



NEWS RELEASE

MEGACHEM REGISTERS FIRST HALF NET PROFIT OF S\$0.8 MILLION ON THE BACK OF WEAKER ECONOMIC CLIMATE

- *Maintains healthy financial position*
- *Projects better second half results*

Singapore, August 11, 2009 – MegaChem Limited (“MegaChem” or the “Group”), a global one-stop specialty chemical solutions provider, today reported a net profit of S\$0.8 million for the half year ended June 30, 2009 (“1HFY2009”) which represents an 8.4% increase from the second half of 2008 and a decrease of 48.5% from the same period of last year.

Said Mr Sidney Chew, Executive Chairman and Managing Director of Megachem: “As with many other companies, MegaChem was not spared the brunt of the economic downturn in the half year under review. However, barring any unforeseen circumstances, we are cautiously optimistic of delivering better performance in the second half due to the easing recession as well as positive developments in our business. Notwithstanding the downturn, we remain fervent in our efforts to reposition ourselves as a global player as well as an integrated solution partner and believe that we are well-prepared to seize potential opportunities when the economy recovers.”

Performance Review

Group revenue for the period under review suffered as the global economic downturn continued into the first half and the process of customers’ de-stocking kicked in, particularly in the months of December, January and February.

Despite the dip in revenue in 1HFY2009, the Group saw positive developments in some of its markets, with its Australia market recording a S\$0.5 million or 61.1% growth and its Middle East, China and Vietnam markets maintaining relatively similar level of sales compared to the previous period under review ("1HFY2008").

Also affected by lower market demand, the Group's manufacturing operation registered lower sales of S\$0.3 million or 19.9% due to a cutback in orders for custom-blending in 1HFY2009.

While Group gross profit margin of 21.3% remained relatively stable as compared to the 2HFY2008, it increased marginally compared to 1HFY2008 as a result of lower sales to an associated company in the period under review. Consequently, gross profit decreased by S\$1.1 million or 14.1% to S\$6.8 million in 1HFY2009. Accordingly, Group profit before tax fell 41.8% to S\$1.1 million in 1HFY2009. Compared to 2HFY2008, profit before tax remained flat at about S\$1.1 million due to lower expenses.

As far as the Group's financial position is concerned, the crisis had minimal impact due in part to the measures it undertook to manage the crisis.

Prospects and Outlook

"We are heartened to note that recent economic indicators have mostly pointed towards a bottoming of the global economy. We have been seeing some progress with our customers in bringing inventory levels into better alignment with sale as well as stabilisation of product prices to some extent. As such, we are optimistic of achieving better results for the second half of FY2009, barring any unforeseen circumstances," added Mr Chew.

Going forward, the Group expects to benefit from positive developments in its business in terms of incremental contribution from regional contracts as well as new customers from the Group's newer markets in the Middle East, India and Vietnam. Its India subsidiary, which has recently been approved, will allow the Group to have a bigger presence in the India market, while its Vietnam operation is anticipated to see greater penetration into the Vietnam market after application to upgrade its representative office to a subsidiary is approved.

The Group also achieved some level of success in securing regional supply arrangements with some of the Group's multinational customers and looks forward to bringing in a steadier source of revenue from these arrangements.

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, contract manufacturing of specialty chemicals as well as proprietary chemical products manufacturing 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 and the United Kingdom covering markets in ASEAN, South Asia, North Asia, Middle East, Europe, America and Australia markets.

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, food, pharmaceuticals, polymers, coatings, metal finishing, electronics, rubber and plastics.

To enhance the Group's competitive edge and complement its strength in distribution, Megachem has integrated the manufacturing of specialty chemicals for its customers, and the manufacture of its own range of products into the business model.

For more information, please visit www.megachem.com.sg

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