



MegaChem Limited

Results Presentation
Half Year Ended 30 June 2011

1H 2011 Industry Overview

1H 11

Economy continued its recovery



**Mar
2011**

Japan Disaster : Supply Shortage & Price Increase



**June
2011**

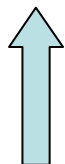
Supply begin to normalise. Prices softened

Financial Performance



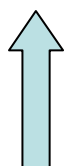
Inspiring
Performance

Financial Highlights



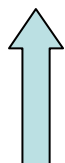
Record Half-Yearly Sales

* Sales S\$57.3 mil



Record Half-yearly Profit

* NPAT S\$3.0 mil



Record Half-yearly Earnings per share

* EPS : 2.23 cents

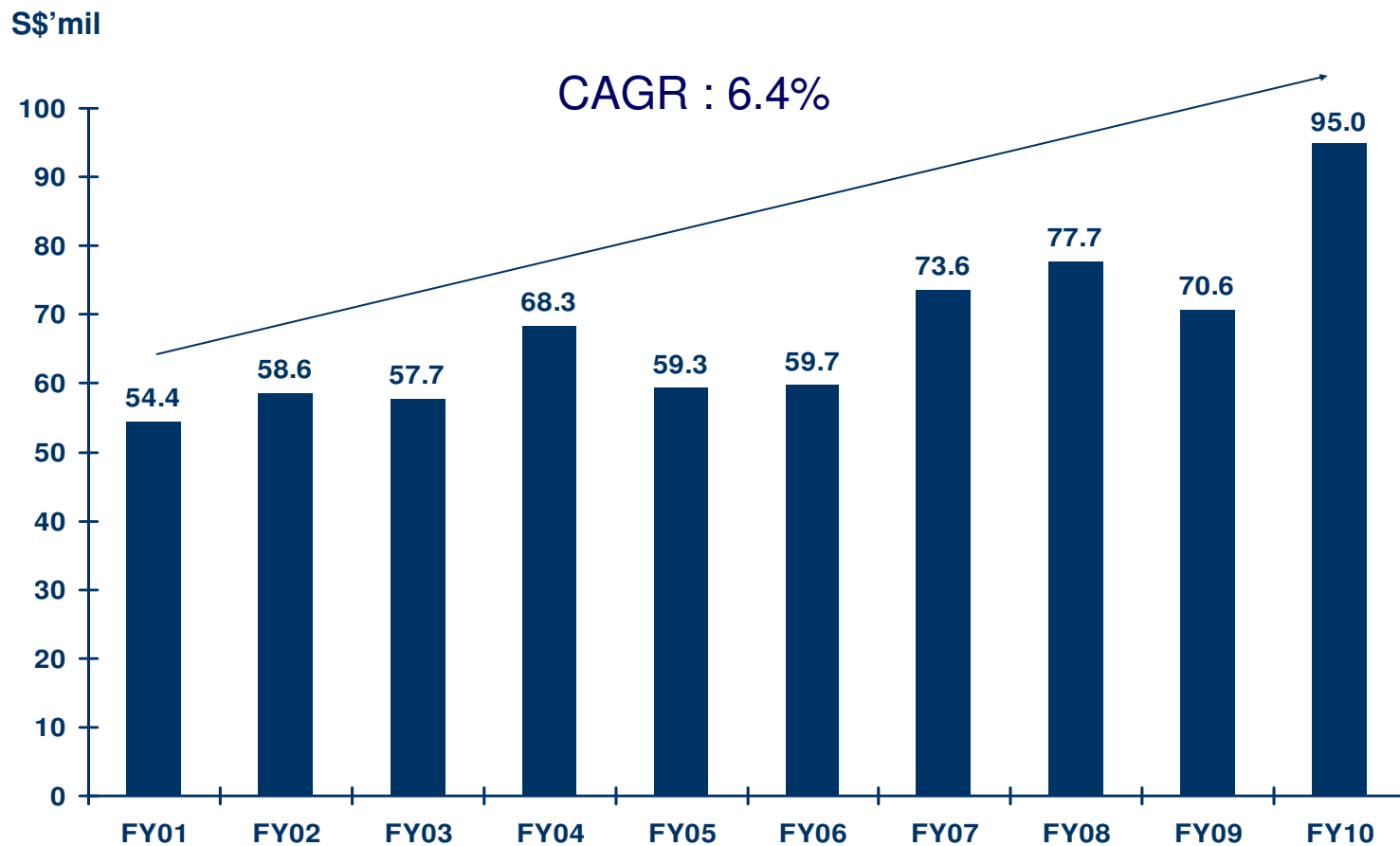
P&L Highlights

S\$'mil	1H 10	1H 11	Var Fav/(Unfav)	Var %
Sales	45.2	57.3	12.1	26.7
Gross Profit	9.8	11.6	1.8	18.6
Gross Profit Margin %	21.7	20.3	(1.4% pts)	-
Expenses	7.1	8.4	(1.3)	(18.2)
Other Income	0.39	0.05	(0.34)	(87.4)
Share of Assoc Profit	0.46	0.58	0.12	26.3
NPBT	3.5	3.8	0.3	8.9
NPAT	2.8	3.0	0.2	8.0
ROE %	15.1	15.8	0.7% pts	
EPS(cents)	1.99	2.23	0.24	12.1%

