MEGACHEM LIMITED

Un-audited Financial Statements and Dividend Announcement

For The Half Year Ended 30 June 2008

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UNAUDITED RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2008

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the half year ended 30 June 2008.

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2008

	For the half year ended 30 June 2008 S$	For the half year ended 30 June 2007 S$	Variance Favourable/(Unfavourable) S$'000	%
Sales	**40,853,293**	34,455,791	6,398	18.6%
Cost of sales	**(32,948,715)**	(28,158,560)	(4,790)	(17.0%)
Gross profit	7,904,578	6,297,231	1,607	25.5%
Other operating income	**241,121**	684,213	(443)	(64.8%)
Distribution costs	**(3,882,350)**	(3,275,971)	(606)	(18.5%)
Administrative expenses	**(1,597,636)**	(1,505,719)	(92)	(6.1%)
Other operating expenses	**(943,152)**	(699,722)	(243)	(34.8%)
Finance costs	**(216,171)**	(108,049)	(108)	(100.1%)
Share of profit of associated company	**460,142**	397,155	63	15.9%
Profit before income tax	**1,966,532**	1,789,138	177	9.9%
Income tax expense	**(381,006)**	(365,896)	(15)	(4.1%)
Net profit	**1,585,526**	1,423,242	162	11.4%
Attributable to:				
Equity holders of the Company	**1,533,623**	1,360,017	174	12.8%
Minority interests	**51,903**	63,225	(11)	(17.9%)
	1,585,526	1,423,242	162	11.4%
Earnings per share for profit attributable to the equity holders of the Company during the financial period				
- basic	**1.15 cents**	1.02 cents		
- diluted	**1.15 cents**	1.02 cents		

The following items have been included in arriving at profit for the period:

	Group	
	For the half year ended 30 June 2008 S$	For the half year ended 30 June 2007 S$
Other operating income		
Bad debt recovered	**-**	1,489
Change in fair value of financial assets held for trading	**17,750**	70,849
Foreign exchange gain	**145,860**	202,653
Gain on disposal of property, plant and equipment	**25,063**	358,524
Interest income	**34,504**	39,129
Rental income	**11,361**	11,569
Others	**6,583**	-
	241,121	684,213
Interest on borrowings	**(216,171)**	(108,049)
Depreciation and amortisation	**(289,919)**	(334,820)
Impairment of trade receivables	**(152,616)**	(29,031)
Write off of inventory	**(266,850)**	(313,631)
Change in fair value of financial liabilities held for trading	**(56,975)**	(14,946)
Adjustment for over provision for tax in respect of prior financial years	**118,375**	116,048

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial period.

BALANCE SHEETS AS AT 30 JUNE 2008

	Group		Company	
	30 June 2008 S$	31 December 2007 S$	**30 June 2008 S$**	31 December 2007 S$
ASSETS				
Current assets				
Cash and bank balances	**5,131,667**	4,801,242	**1,610,984**	1,244,428
Trade and other receivables	**21,016,285**	18,654,693	**14,563,845**	11,748,790
Inventories	**15,693,974**	14,358,115	**9,581,343**	8,675,792
Financial assets held for trading	**150,250**	182,500	**132,500**	182,500
Other current assets	**2,246,083**	1,786,290	**998,320**	657,905
	44,238,259	39,782,840	**26,886,992**	22,509,415
Non-current assets				
Transferable club memberships	**32,960**	34,255	**4,001**	4,001
Investment in associated company	**2,709,062**	2,488,875	**99,949**	56,840
Investments in subsidiaries	**-**	-	**3,734,255**	3,784,255
Investment property	**140,649**	148,979	**-**	-
Property, plant and equipment	**3,495,540**	3,502,146	**1,988,408**	1,960,931
	6,378,211	6,174,255	**5,826,613**	5,806,027
Total assets	**50,616,470**	45,957,095	**32,713,605**	28,315,442
LIABILITIES				
Current liabilities				
Trade and other payables	**9,189,623**	8,533,967	**5,487,243**	4,531,719
Current tax liabilities	**299,792**	203,561	**65,350**	100,000
Borrowings	**9,019,897**	5,587,521	**8,379,301**	5,237,423
Financial liabilities held for trading	**6,975**	-	**2,536**	-
	18,516,287	14,325,049	**13,934,430**	9,869,142
Non-current liabilities				
Deferred tax liabilities	**13,000**	23,000	**-**	-
	13,000	23,000	**-**	-
Total liabilities	**18,529,287**	14,348,049	**13,934,430**	9,869,142
NET ASSETS	**32,087,183**	31,609,046	**18,779,175**	18,446,300
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	**15,892,028**	15,892,028	**15,892,028**	15,892,028
Other reserves	**(1,147,970)**	(464,746)	**-**	-
Retained earnings	**15,988,578**	14,854,855	**2,887,147**	2,554,272
	30,732,636	30,282,137	**18,779,175**	18,446,300
Minority interests	**1,354,547**	1,326,909	**-**	-
Total equity	**32,087,183**	31,609,046	**18,779,175**	18,446,300

