



NEWS RELEASE

MEGACHEM ACHIEVES 139.1% INCREASE IN NET PROFIT TO S\$2.2 MILLION IN 1H2017

- *One-time valuation gain of S\$1.8 million arising from the listing of associated company in the stock exchange in Thailand*
- *Interim dividend of 0.5 cent per share*
- *Continues to build resilience over the long-term to mitigate potential adverse effects of macroeconomic volatilities*

Singapore, 10 August 2017 – 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 revenue of S\$51.4 million and net profit after tax of S\$2.2 million for the half year ended 30 June 2017 (“1H 2017”). Comparatively, Megachem registered revenue of S\$51.3 million and net profit after tax of S\$0.9 million in the previous corresponding period (“1H 2016”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group commented, “Despite the volatile global conditions, we are pleased that our efforts to intensify business activities in markets such as Middle East and Australia has helped the Group to achieve steady sales. However an increase in impairment of trade receivables from our Venezuela customers dampened our performance.”

“In addition, we are pleased to have unlocked shareholder value with the successful listing of our associated company on the Stock Exchange of Thailand in February this year, which contributed a significant one-off valuation gain to the bottomline. Indeed, Thailand holds promising prospects for our business and could serve as a springboard for us to further establish our foothold in Thailand and its neighbouring countries.

“Whilst driving our performance, we continue to place a strong emphasis for transparency and open communications with all shareholders. We are honoured that our efforts have recently been recognised at the Singapore Corporate Awards, winning a Gold in the Best Annual Report category for the first time.”

Megachem has received at least one award in nine out of twelve years since the launch of the Singapore Corporate Awards in 2005. On 19 July 2017, the Group was accorded the Best Annual Report Award (Gold), in the “less than S\$300 million market capitalisation” category at the 2017 Singapore Corporate Awards, in recognition of the Group’s high standards placed on shareholders’ communication and commitment towards upholding a high level of corporate governance.

Performance Review

On a geographical basis, ASEAN, which continues to account for the largest part of Megachem’s topline at 68.4%, rose by S\$0.7 million or 1.9% in 1H 2017 compared to 1H 2016. Sales to Australia and Middle East markets recorded significant improvements by 65.3% and 44.5% respectively, or S\$0.9 million for each region, on a year-on-year basis. The sales growth from these two segments was the main reason for the slight improvement in revenue on a year-on-year basis. However, sales in North Asia declined S\$1.7 million whilst revenue from America and South Asia slid by S\$0.3 million in each region respectively.

Total operating expenses increased by S\$1.1 million or 9.5% in 1H 2017 when compared to 1H 2016, mainly due to an allowance for impairment of trade receivables from Venezuela by S\$0.9 million.

Following the listing of our associated company in the Stock Exchange of Thailand, the Group recognised a one-off valuation gain of S\$1.8 million which led to the Group’s higher other income.

In addition, our associated company in Thailand performed better, resulting in an increase in our share of associated companies’ profit of S\$0.1 million or 44.8%.

Boosted by the one-off valuation gain, profit before tax rose by 29.3%, from S\$1.8 million in 1H 2016, to S\$2.3 million in 1H 2017. Excluding the one-off gain, the Group's bottomline would have declined by S\$1.3 million or 72.4% due to the increase in impairment of trade receivables from Venezuela.

As a result of the one-off valuation gain, net profit surged 139.1% from S\$0.9 million to S\$2.2 million over the same corresponding period.

The balance sheet remains strong, in spite of increased borrowings from S\$15.3 million as at 31 December 2016 to S\$18.5 million as at 30 June 2017 and higher gearing ratio at 0.43 time (31 December 2016 : 0.36 time). Cash and cash equivalents increased from S\$10.2 million as at 30 June 2016 to S\$11.1 million as at 30 June 2017.

Earnings per share for the 1H 2017 surged 188.1% to 1.7 cents, as compared to 0.59 cents in 1H 2016. Additionally, net asset value per share increased to 32.23 cents as at 30 June 2017, from 31.50 cents as at 31 December 2016.

Proposed Dividend

As part of Megachem's efforts to reward shareholders and in appreciation of their unwavering support, the Board of Directors has recommended an interim dividend of 0.5 cent per share, which will be paid on 29 September 2017.

Outlook

During the first half year of 2017, the global economy continued to be plagued by political uncertainties, China's economic growth transition, US exit from quantitative easing and concerns over the fragility of the Euro zone after Brexit.

Mr. Chew remarked, "Notwithstanding the macro uncertainties, we have seen an uptick in business confidence in the first half of 2017 as compared to the second half of 2016 and this is reflected in our marginal growth in revenue. Going into the second half of the year, economic conditions are generally expected to remain favourable and we will leverage on this positive industry trend as we continue to intensify our efforts to grow our business.

"At the same time, we intend to remain resilient by nurturing long term sustainable values through a sound business model, financial discipline and operational excellence - key foundation for our long term 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, Shanghai, Beijing, Vietnam, 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, oil and gas, 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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This press release has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made or reports contained in this press release.

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SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.

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