



NEWS RELEASE

MEGACHEM ACHIEVES 88.1% GROWTH IN NET PROFIT TO S\$4.2 MILLION FOR FY2017

- *Revenue up 8.4% to S\$108.1 million led by commendable growth in key markets*
- *Associated company successfully listed on the Stock Exchange of Thailand-Market for Alternative Investment (SET-MAI)*
- *Final dividend of 0.7 cents per share recommended, translating to total dividends of 1.2 cents per share for FY2017 – payout ratio of 37.7%*
- *Leveraging on strong Asia network and sound business model for sustainable long-term growth*

Singapore, 22 February 2018 – 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 a 88.1% increase in net profit after tax to S\$4.2 million, on the back of a 8.4% rise in revenue to S\$108.1 million for the full year ended 31 December 2017 (“FY2017”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group commented, “Across our major market segments, we are seeing a pickup in business confidence and business activity momentum. Furthermore, our intensified marketing efforts had also allowed us to broaden our spectrum of customers and products. However, net foreign exchange loss caused by an unexpected depreciation in the US dollar and higher allowance for impairment of trade receivables from our Venezuela customers in H1 2017 has continued to put pressure on our FY2017 performance.”

“Looking back in 2017, the successful listing of our associated company on the Stock Exchange of Thailand in February has allowed us to unlock shareholder value, which contributed to a significant one-off valuation gain to the bottomline. This is an important milestone for us as it presents more potential business prospects for the Group and allows us to further solidify our footprint in Thailand and its neighbouring countries.”

Performance Review

In terms of geographical segments, ASEAN continues to account for the largest part of Megachem’s topline at 67.5%, experiencing an increase in sales by S\$6.7 million or 10.2% in FY2017 as compared to the previous corresponding year (“FY2016”). As at FY2017, Europe recorded a 15.1% increase in sales and our efforts to grow the markets in Australia and Middle East has paid off, resulting in a sales growth of 34.8% and 43.9% respectively. However, these were dampened by lower sales performance in North Asia, South Asia and America.

Total operating expenses (including finance cost) increased by S\$1.9 million or 8.1% in FY2017 as compared to FY2016, mainly due to net foreign exchange loss and staff costs in aggregate which accounted for S\$1.5 million of the increase.

The Group’s other income for FY2017, which included a one-off valuation gain of S\$1.8 million following the listing of the Group’s associated company on the Stock Exchange of Thailand and higher fair value gain from listed equity of S\$0.4 million, increased by S\$1.8 million from FY2016 to S\$2.5 million.

In tandem with higher sales growth, the Group’s share of associated companies’ year-on-year profit also saw an increase of S\$0.3 million or 46.3% in FY2017.

Net profit before tax's increase of S\$1.6 million or 42.9% in FY2017, was mainly attributed to the one-time valuation gain arising from the listing of our associated company, higher gross profit, share of profit of associated companies and fair value gain from listed equity which was partially offset by higher operating expenses. However, excluding the one-off gain and further adjustment for allowance for impairment of trade receivables from Venezuela, the Group's net profit before tax would have remained fairly constant.

The jump in net profit by 88.1% from S\$2.2 million to S\$4.2 million over the same corresponding period is largely a resultant of higher sales and the one-off valuation gain.

The Group's balance sheet continues to remain strong, despite having an increase in borrowings from S\$15.3 million as at 31 December 2016 to S\$16.7 million as at 31 December 2017. Gearing ratio was marginally higher at 0.37 times (31 December 2016: 0.36 times). Cash and cash equivalents dipped by 18.9% from S\$11.5 million as at 31 December 2016 to S\$9.3 million as at 31 December 2017 due to higher working capital requirements.

Earnings per share for FY2017 rose by 107.8% to 3.18 cents, as compared to 1.53 cents in FY2016. In addition, net asset value per share increased to 33.47 cents as at 31 December 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 a final dividend of 0.7 cent per share, which will be paid on 31 May 2018. Including the interim dividend of 0.5 cent per share paid on 29 September 2017, the collective dividends of 1.2 cents per share for FY2017 represented a payout ratio of 37.7%. The proposed final dividend will be subject to shareholders' approval at Megachem's upcoming FY2017 Annual General Meeting.

Outlook

Looking ahead, risk factors such as political uncertainties, China's economic growth transition, tighter monetary policies, concerns over the fragility of the Euro after Brexit, shift in trade policies and stretched financial market valuations will continue to put pressure on economic growth globally. Despite volatile market conditions, market sentiments on economic growth continues to remain positive on the back of a pickup in business sentiments. Tapping on this growth, the chemical industry is also experiencing higher prices and a growing demand.

Mr. Chew concluded, "In the year ahead, positive economic conditions coupled with a robust business model will provide us with the right platform to further grow the business, barring any unforeseen circumstances. We have also made full impairment for our Venezuela debts, thus allowing us to start afresh in 2018 and we are now well-positioned to seek out potential growth opportunities.

"Meanwhile, we will remain committed in our strategy to forge stronger relationships with our key customers and suppliers, leveraging on our extensive Asia network. We will also continue to persist in our efforts to nurture long-term sustainable values through a robust business model, financial discipline and operational excellence, which is a 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, China 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, metal finishing, 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.

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

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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22 February 2018