P&L Highlights

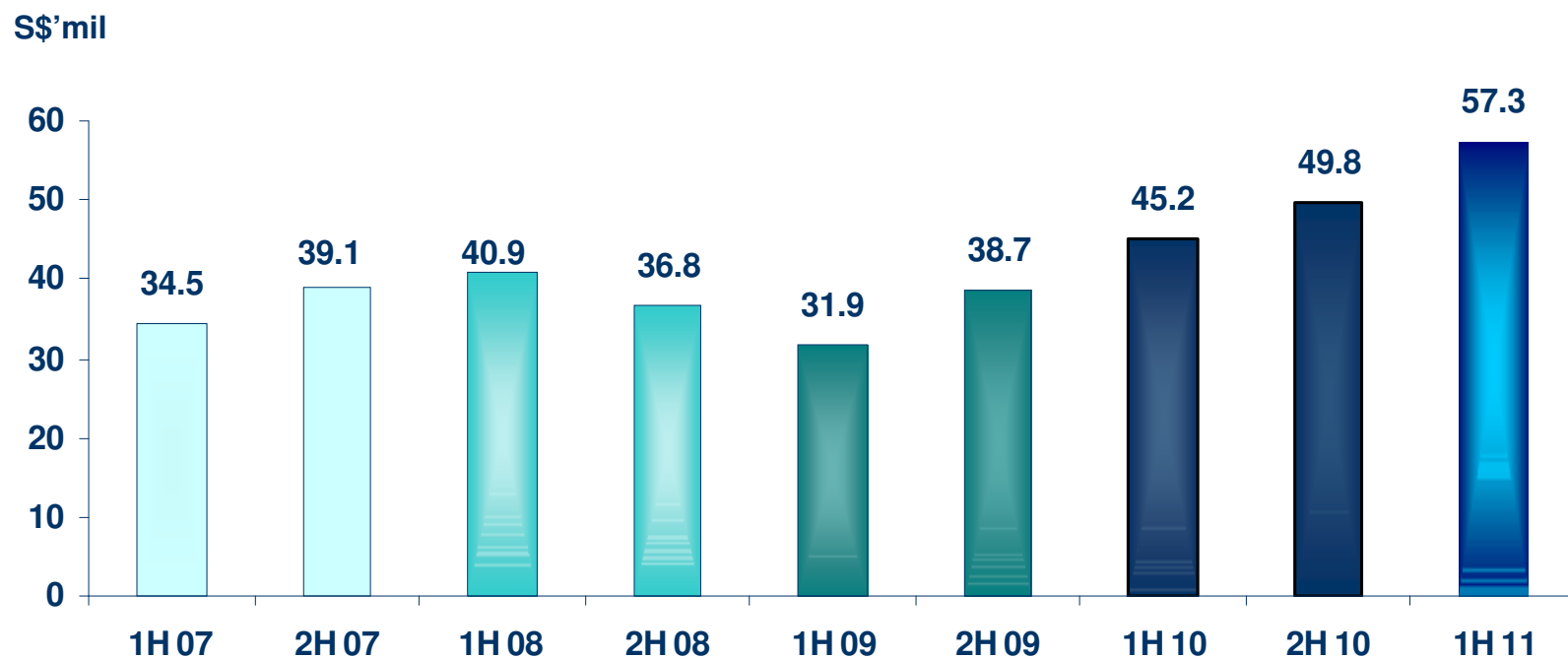
S\$'mil	2H 10	1H 11	Var Fav/(Unfav)	Var %
Sales	49.8	57.3	7.5	15.0
Gross Profit	9.9	11.6	1.7	17.6
Gross Profit Margin %	19.9	20.3	0.4	-
Expenses	8.0	8.4	(0.4)	(5.7)
Other Income	0.09	0.05	(0.04)	(42.7)
Share of Assoc Profit	0.64	0.58	(0.06)	(8.9)
NPBT	2.6	3.8	1.2	45.5
NPAT	2.0	3.0	1.0	51.8%
ROE %	10.9	15.8	4.9% pts	
EPS(cents)	1.48	2.23	0.75	50.7%

Sales



1H sales growth higher than CAGR over last 10 years.

