



**MEGACHEM LIMITED**  
**Registration No.198803293M**

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## **BUSINESS UPDATE: IMPACT OF COVID-19**

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The Board of Directors (the “Board”) of Megachem Limited (“Megachem”) would like to provide an insight into the impact of COVID-19 on our business in the first quarter of the financial year ending 31 December 2020 (“FY 2020”) as well as our view of the outlook for the second quarter of FY 2020.

### COVID-19 Impact : First Quarter of FY 2020

Our China operation imports chemical products for sale in China as well as serves as a sourcing hub of China products for Megachem and its subsidiaries.

The lockdown and quarantine in China following the emergence of COVID-19 stifled the demand from customers in China and the supply from China since production facilities were mostly closed. The impact was felt by us for a major part of the first quarter. Since early March, business and production gradually resumed, leading to pent-up demand from some of our customers even as we faced logistical disruption in terms of longer delivery lead time.

While our business in China was significantly impacted in the first quarter of FY 2020, our other market segments did not experience major impact. On the contrary, most of our other market segments experienced growth in sales. China sales constitutes about 13% of our group’s sales in the financial year ended 31 December 2019 while the rest are spread across over a wide spectrum of markets. Reflecting the resilience of our diversified business model, our sales revenue in the first quarter came in marginally higher than the same period last year.

### Outlook : Second Quarter of FY 2020

As China’s economic and business activities gradually returns to normalcy, COVID-19 began to spread to other parts of the world in recent weeks. The business impact of this is expected to be widely felt across the group. We foresee wider and deeper impact on our business in the second quarter of FY 2020 or even for a longer period of time depending on how long the COVID-19 pandemic prolongs.

### Impact of Lockdown/Restriction on our operations

On 3 April 2020, the Multi-Ministry Taskforce (“MMT”) announced circuit breaker measures to minimise further spread of COVID-19 in Singapore. The directive from MMT included all workplaces, except for those providing essential services (“Essential Services”) and in key economic sectors which are critical for the supply chains and those which are able to operate remotely, will be suspended from 7 April 2020 to 4 May 2020. Megachem had applied to the Ministry of Trade and Industry (“MTI”) under the Essential Services – Manufacturing and Distribution category for exemption from suspension of business activities from 7 April 2020 to 4 May 2020. The MTI had given written approval for us to continue our operations subject to requirements to comply with the prevailing advisories issued by the various government agencies to mitigate the spread of COVID-19.

Several countries have also imposed lockdown or restrictions on business operations. Given that chemicals are considered essential products by most of the countries in which we operate, we have been allowed so far to continue our operations in these countries with enhanced safe distancing measures adopted. However, for our customers who operates in industries which are classified as non-essential, our business to these customers have been affected. Nevertheless, the impact has been mitigated to some extent by our diversified industry coverage.

Meanwhile we have taken proactive measures to build even stronger relationships with suppliers and customers as well as to contain cost and manage our balance sheet with greater level of prudence.

If there are any developments that may have significant impact on our business, we will keep our shareholders updated. Until then, stay safe and healthy!

On Behalf of the Board

Lee Bon Leong  
Chairman

13 April 2020

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

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Tay Sim Yee (Tel : (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.