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 June 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
-	S$9,019,897	-	S$5,587,521

Amount repayable after one year

As at 30 June 2008		As at 31 December 2007	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of collateral

NIL

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial period.

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2008

	For the half year ended 30 June 2008 S$	For the half year ended 30 June 2007 S$
Cash flows from operating activities		
Net profit	**1,585,526**	1,423,242
Adjustments for:		
Amortisation and depreciation	**289,919**	334,820
Change in fair value of financial assets held for trading	**50,000**	(52,500)
Gain on disposal of property, plant and equipment	**(25,063)**	(358,524)
Share of profit of associated company	**(460,142)**	(397,155)
Income tax expense	**381,006**	365,896
Interest income	**(34,504)**	(39,129)
Interest expense	**216,171**	108,049
Operating cash flow before working capital changes	**2,002,913**	1,384,699
Change in operating assets and liabilities		
Trade and other receivables	**(3,134,105)**	(3,427,135)
Inventories	**(1,335,859)**	1,746,044
Financial assets held for trading	**(17,750)**	7,397
Trade and other payables	**662,745**	1,170,981
Financial liabilities held for trading	**6,975**	6,516
Exchange differences	**(333,809)**	161,426
Cash (used in)/generated from operations	**(2,148,890)**	1,049,928
Income tax paid	**(294,775)**	(426,344)
Interest received	**34,504**	29,347
Net cash (used in)/provided by operating activities	**(2,409,161)**	652,931
Cash flows from investing activities		
Dividends received	**431,549**	305,240
Purchase of property, plant and equipment	**(342,506)**	(161,629)
Proceeds from sale of property, plant and equipment	**25,600**	1,143,203
Subscription for additional shares in associated company	**(43,109)**	-
Net cash provided by investing activities	**71,534**	1,286,814
Cash flows from financing activities		
Dividends paid	**(399,900)**	(568,391)
Dividends paid by subsidiary to minority shareholders	**-**	(77,304)
Proceed from/(repayments of) borrowings	**3,402,557**	(1,382,159)
Interest paid	**(223,259)**	(138,196)
Net cash provided by/(used in) financing activities	**2,779,398**	(2,166,050)
Net decrease in cash and cash equivalents held	**441,771**	(226,305)
Cash and cash equivalents at beginning of financial period	**4,793,258**	4,512,021
Effects of exchange rate changes on cash and cash equivalents	**(141,165)**	42,295
Cash and cash equivalents at end of financial period	**5,093,864**	4,328,011
Cash and cash equivalents comprised the followings:		
Cash and bank balances	**5,131,667**	4,328,011
Less : bank overdraft	**(37,803)**	-
	5,093,864	4,328,011