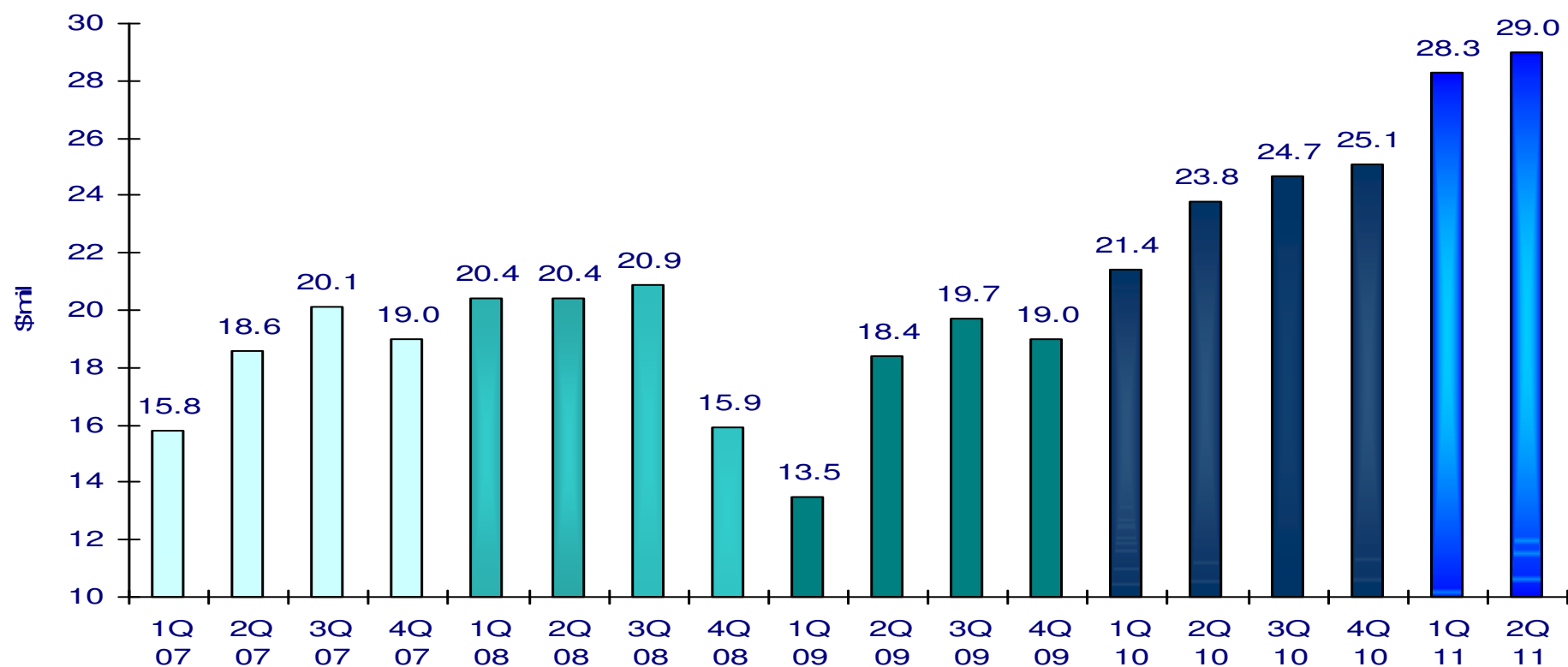
Sales



4 consecutive half-yearly sales growth

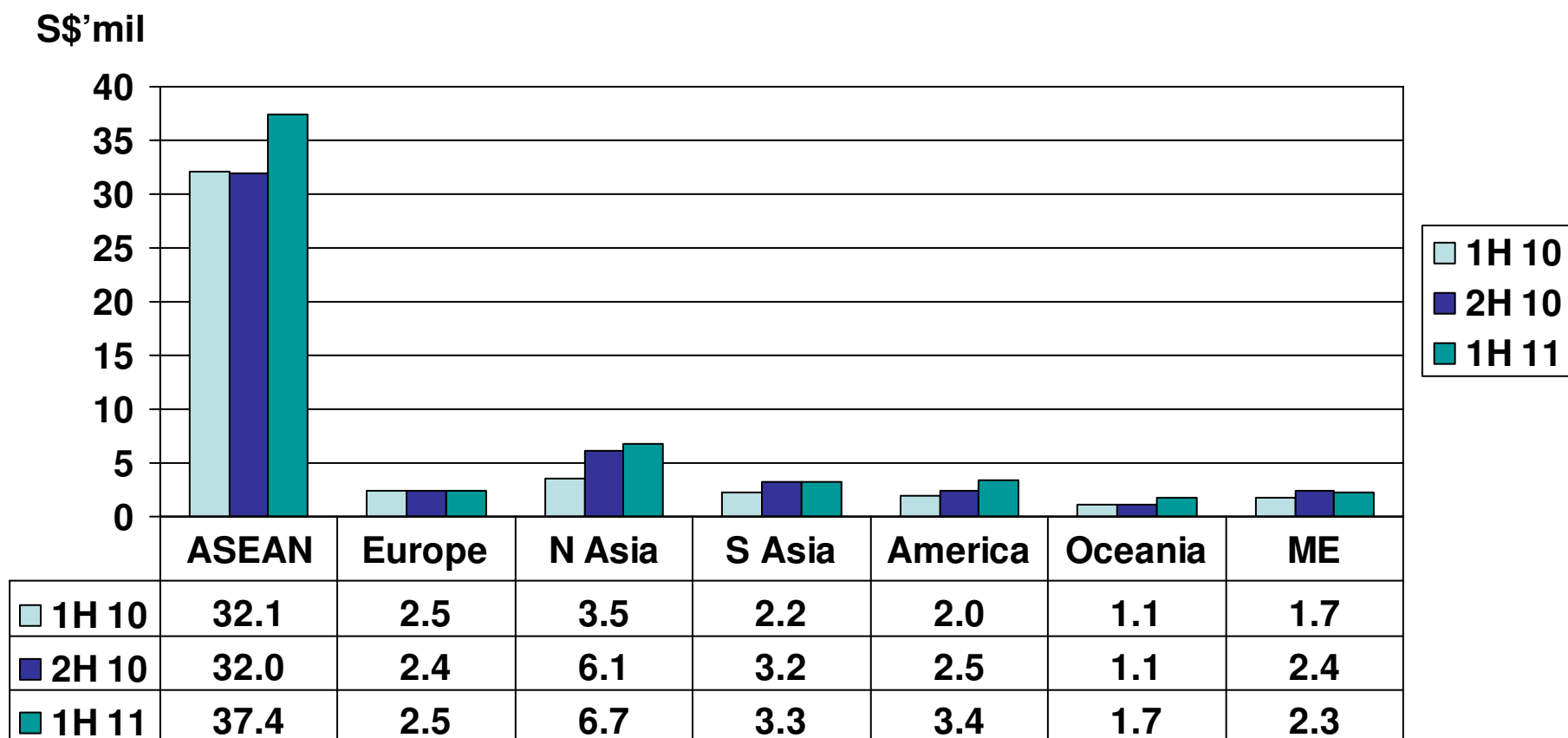
Record sales in 1H 11

Sales



Consecutive Quarterly Sales Growth since 4Q 09

Sales by Geographic markets

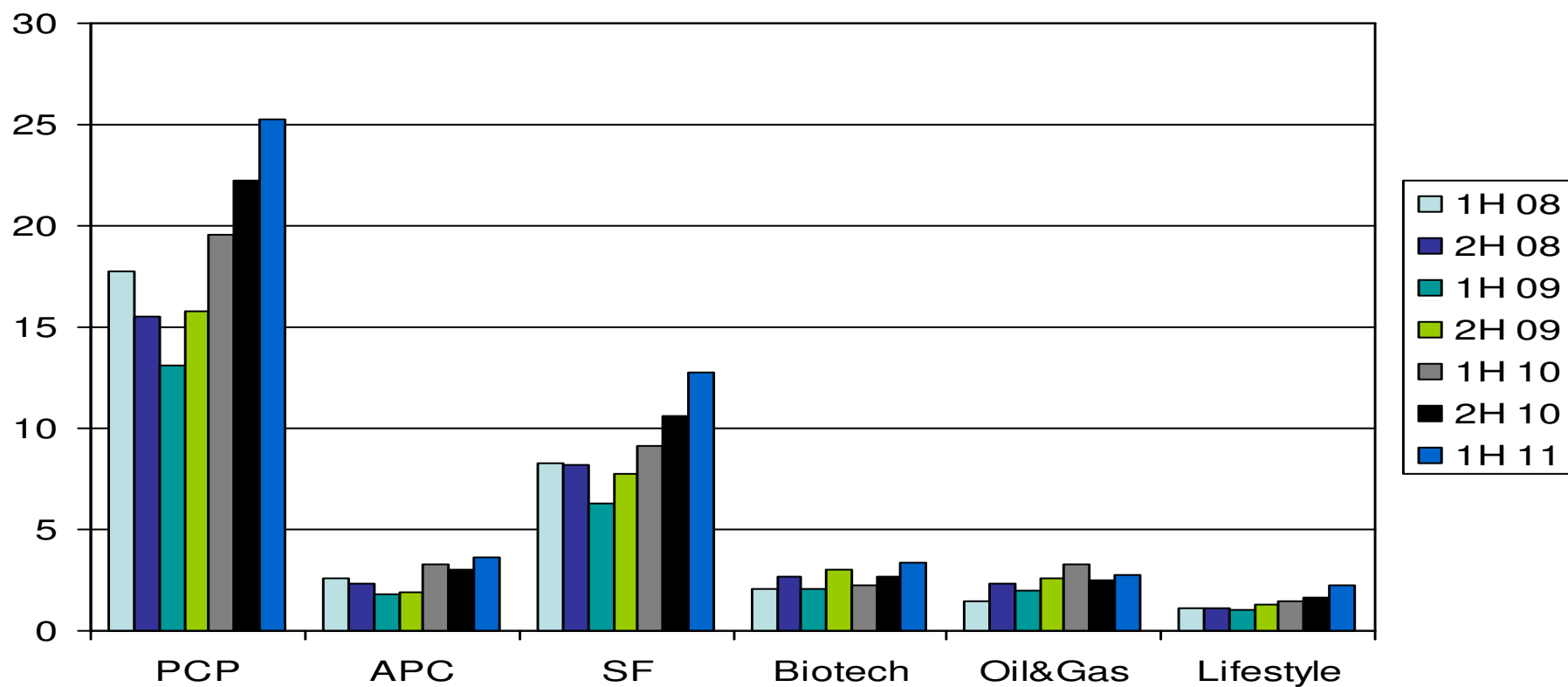


1H 11 vs 2H 10 : growth driven largely by ASEAN

1H 11 vs 1H 10 : growth across all regions except Europe

Sales by Industry

S\$'mil



Growth across all industry groupings

PCP:Performance Coatings & Polymer

APC:Advanced Polymer Composites

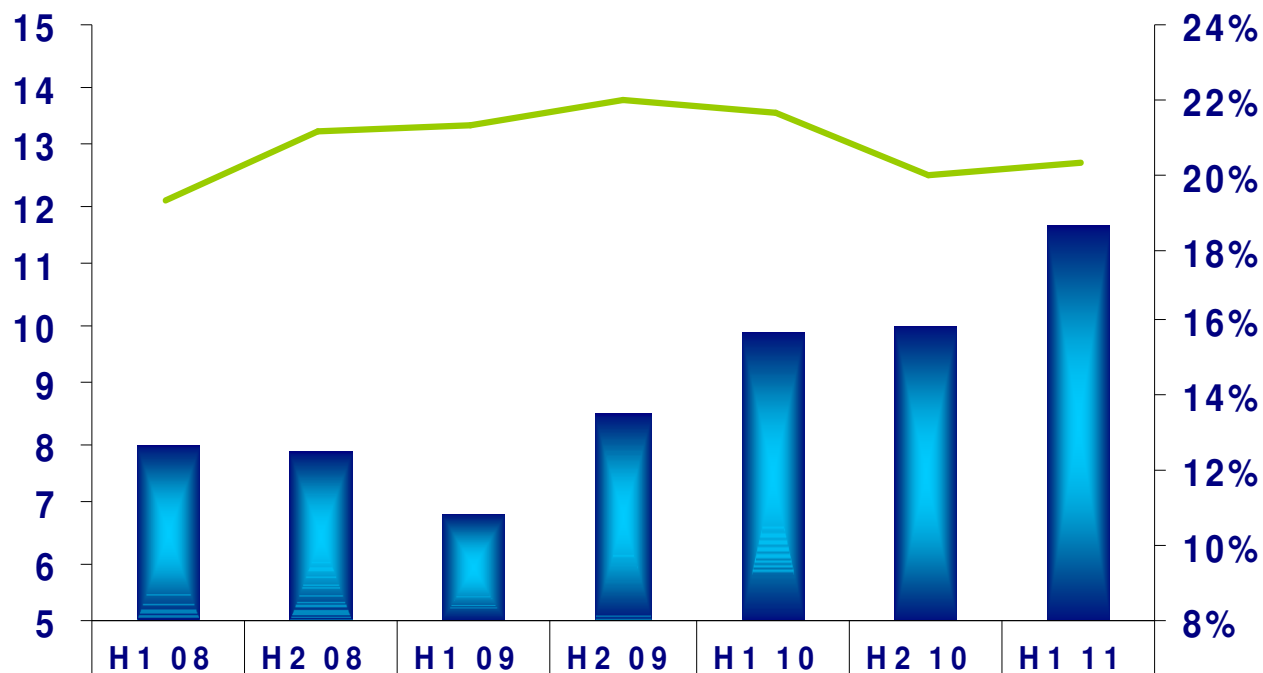
SF:Surface Technology



No Boundaries Only Possibilities



Gross Profit

S\$'mil



 Gross Profit	H1 08	H2 08	H1 09	H2 09	H1 10	H2 10	H1 11
	7.9	7.8	6.8	8.5	9.8	9.9	11.6
 GP Margin	19.3%	21.2%	21.3%	22.0%	21.7%	19.9%	20.3%

Lower Gross Profit margin in 2H 20 and 1H 11 due to change in market mix.

Expenses

Total expenses increased S\$1.3 mil or 18.2% to S\$8.4 mil.

S\$'000	1H 10	1H 11	Var	Var %
