



NEWS RELEASE

MEGACHEM ANNOUNCES 39.9% GROWTH IN NET PROFIT AFTER TAX TO S\$2.8 MILLION FOR H1 2020

- *Resilience from diversity in industry coverage and geographical reach*
- *Strengthened balance sheet with increased liquidity and lowered gearing of 0.35 times*
- *Proposes interim dividend of 0.5 cents per share*

Singapore, 13 August 2020 – 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 growth in net profit after tax of 39.9% year-on-year to S\$2.8 million for the half year ended 30 June 2020 (“**H1 2020**”), on the back of higher other income and higher share of profit of associated companies.

Mr. Sidney Chew, Managing Director of the Group, said: “We are heartened that our numbers have held up, reflecting the resilience of our diversified business model. Our diversification strategy in terms of product portfolio and geographical reach, as well as deep relationships with our various stakeholders, have helped us to tide through this extremely trying times, plagued by the COVID-19 pandemic and trade tensions.

“During this period, most of our entities were allowed to continue operations with safe distancing measures in place as the chemicals industry is considered essential. We are encouraged to see good contributions from one of our associated companies, in particular for the distribution of cleaning chemicals, which has experienced a surge in demand during the pandemic. We will continue to manage our customer relationships well with the gradual resumption of business operations in markets where we operate.”

The Impact of COVID-19

The lockdown in China following the initial emergence of the pandemic in early 2020 stifled demand from customers in China and disrupted supply from China. Following the lifting of COVID-19 restrictions in China, business and production gradually resumed in March, leading to some pent-up demand from customers. Meanwhile, the pandemic started to spread to other parts of the world. Some of the Group's key markets saw their borders closing and restrictions imposed on business operations. Even though the chemicals industry is considered essential industry in most of the countries in which we are present in and hence allowed to operate, sales to customers who operated in industries not considered essential, had consequently declined.

Performance Review

Sales of S\$52.0 million was recorded in H1 2020 which represented a decline of 6.7% as compared to S\$55.8 million recorded in the half year ended 30 June 2019 ("**H1 2019**"). This was largely due to the emergence of COVID-19 in early 2020, where many countries imposed lockdown and restrictions on business operations, in a bid to curb the spread of the virus. Both the Distribution and Manufacturing segments recorded lower sales in H1 2020 as compared to the previous corresponding period. The Distribution segment saw a 6.7% decline in sales from S\$54.1 million to S\$50.5 million while the Manufacturing segment saw a 6.7% decline in sales as well from S\$1.7 million to S\$1.6 million.

In terms of geographical segment, the impact of COVID-19 was mostly felt in the key markets of ASEAN and North Asia, which recorded lower sales of 9.3% to S\$33.2 million and 16.8% to S\$5.7 million respectively. Sales to South Asia fell by a marginal S\$0.3 million. The lower sales in these markets were partly offset by higher sales in Europe, Middle East, Australia and America of 3.0%, 2.7%, 30.5% and 263.7% year-on-year, respectively.

The Group recorded a surge in other income by 371.0% or S\$828,000 over the same comparative period, due to higher grant income, net foreign exchange gain, fair value gain from listed equity security and higher bad debt recovered.

The Group's share of profit of associated companies for H1 2020 increased by 86.2% or S\$410,000 year-on-year due to higher demand for cleaning chemicals which is supplied by one of the Company's associated company.

Total operating expenses and finance costs were successfully reduced by 2.7% in H1 2020, as compared to H1 2019, mainly due to lower travelling and transport expenses. Other cost savings include lower advertising and entertainment expenses, lower impairment of trade receivables and absence of net foreign exchange loss. These were partially offset by the higher professional fees related to the recovery of bad debts.

As a result of the above, Megachem achieved a higher net profit after tax of 39.9% to S\$2.8 million in H1 2020 from S\$2.0 million in H1 2019.

The financial position remained healthy in the period under review, with an increase in cash and cash equivalents to S\$18.2 million as at 30 June 2020. Gearing ratio remained healthy at 0.35 times, a decrease from 0.37 times as at 31 December 2019, due to the repayment of short-term bank loans.

Earnings per share for H1 2020 grew 41.0% to 2.03 cents from 1.44 cents in H1 2019. Net asset value per share increased to 38.33 cents as at 30 June 2020 from 37.24 cents as at 31 December 2019.

Proposed Dividend

To thank shareholders for their loyal support of Megachem in this period, the Board of Directors has recommended an interim tax-exempt dividend of 0.5 cents per share for H1 2020, which will be paid on 30 October 2020.

Outlook

The chemicals industry is closely tied to the global economy. The emergence of COVID-19 in early 2020 resulted in trade and production activities being curtailed as governments around the world implemented containment measures in a bid to curb the spread of this infectious virus. Additionally, geopolitical trade tensions have brought on an added dimension to the situation, threatening to push the global economy into one of its worst recessions. Looking ahead, the extent of the impact of these factors on the global economy has yet to be determined. The Group expects any recovery in its business to be gradual and uneven.

Against these macroeconomic headwinds, the Group is well-positioned to leverage on its sound business model, diversified customer and supplier base, and a healthy financial track record to navigate through the impact of economic downturns.

Mr. Chew remarked: “We remain confident of our expertise and solid foundation built up over our long track record. During these unprecedented times, Megachem will tread cautiously. We have taken proactive measures to build up our diversified network, whilst nurturing even stronger relationships with our suppliers and customers. We have also strengthened our balance sheet, and will continue to seek ways to further streamline our operational processes and manage our financial position with a greater level of prudence.”

About Megachem Limited

Megachem is 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, Philippines, Vietnam, Myanmar, China, 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.

This press release has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

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