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2008

The Group

	Attributable to equity holders of the Company					
	Share capital S$	Other reserves S$	Retained earnings S$	Total S$	Minority interests S$	Total equity S$
Balance at 1 January 2008	15,892,028	(464,746)	14,854,855	30,282,137	1,326,909	31,609,046
Net loss recognised directly in equity – currency translation differences	-	(683,224)	-	(683,224)	(24,265)	(707,489)
Net profit	-	-	1,533,623	1,533,623	51,903	1,585,526
Total recognised gains for the financial period	**-**	**(683,224)**	**1,533,623**	**850,399**	**27,638**	**878,037**
Final dividend relating to FY2007 paid	-	-	(399,900)	(399,900)	-	(399,900)
Balance at 30 June 2008	**15,892,028**	**(1,147,970)**	**15,988,578**	**30,732,636**	**1,354,547**	**32,087,183**
Balance at 1 January 2007	15,892,028	(445,601)	13,558,083	29,004,510	1,340,246	30,344,756
Net loss recognised directly in equity – currency translation differences	-	337,807	-	337,807	6,552	344,359
Net profit	-	-	1,360,017	1,360,017	63,225	1,423,242
Total recognised gains and loss for the financial period	**-**	**337,807**	**1,360,017**	**1,697,824**	**69,777**	**1,767,601**
Final dividend relating to FY2006 paid	-	-	(568,391)	(568,391)	(77,304)	(645,695)
Balance at 30 June 2007	**15,892,028**	**(107,794)**	**14,349,709**	**30,133,943**	**1,332,719**	**31,466,662**

The Company	Share capital S$	Retained earnings S$	Total equity S$
Balance at 1 January 2008	15,892,028	2,554,272	18,446,300
Total recognised profit for the financial period – profit for the half year ended	-	732,775	732,775
Final dividend relating to FY2007 paid	-	(399,900)	(399,900)
Balance at 30 June 2008	**15,892,028**	**2,887,147**	**18,779,175**
Balance at 1 January 2007	15,892,028	1,191,580	17,083,608
Total recognised loss for the financial period – loss for the half year ended	-	980,966	980,966
Final dividend relating to FY2006 paid	-	(568,391)	(568,391)
Balance at 30 June 2007	**15,892,028**	**1,604,155**	**17,496,183**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There have been no changes in the Company's issued share capital since the end of the previous financial year.

The total number of issued ordinary shares, excluding treasury shares, as at the end of 30 June 2008 and 31 December 2007 were 133,300,000.

There were no unissued shares of the Company under option and treasury shares as at the end of 30 June 2008 and 31 December 2007.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which standard.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

NIL

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2007.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

On 1st January 2008, the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of the above amendments has no material impact on the Group's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary shares (in cents)	**For the half year ended 30 June 2008**	For the half year ended 30 June 2007
a) Based on weighted average number of ordinary shares on issue	**1.15**	1.02
b) On a fully diluted basis	**1.15**	1.02
Weighted average number of ordinary shares in issue for earnings per share	133,300,000	133,300,000

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		**Company**	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007
Net asset value per ordinary share based on issued share capital (cents)	**23.06**	22.72	**14.09**	13.84
No of ordinary shares used in calculation	**133,300,000**	133,300,000	**133,300,000**	133,300,000

8. REVIEW OF PERFORMANCE

Some of the key financial highlights of the Group are as follows:

Key Financial Highlights	For the half year ended 30 June 2008	For the half year ended 30 June 2007	Variance Fav/(Unfav)	Variance (%)	For the financial year ended 31 December 2007
Profitability					
Sale (S$'million)	40.9	34.5	6.4	18.6%	73.6
Gross profit (S$'million)	7.9	6.3	1.6	25.5%	13.0
Gross profit margin	19.3%	18.3%	1.0%	n.a	17.8%
Profit before income tax (S$'million)	2.0	1.8	0.2	9.9%	2.9
Net profit before tax margin	4.8%	5.2%	(0.4%)	n.a	4.0%
Profit for the period attributable to the equity holders of the Company (S$'million)	1.5	1.4	0.2	12.8%	2.3
EBITDA (S$'million)	2.6	2.3	0.3	11.6%	4.1
Earnings per share attributable to the equity holders of the Company (cents)	1.15	1.02	0.13	12.7%	1.69
Annualised return on equity (ROE)	10.0%	9.0%	1.0%	n.a	7.5%
Financial position					
Current ratio	2.39	3.21	(0.82)	n.a	2.78
Gearing ratio	0.29	0.11	(0.18)	n.a	0.19
Net tangible assets per share (cents)	23.06	22.61	0.45	n.a	22.72
Inventory turnover (days)	88	90	2	n.a	90
Trade receivables turnover (days)	94	91	(3)	n.a	90

n.a : not applicable

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

Sales by Geographical Operations (By Entity)