Staff Cost	4,179	4,800	621	14.9%
Depreciation	293	343	50	17.2%
FX *	-	149	149	100%
Professional Fees	267	211	(56)	(21.0%)
Rental	663	801	138	20.9%
Travelling & Transport	272	411	139	50.9%
Total Expenses	7,141	8,440	1,299	18.2%

* FX gain of \$125,000 in 1H 2010

Expenses

Total expenses increased S\$0.45 mil or 5.7% compared to 2H 10.

S\$'000	2H 10	1H 11	Var	Var %
Staff Cost	4,202	4,800	598	14.3%
Depreciation	341	343	2	0.6%
FX	370	149	(221)	(59.7%)
Professional Fees	347	211	(136)	(39.2%)
Rental	768	801	33	4.3%
Travelling & Transport	440	411	(29)	(6.6%)
Total Expenses	7,988	8,440	452	5.7%

Expenses

Expenses/Sales to cap at 15%

S\$'000	H1 2010	% of Sales	H1 2011	% of Sales
Staff Cost	4,179	9.2%	4,800	8.4%
Depreciation	293	0.6%	343	0.6%
Interest Expense	42	0.09%	139	0.2%
Rental	663	1.5%	801	1.4%
Travelling & Transport	272	0.6%	411	0.7%
Total Expenses	7,140	15.8%	8,440	14.7%

Other Income

Other Income decreased S\$338,000 or 87.4%.

