will outpace that of the general market," Mr Chew added.

## **About MegaChem Limited**

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

The Group's global distribution network today comprises distribution points in Singapore, Malaysia, Indonesia, Thailand, the Philippines, Shanghai, Beijing, Vietnam, India, Middle-east and the United Kingdom covering markets in ASEAN, South Asia, North Asia, Middle East, Europe, America and Australia.

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 1,500 industrial customers, comprising mostly well-known multinational companies. The Group serves a wide spectrum of industries including water treatment, construction, oil and gas, food, 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 auxiliary services for its customers.

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

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