



## MEGACHEM LIMITED

### RESULTS NEWS RELEASE

**MEGACHEM REPORTS SALES OF S\$54.0 MILLION AND NET PROFIT OF S\$2.1 MILLION FOR THE FIRST HALF OF 2012 AND DECLARES INTERIM DIVIDEND OF 0.3 CENTS PER SHARE**

S\$'million	H12012	H22011	H12012 vs H22011	Change (%)	H12011	H12012 vs H12011	Change (%)
Sales (S\$'mil)	54.0	49.6	4.4	+8.9	57.3	(3.2)	(5.6)
Gross Profit (S\$'mil)	11.1	10.5	0.7	+6.2	11.6	(0.5)	(4.3)
Gross Profit Margin (%)	20.6	21.2	(0.6) pts	n.a.	20.3	0.3 pts	n.a.
Net Profit After Tax (S\$'mil)	2.1	2.0	-	0.7	3.0	(1.0)	(32.4)
Earnings per share (S\$ cents)	1.43	1.42	0.01	0.7	2.23	(0.8)	(35.9)
ROE (%)	9.8	9.7	0.1 pts	n.a.	15.8	(6.0) pts	n.a.

**Singapore, 8 August 2012** – 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 sales of S\$54.0

million and net profit after tax of S\$2.1 million for the half year ended 30 June 2012 (“H12012”).

This represents a fall of 5.6% and 32.4% in sales and net profit after tax respectively compared to the half year ended 30 June 2011 (“H12011”) but an increase of 8.9% in sales and 0.7% in net profit after tax sequentially from H22011.

Mr Sidney Chew, Executive Chairman and Managing Director, commented on the Group’s performance for the first half of 2012, “Despite the continuing challenges in the global economy, we are heartened by Megachem’s modest sales growth in H12012 vis-à-vis the half year ended 31 December 2011 (“H22011”). The drop in net profit after tax compared to the 1H FY2011 was not unexpected as we further extended our geographic footprint to Australia and expanded our contract manufacturing capacity thus leading to higher operating expenses.”

## **Performance Review**

The ASEAN region, which recorded S\$36.0 million in sales, remains the Group’s core contributor, accounting for 66.6% of Group sales in H12012. The Group’s second largest market or 10.2% of total contribution, North Asia, registered sales of S\$5.5 million. North and South America generated S\$3.6 million in sales, accounting for 6.6% of total sales. Europe recorded S\$3.1 million in sales, 20.6% higher than H12011.

In line with lower sales year-on-year, gross profit declined by 4.3% to S\$11.1 million for H12012. Higher expenses arising from investment in a new subsidiary in Australia, expansion of contract manufacturing capacity and foreign exchange losses however led to a bigger fall in net profit after tax by 32.4%.

On the balance sheet front, total asset base increased S\$5.1 million following the plant expansion which was funded largely with bank borrowings. Consequently bank

borrowings increased by S\$3.3 million to S\$18.7 million and gearing edged up to 0.48 times which is still within acceptable range. There is no significant change in our working capital cycle and our liquidity remains sound.

## **Dividend**

Said Mr Chew, "Despite the uncertain world economic outlook moving into the second half of the year, we continue to share the fruits of our labour with our loyal shareholders. I am pleased to announce that the Board has approved an interim dividend of 0.3 cents per share for the financial period ended 30 June 2012."

## **Outlook**

Given the chemical industry's sensitivity to economic activities, any further deterioration in the external environment will affect the Group's business prospects in the next six months ("H22012"). Several concerns about the global economy, including Europe's continuing woes, the sluggish US economic recovery as well as China's moderating growth in recent months, continue to cloud the outlook going forward.

"While difficult to ascertain the full extent of market volatility on our business presently, Megachem continues to build upon our core competencies and business capabilities. The recent expansion of our production capacity is testament to our commitment to grow the business, in good times or bad, and to be ever ready to embrace future opportunities down the road.

The current business model is resilient and will enable us to continue leveraging upon our strong network in Asia, driving long-term growth for our distribution and contract manufacturing business," added Mr Chew.

## **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, Australia 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)

8 August 2012

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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