



## MEGACHEM'S 1HFY2011 RESULTS SET NEW RECORDS

- Sales increases 26.7% to a record S\$57.3 million
- Net profit after tax increases 8.0% to a record of S\$3.0 million
- Interim dividend of 0.3 cents per share

S\$'million	1HFY2011	2HFY2010	1HFY2010	1HFY2011 vs 1HFY2010	Change (%)	1HFY2011 vs 2HFY2010	Change (%)
Sales (S\$'mil)	57.3	49.8	45.2	12.1	+26.7	7.5	+15.0
Gross Profit (S\$'mil)	11.6	9.9	9.8	1.8	+18.6	1.7	+17.6
Gross Profit Margin (%)	20.3	19.9	21.7	(1.4) % points	n.a.	0.4 % points	n.a.
Net Profit After Tax (S\$'mil)	3.0	2.0	2.8	0.2	+8.0	1.0	+51.8
Earnings per share (S\$ cents)	2.23	1.48	1.99	0.24	+12.1	0.75	+50.7
ROE (%)	15.8	10.9	15.1	+0.7 % points	n.a.	+4.9 % points	n.a.

**Singapore, 11 August 2011 – 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 record sales of S\$57.3 million for the half year ended 30 June 2011 (“1HFY2011”), a 26.7% increase from the half year ended 30 June 2010 (“1HFY2010”).

Correspondingly, net profit after tax rose by 8.0% to \$3.0 million, from S\$2.8 million in the previous corresponding period.

Mr Sidney Chew, Executive Chairman and Managing Director, commented on the outstanding set of results for the half year ended 30 June 2011, "We are very pleased to announce another record setting half year. We registered strong growth across almost all our markets and sales from manufacturing activities surged to a record high on the back of higher demand for our custom-blending services. Leveraging on our well-established global distribution network, we continue to build on the strong relationships we share with our clients. Megachem is poised to enter a new phase of growth as we expand our custom-blending capacity. With the new production facility expected to come on line in early part of financial year 2012, this will be a platform for growth which will propel the Group's future expansion."

### **Performance Review**

The ASEAN region, which recorded S\$37.4 million in sales, remains the Group's core contributor, accounting for 65.3% of Group sales. The Group's second largest market, North Asia, registered the highest year-on-year growth rate of 91.4%, with 1HFY2011 sales of S\$6.7 million, compared to S\$3.5 million in 1HFY2010. North and South America generated S\$3.4 million in sales, accounting for 5.9% of Group sales. This was 69.7% higher than the previous corresponding period.

In line with the strong growth in revenue, gross profit increased by 18.6% to S\$11.6 million for 1HFY2011. Gross profit margins dipped slightly by 1.4% points to 20.3% due to the higher contribution from the relatively more competitive markets such as China and India.

Net profit before tax increased 8.9% year-on-year to S\$3.8 million for 1HFY2011 as compared to the corresponding period. Net profit attributable to shareholders rose 11.7% to S\$3.0 million, the highest achieved by the Group so far.

In view of higher sales and a tight supply situation in Japan, one of the Group's main supply regions, following the natural disasters earlier this year, inventory purchases were more aggressive in the first half of 2011. Coupled with higher raw material prices, inventory increased from S\$18.2 million as at 31 December 2010 to S\$21.4 million as at 30 June 2011. In tandem with the higher operating activities, distribution costs, administrative expenses and other operating expenses were all higher. Financing for the increased operating activities came mainly from higher borrowings which increased from S\$9.7 million as at 31 December 2010 to S\$14.7 million as at 30 June 2011. Thus, gearing ratio increased to 0.39, from 0.27 as at 31 December 2010.

Net asset value per share increased from 27.07 cents as at 31 December 2010 to 28.10 cents as at 30 June 2011 primarily due to the better results for 1HFY2011, offset by higher unfavourable currency translation reserves due mainly to the weakening of the Thai Baht and the Malaysian Ringgit against Singapore Dollar.

The Group's Return on Equity ("ROE") improved from 15.1% in 1HFY2010 to 15.8% in 1HFY2011. Earnings per share also increased by 12.1% year-on-year to 2.23 cents.

The Group's balance sheet remains healthy with good liquidity and low gearing.

## **Outlook**

Mr Chew said, "In May 2011, we announced the acquisition of a factory in order to expand our custom-blending capacity. We have been building the Group's custom-blending business over the years and this acquisition will escalate this business to a new level, further reinforcing Megachem's business model. This is an investment for future growth as it will enable us to expand our production facilities. The new production facility is expected to be up and running in the early part of financial year 2012."

Commenting on the market outlook, Mr Chew said, “The optimism regarding economic growth seems to be waning as we move into the second half of financial year 2011. Slowing growth in demand for chemicals and softening prices in recent months underscore this point. Looking at the broader picture, several concerns about the global economy, including the sluggish US labor market as well as the US and Euro debt issues, continue to cloud the outlook going forward. Despite all these uncertainties, Megachem’s fundamentals remain strong. The Group has built a robust business model, developed extensive global distribution networks and continues to build on strong relationships with suppliers and customers. With our competitive advantages, backed by a strong financial position, we are confident that we can navigate through this period of uncertainty.”

## **Dividend**

“To reward shareholders continued confidence in us, the Board has approved an interim dividend of 0.3 cents per share for the financial period ended 30 June 2011.”

## **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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This announcement has been prepared by the Company and the contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this announcement.

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

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