S\$'000	1H 10	1H 11	Var	Var %
Bad Debt Recovered	138	12	(126)	(91.3%)
Grant Income	49	2	(47)	(96.7%)
FX Gain*	125	-	(125)	(100%)
Total Other Income	387	49	(338)	(87.4%)

* 1H 2011 : FX Loss S\$149,000

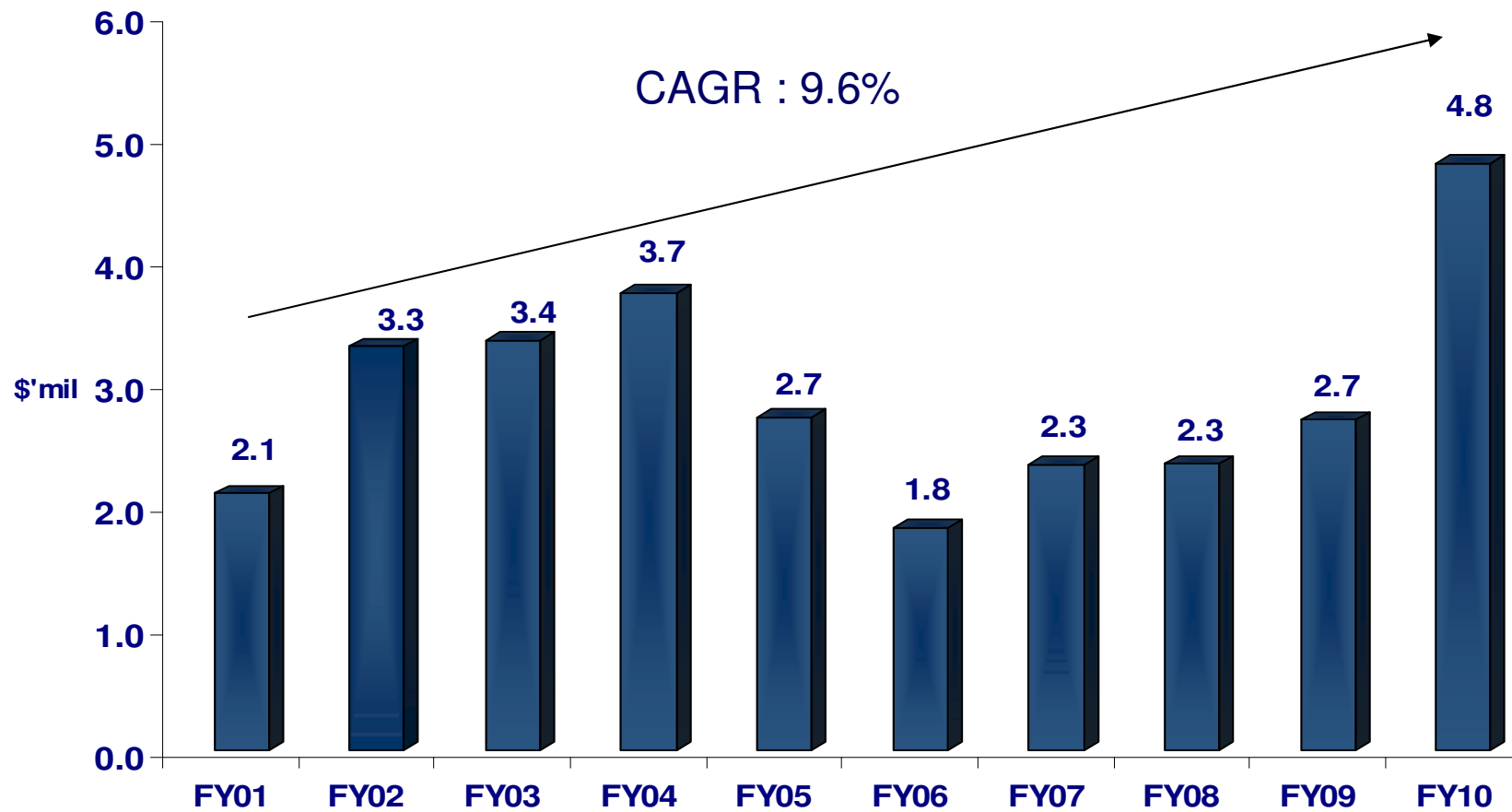
Other Income

Other Income decreased S\$36,000 or 42.4% compared to 2H 10.

S\$'000	2H 10	1H 11	Var	Var %
Bad Debt Recovered	120	12	(108)	(90.0%)
Grant Income	41	2	(39)	(95.1%)
FX Gain reversal*	(125)	-	125	100.0%
Total Other Income	85	49	(36)	(42.4%)