	For the half year ended 30 June 2008		For the half year ended 30 June 2007		**Variance Fav/(Unfav)**	
	S$'000	**% of total**	S$'000	% of total	**S$'000**	**(%)**
Singapore	**21,877**	**53.6**	16,699	48.5	**5,178**	**31.0**
UK	**7,048**	**17.2**	6,572	19.1	**476**	**7.2**
Malaysia	**6,620**	**16.2**	6,234	18.1	**386**	**6.2**
Indonesia	**3,731**	**9.1**	3,205	9.3	**526**	**16.4**
China	**1,175**	**2.9**	1,565	4.5	**(390)**	**(24.9)**
The Philippines	**401**	**1.0**	181	0.5	**220**	**121.1**
Total	**40,853**	**100.0**	34,456	100.0	**6,397**	**18.6**

Sales by Location of Customers

	For the half year ended 30 June 2008		For the half year ended 30 June 2007		**Variance Fav/(Unfav)**	
	S$'000	**% of total**	S$'000	% of total	**S$'000**	**(%)**
ASEAN	**29,470**	**72.1**	**24,478**	**71.0**	**4,992**	**20.4**
Europe	**2,555**	**6.3**	**3,344**	**9.7**	**(789)**	**(23.6)**
North Asia	**2,129**	**5.2**	**2,760**	**8.0**	**(631)**	**(22.9)**
North and South America	**2,137**	**5.2**	**1,710**	**5.0**	**427**	**25.0**
South Asia	**1,488**	**3.7**	**733**	**2.1**	**755**	**103.1**
Australia	**749**	**1.8**	**728**	**2.1**	**21**	**2.9**
Middle East	**2,325**	**5.7**	**651**	**1.9**	**1,674**	**257.2**
Others	**-**	**-**	**52**	**0.2**	**(52)**	**(100.0)**
Total	**40,853**	**100.0**	**34,456**	**100.0**	**6,397**	**18.6**

Sales for the first half of 2008 recorded S$40.9 million, marking the fourth consecutive half-yearly growth since the second half of 2006. This translates into compounded growth rate of 11.2%. Sales grew by S$1.7 million or 4.8% over second half of 2007 and when compared to the same period last year, the growth was more significant at S$6.4 million or 18.6%.

All our distribution operations registered growth except for China. For our Singapore operations, the growth momentum from the second half of 2007 continued into the first half of 2008. Despite a fall in demand of one of our biggest customers in 2007, we more than made up for it with a fairly broad-based increase in sales to most segments of the Singapore market. Significant increase was also noted in sales to export markets such as Vietnam, Middle-east and Pakistan. As a result, sales increased by S$5.2 million or 31.0%.

Both our Indonesia and Malaysia operation rebounded from its negative sales growth in 2007 with a growth of 16.4% and 6.2% respectively.

As for our UK operation, the increase was primarily boosted by higher export sales despite a decline in sales to the UK and Europe region.

Making a breakthrough into the food industry helped our Philippines operation to register a 121.1% increase in sales.

Sales at our China operation contracted by S$0.4 million or 24.9% as it continued to suffer from a shortage of materials for the construction industry as well as from stiff competition.

After having registered strong growth since it began operation, sales at our manufacturing operation was flat as demand from its custom-blending customers stabilised.

8(a)(ii) Gross profit

Despite higher raw material prices and volatile foreign currency movements, our gross profit margin increased marginally to 19.3% as we were able to pass on the higher cost to our customers. As a result, gross profit increased by 25.5% or S$1.6 million.

8(a)(iii) Operating expenses

Total distribution, administrative and other operating expenses amounted to S$6.4 million for the first half of 2008 which was an increase of S$0.9 million or 17.2% as compared to the same period last year.

The main variances in our operating expenses were as follows:

	For the half year ended 30 June 2008 S$'000	For the half year ended 30 June 2007 S$'000	Variance Fav/(Unfav) S$'000	%
Depreciation of property, plant and equipment	**290**	335	45	13.4%
Employee salaries and related expenses	**3,440**	2,874	(566)	(19.7%)
Impairment of doubtful trade receivables	**153**	29	(124)	(425.7%)
Travelling and transport expenses	**390**	322	(68)	(21.2%)
Rental for operating leases	**507**	394	(113)	(28.7%)

The increase in employee salaries and travelling expenses were largely attributed to increase in headcount as we expanded into new industries and markets. The higher warehouse rental expenses resulted from higher inventory holding in line with increased sales. In addition, an increase in impairment of doubtful trade receivables was made in 2008. This arose mainly from our customers in China.

8(a)(iv) Other operating income

Other operating income decreased by S$0.4 million mainly due to one-off gain from disposal of land of S$349,000 recorded in 2007 and lower gain in foreign exchange and fair value of financial assets.

8(a)(v) Finance costs

Finance costs comprised the following:-

	For the half year ended 30 June 2008 S$'000	For the half year ended 30 June 2007 S$'000
Finance costs		
Bills payable to banks	**191**	106
Short term loan	**25**	-
Others	**-**	2
	216	108

Finance costs increased by S$0.1 million or 100.1% due to higher borrowings to meet the increase in working capital funding requirement arising from the higher sales.

8(a)(vi) Share of profit of associated company

Performance of our associated company continued its upward trend in first half of 2008. As a result, our share of profit of our associated company increased moderately by S$63,000 or 15.9%.

8(a)(vii) Profit before income tax

As a result of higher sales and gross margin, our profit before income tax increased by S$0.2 million or 9.9% to S$2.0 million.

Excluding the one-off gain from disposal of land recorded in 2007, our profit before income tax increased by S$0.5 million or 36.6%.

8(a)(viii) Net profit for the year attributable to the equity holders of the Company

Consequently, profit for the period attributable to the equity holders of the Company increased by 12.8% or S$0.1 million to S$1.5 million.

Similarly, excluding the one-off gain from disposal of land recorded in 2007, net profit attributable to equity holders increased by S$0.5 million or 51.7%.

8(b) BALANCE SHEET ANALYSIS

Third party trade receivables increased from S$18.0 million as at 31 December 2007 to S$20.9 million as at 30 June 2008 due to higher sales in the first quarter of 2008. Turnover days remained relatively stable at 94 days. Additional allowance for impairment of doubtful trade receivables of S$153,000 was made in first half of 2008 primarily for receivables from China customers.

Inventory increased marginally from S$14.4 million as at 31 December 2007 to S$15.7 million as at 30 June 2008 as a result of higher purchases to meet the increased demand. Inventory turnover days improved marginally from 90 days to 88 days.

Consequently, borrowings and third party trade payables and accruals increased from S$5.6 million and S$8.5 million as at 31 December 2007 to S$9.0 million and S$9.2 million as at 30 June 2008 respectively. Though borrowings had increased, the gearing ratio remained low at 0.29.

The increase in other current assets was primarily due to higher advance payments to suppliers and prepayment.

Our liquidity position remained sound with a current ratio of 2.39 times and a quick ratio of 1.54 times.

Net asset per share increased from 22.72 cents as at 31 December 2007 to 23.06 cents as at 30 June 2008 primarily due to better results for the first half of 2008.

8(c) CASH FLOW

Proceed from borrowings of S$3.4 million was utilized to meet the increased operating cashflow requirement, which was negative for the first half of 2008. Cash and cash equivalents as at 30 June 2008 stood at S$5.1 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In our previous result announcement for financial year 2007, the first half results were within our expectations.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

RISK

The group believes the imminent risks to our financial performance in 2008 are as follows :

i) Oil price

Crude oil price has reached unprecedented level which is threatening the global economy. If we are unable to pass increase in raw material prices to our customers, we will face margin squeeze. In addition, the high oil prices may dampen consumer demand which will in turn affect our business.