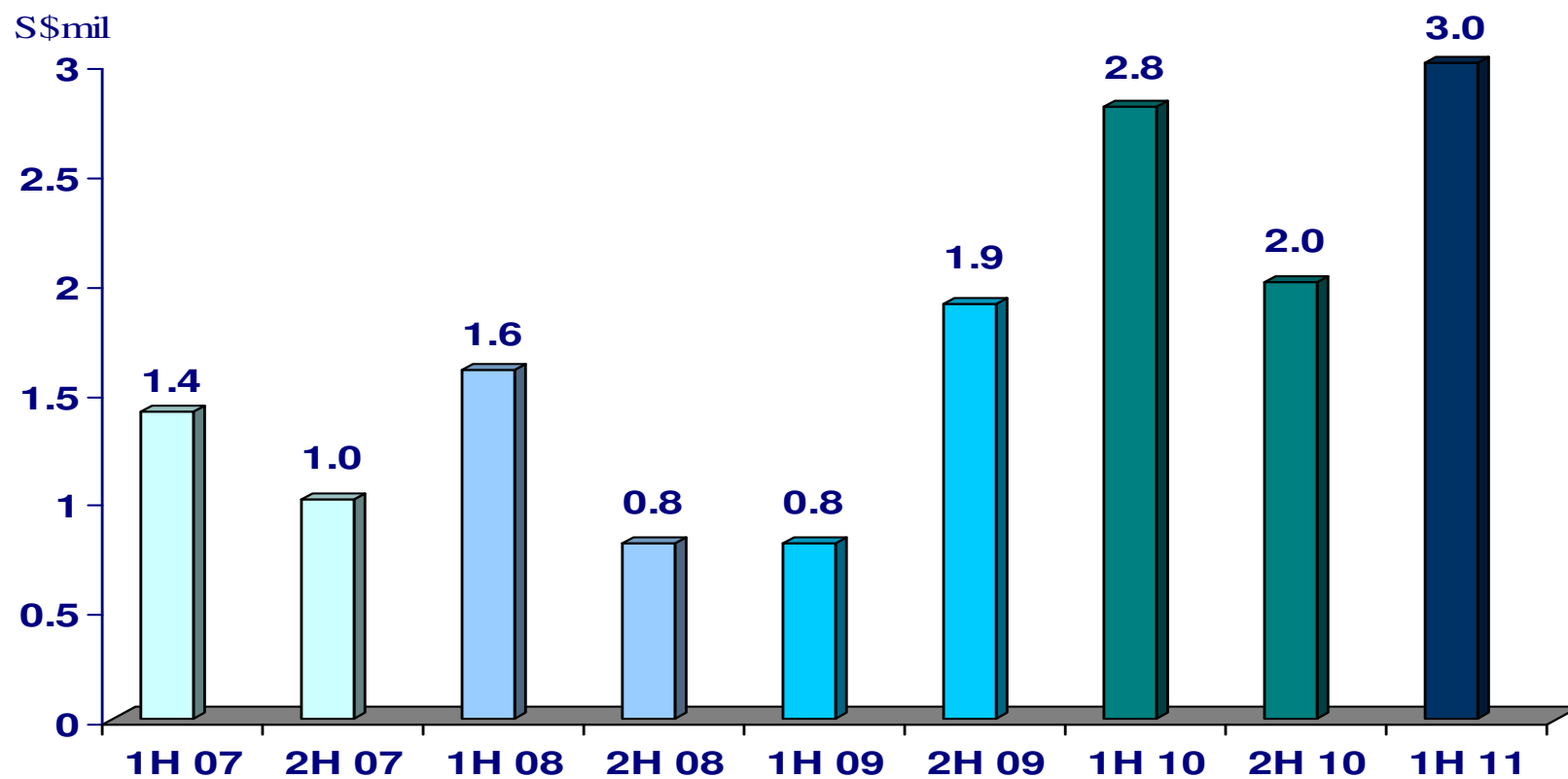
* 2H 2010 : reversal of H1 2010 FX Gain S\$125,000. Additional FX Loss S\$370,000 recorded as FX Loss

Net Profit After Tax



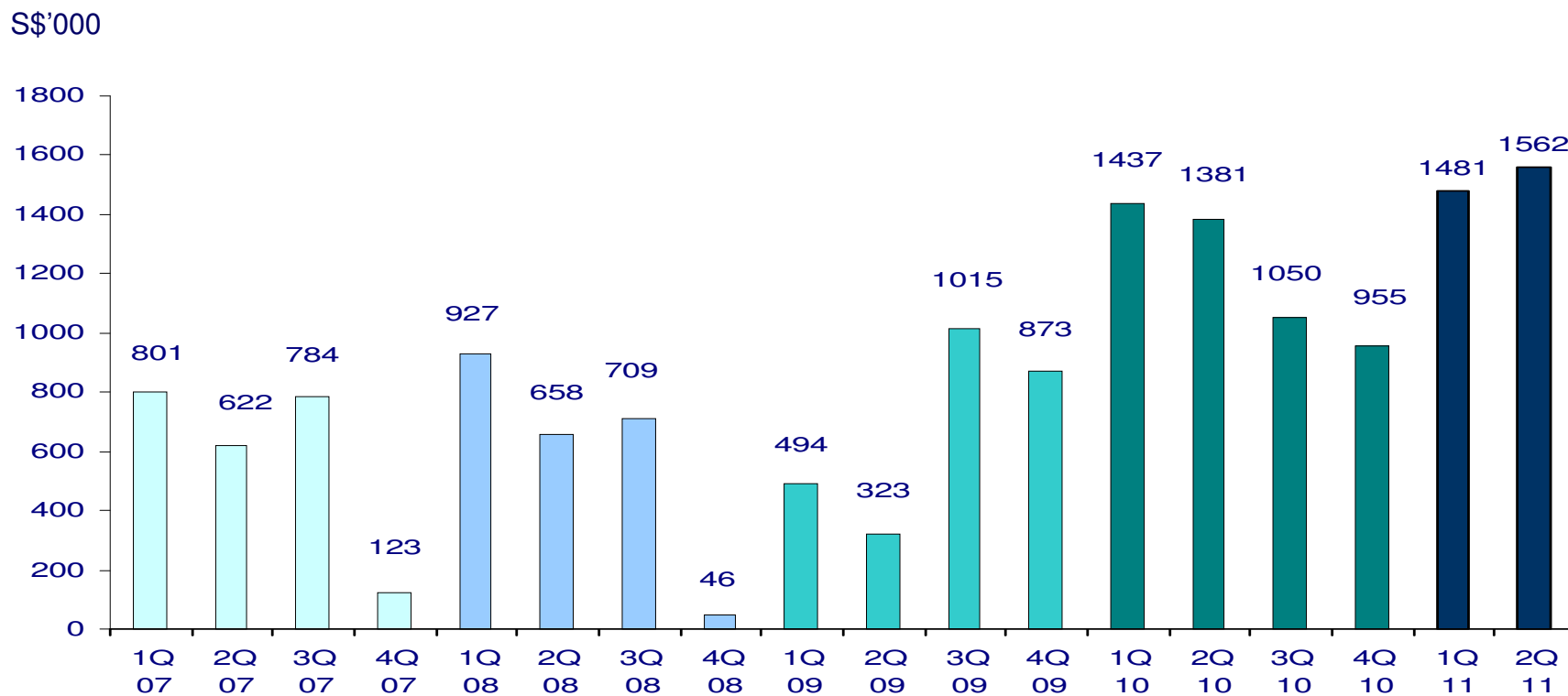
Net Profit After Tax

Record NPAT in 1H 11



Net Profit After Tax

Highest Quarterly profit in 2Q 2011



Balance Sheet

Assets

S\$7.8 mil 11.9% of total assets	▪ Cash
S\$25.5 mil 38.9%	▪ Receivables
S\$21.4 mil 32.7%	▪ Inventory
S\$2.8mil 4.3%	▪ Other Current Assets
S\$4.5 mil 6.9%	▪ Investment in Assoc
S\$3.5 mil 5.3%	▪ Property, Plant & Equipment
S\$0.03 mil 0.05%	▪ Other LT Assets

Liabilities & Equity

S\$10.9 mil 16.7% of total Liabilities & equity	▪ Payables
S\$14.7 mil 22.4%	▪ Borrowings
S\$0.9 mil 1.4%	▪ Other Liabilities
S\$39.0 mil 59.5%	▪ Shareholders Equity

Balance Sheet

S\$'mil	2009	2010	June 2011	
Cash	6.6	6.8	7.8	
Cash/share (cents)	4.9	5.1	5.9	
Borrowings	6.8	9.7	14.7	Higher borrowings
Shareholders Equity	33.3	36.1	39.0	
Gearing (times)	0.2	0.27	0.39	Higher gearing supports growth
Current ratio (times)	2.8	2.4	2.2	Sound liquidity
Inventory	14.1	18.2	21.4	
Inventory T/O (days)	103	84	84	
Trade Receivables	21.0	22.8	24.8	
Trade Receivables T/O (days)	106	86	78	Improved Credit Management
NTA/share (cents)	25	27.1	28.1	

Cashflow

S\$'mil	1H 10	1H 11	
Cash used in operating activities	(2.0)	(2.0)	Changes in working capital : Operating Profit before WC changes : 3.8 Increase in Receivables - (2.1) Increase in Inventory - (3.2) Increase in Payables – 0.2
Cash used in investing activities	(0.05)	(0.7)	Partial Payment for Factory purchase – (0.4) Plant & Equipment – (0.3)
Cash from financing activities	1.7	3.8	Dividends paid – (0.9) Increase in borrowings – 5.0
Net increase in cash	(0.3)	1.2	

Financial Summary

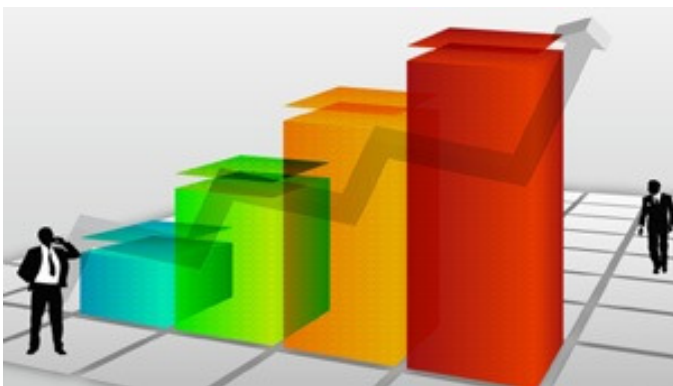
P&L Summary

- Record Sales
- Lower Gross Profit Margin
- Higher operating expenses
- FX losses
- Higher Contribution from associate
- Higher Profit

Balance Sheet Summary

- Increasing working capital needs
- Higher borrowings
- Gearing higher
- Liquidity sound

Prospects



Sustaining
Momentum

Outlook 2H 2011

+ investment in factory expansion

+ demand for Custom Blending and integrated services increasing

+ normal chemical supply from Japan has gradually resumed

+ chemical prices likely to stabilise

+ on-going debt concerns in US and Europe may dampen business sentiment



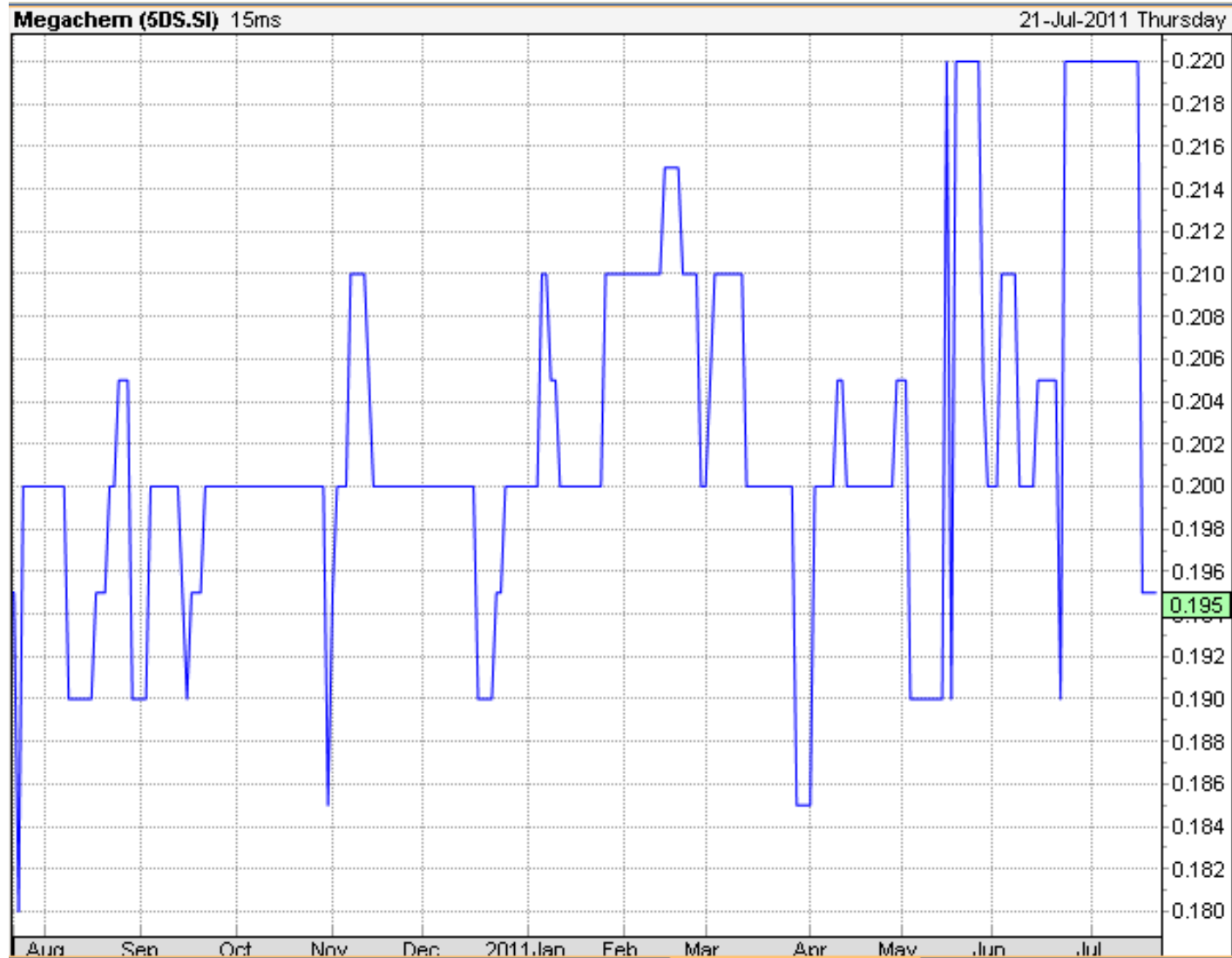
Cloudy economic outlook may have an impact on our growth in 2H 11