ii) Global economy

The sub-prime housing crisis is curbing consumer spending in the United States of America ("US") which is the world's largest economy. The US economic downturn will have an impact on global economy and thus on demand for chemicals.

iii) Inflation

High inflation, being faced worldwide now, is putting pressure on our operating cost and if remains at current level will have an impact on our profitability.

iv) Currency fluctuation

If the increased volatility in currency market persists, it may have an impact on our profitability.

v) Regulation by the European Union

The European Union in December 2006 passed a law to regulate the production and use of chemicals. This new legislation known as REACH (Registration, Evaluation and Authorisation of Chemicals) aims to protect human health and environment. Critics however question the negative impact it may have on the industry given the high cost of compliance. The high cost of compliance may increase our operating cost.

vi) Credit risk

Although, based on current information of our debtors, we do not foresee any significant increase in impairment of trade debts in the second half, global economic recession may bring financial difficulties to some of our customers resulting in payment default.

vii) Country risk

Global economic recession will affect some countries more than others especially for countries with high trade deficits and high inflation. Our products are sourced and sold globally and may be affected if any of its markets are badly affected by these factors.

PROSPECTS

Megachem emerged from the first half of 2008 relatively unscathed by the escalating oil price and economic downturn as is evident in both the sales and profit growth. This was possible because of the strong foundation laid over the last few years for our next phase of growth. We intensified our efforts in repositioning ourselves from a regional to a global player through further expansion into emerging high growth markets. We also continued our efforts in transforming ourselves from a distributor to an integrated solution partner. As a result, increased contribution from our key markets as well as new markets buoyed our revenue.

The external environment in the second half of this year will continue to be very challenging given the uncertainty over the state of the global economy as a result of record oil prices, high inflation and the fallout from the sub-prime housing crisis.

Faced with such challenges, Megachem will undertake a more cautious business approach with greater focus on profitability as opposed to sales growth. We will try to pass on any further increase in cost to our customers so as to protect our profit margin. At the same time, we will stay focus on strengthening relationship with our multi-national companies by providing them uninterrupted supply in the midst of very tight supply market condition.

In line with our long term strategy, Megachem will continue to build on the network that we have already established by deepening our penetration into the new markets. We are also now better-positioned to grow our manufacturing activities. With potentially new customers for our custom-blending business, more capacity will be added to meet the increase in demand.

With this business strategy, we should be able to cope with the challenges ahead of us.

While we are optimistic that our current strategy will bring us long term growth, the external factors such as a global recession may hamper our growth in the short term.

11. Dividend

(a) Current financial period reported on

Any interim dividend declared for the financial period ended? No

(b) Interim dividends declared

NA

(c) Date payable

NA

(d) Books closure date

NA

12. Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period ended 30 June 2008 under review (excluding transactions less than $100,000 and transactions conduct under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial period ended 30 June 2008 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Transportation services rendered by Ipem Automation Sdn. Bhd., a company owned by associates of Mr Chew Choon Tee, a director of Megachem Group	(Note 1)	Nil
Supply of products to an associate of Nylex Berhad, a substantial shareholder of Megachem Limited	(Note 2)	Nil
Supply of products from associates of Nylex Berhad, a substantial shareholder of Megachem Limited	(Note 3)	Nil

Note 1 : The Group has entered into interested person transactions amounting to S$110,012 and each transaction was below S$100,000 which fell outside the scope of Rule 920.

Note 2 : The Group has entered into interested person transactions amounting to S$20,386 and each transaction was below S$100,000 which fell outside the scope of Rule 920.

Note 3 : The Group has entered into interested person transactions amounting to S$6,247 and each transaction was below S$100,000 which fell outside the scope of Rule 920.

Negative assurance confirmation on interim financial results under SGX Listing Rule 705(4) of the Listing Manual

We, Chew Choon Tee and Tan Bock Chia being two directors of Megachem Limited ("the Company"), do hereby confirm on behalf of the Board of Directors that, to best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited results for the half year ended 30 June 2008 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Chew Choon Tee Executive Chairman	Tan Bock Chia Executive Director

11th August 2008