Share Statistics

Share Information (as at 21 July 2011)

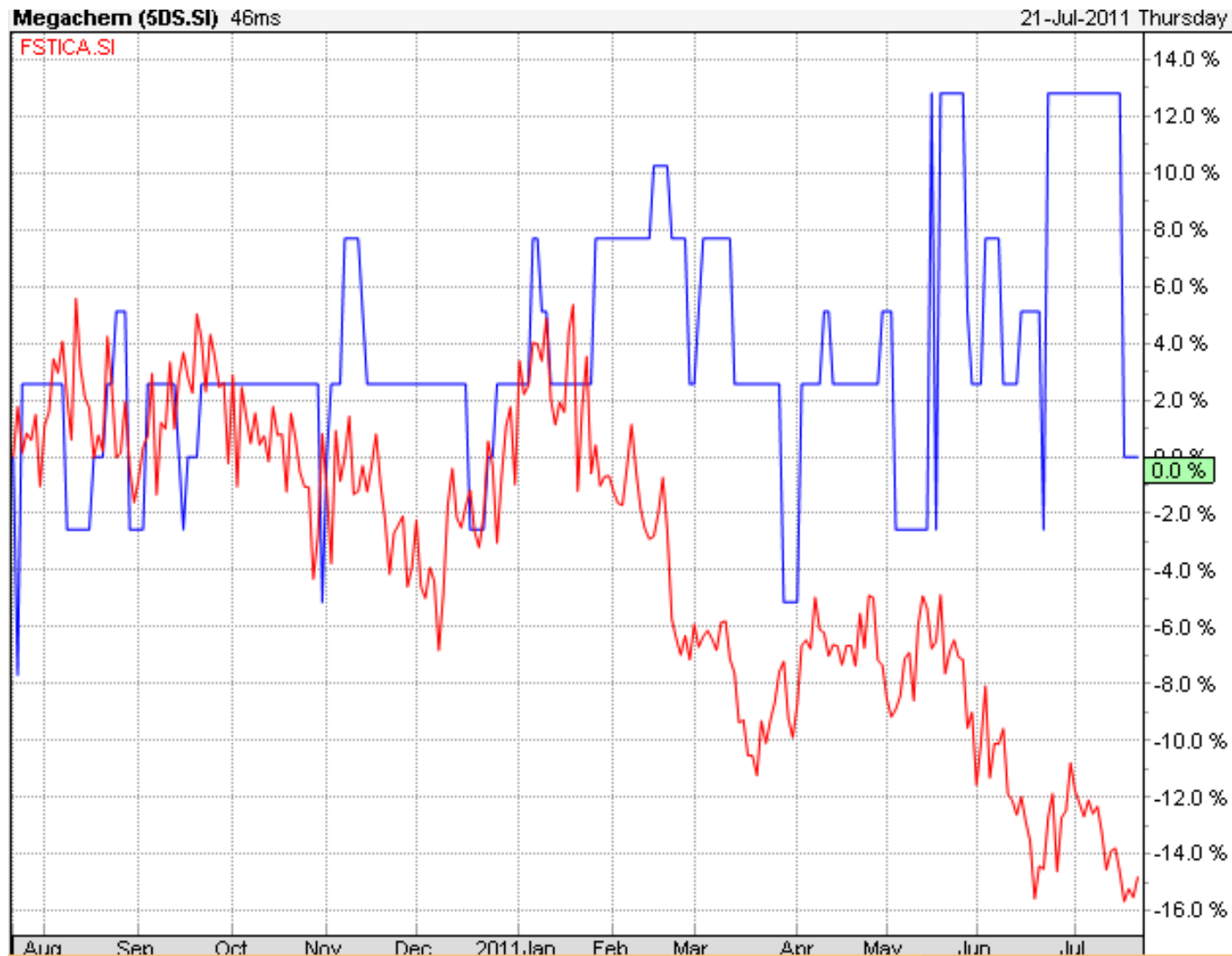
Listing Date	17-Oct-2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	22.0 cents
52 weeks Low	18.0 cents
Price	19.5 cents
No of Shares	133,300,000
Historical P/E	5.6x
Market Capitalisation	\$25.99 mil
NTA/share (cents)	28.1 cents

Share Price Performance



No Boundaries Only Possibilities

Share Price Performance



Dividend


	2003	2004	2005	2006	2007	2008	2009	2010	1H 11
Price/sh(as at 31 Dec, 30 Jun)	31.5	26	16	16	21.5	23.5	19.5	20	22
Dividend / share (cents) - net	0.56	0.864	0.576	0.81	0.595	0.40	1.00	1.20	0.30
Dividend payout (%) - net	23.1%	31.9%	30.2%	62.2%	35.1%	24.1%	50.6%	34.6%	13.0%
Dividend Yield (%) - Net	1.8%	3.3%	3.6%	4.9%	2.8%	1.7%	5.1%	6.0%	2.7%

Investment Merits

- Profitable track record since inception
- Resilient business model → tested through several crises
- Diversification → stability in business
- Global network and Manufacturing → Growth drivers for coming years
- Share Price/book value : 0.69 *
- P/E : 5.6 x *

(* Based on share price of 19.5 cents as at 21 July 2011)

For analyst reports on our company, you may refer to our website at <http://www.megachem.com.sg>



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Thank You

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