



NEWS RELEASE

MEGACHEM ACHIEVES RECORD SALES AND PROFIT IN FY2010

- Sales increased by 34.5% to S\$95.0 million
- Net profit attributable to equity holders increased by 75.5% to S\$4.6 million
- Earnings per share increased by 75.3% to 3.47 cents
- Healthy cash and bank balances of S\$6.8 million
- Proposes final dividend of 0.7 cents per share

S\$'million	FY2010	FY2009	Change
Sales	95.0	70.6	+34.5%
Gross Profit	19.7	15.3	+28.8%
Gross Profit Margin (%)	20.8	21.7	-0.9 percentage points
Net Profit Attributable to Equity Holders of the Company	4.6	2.6	+75.5%
Earnings per share (S\$ cents)	3.47	1.98	+75.3%

Singapore, 21 February 2011 – MegaChem Limited (“MegaChem” or the “Group”), a global one-stop specialty chemical solutions provider, today reported a 75.5% increase in net profit attributable to equity holders to S\$4.6 million for the financial year ended 31 December 2010 (“FY2010”) from S\$2.6 million for the previous corresponding financial year ended 31 December 2009 (“FY2009”). This came on the back of a 34.5% increase in revenue from S\$70.6 million in FY2009 to S\$95.0 million in FY2010. Group gross profit increased by 28.8% from S\$15.3 million in FY2009 to S\$19.7 million in FY2010.

Mr Sidney Chew, Executive Chairman and Managing Director of MegaChem said, “I am pleased to report a solid set of results for this financial year. The Group’s achievements in the past year represent another successful step towards realising our long term objective of steady and sustainable growth. As the global economy recovered, we benefitted from the favourable industry trends. Demand for our products improved across most of our core markets, leading to record level of sales and profitability for FY2010.”

Performance Review

Following a record first half sales of S\$45.2 million for the first half financial period ended 30 June 2010 (“1H FY2010”), sales for the second half financial period from 1 July 2010 to 31 December 2010 (“2H FY2010”) hit a new high with a further 10.2% growth. This marks the third consecutive half-yearly sales increase since the recession. The increase in 2H FY2010 sales was attributed to sales growth in markets in the Middle East, America, North and South Asia.

Sales for FY2010 increased by S\$24.4 million or 34.5% compared to FY2009 to reach a record full year sales of S\$95.0 million. On the back of the improved economic environment and demand for chemicals, the Group experienced strong growth across most of its core markets. The ASEAN market remains as the Group’s main sales contributor, comprising 67.5% of sales in FY2010.

In line with higher sales, Group gross profit increased by S\$4.4 million or 28.8% in FY2010. Gross profit margin decreased marginally by 0.9% due to an increased sales contribution from more competitive markets such as China and India which commanded relatively lower margins.

In line with the pick-up in business activities, total distribution, administrative and other operating expenses amounted to S\$15.0 million for FY2010, an increase of 17.0% from FY2009.

Share of profit of the Group's associated companies in 2HFY2010 also achieved record level of S\$0.6 million in the 2HFY2010, an increase of S\$0.2 million or 38.6% due to higher sales and gross profit margin in an improved market condition. Share of our associated companies' profit in FY2010 was S\$0.4 million or 62.0% higher than the previous financial year.

The higher sales and share of profit of the Group's associated companies led to a 75.5% increase in net profit attributable to equity holders, from S\$2.6 million in FY2009 to S\$4.6 million in FY2010. Earnings per share increased by 75.3% to 3.47 cents per share.

As at 31 December 2010, the Group has managed to maintain a healthy balance sheet with sound liquidity (comprising cash and bank balances of S\$6.8 million) and low gearing.

Proposed Dividend

To reward shareholders' for their loyalty to MegaChem, the Group intends to pay out a final dividend of 0.7 cent per share for FY2010, subject to shareholders' approval at the coming AGM. An interim dividend of 0.5 cent per share was paid in September 2010, bringing the total dividend for FY2010 to 1.2 cent per share. This represents a dividend payout of 34.6% and in line with its financial performance, the Group hopes to continue to provide a better total return to its valued shareholders.

Outlook

Commenting on the Company's growth plans, Mr Chew said, "The global footprint which has been laid over the years has positioned us firmly for sustained growth in FY2011 and the coming years. Our strong business fundamentals coupled with our large base of customers and products will provide the impetus for future growth."

“Going forward, we will channel our resources toward greater market penetration and wider industry coverage. In addition, our custom-blending activities, which are a platform to provide value-add to our customers, will likely continue to benefit from the increasing outsourcing trend in the industry.”

“On the whole for FY2011, the chemical industry is likely to continue to grow in line with economic growth albeit at a more moderate pace. In this favourable external environment, we believe that our business, built on sound fundamentals, will continue to do well. Barring any unforeseen circumstances, we believe that further earnings growth in FY2011 is within our reach.”

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 and contract manufacturing of specialty chemicals 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.

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, construction, oil and gas, food, 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 auxiliary services for its customers.

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

ISSUED ON BEHALF OF	:	MegaChem Limited
BY	:	Citigate Dewe Rogerson, i.MAGE Pte Ltd 1 Raffles Place #26-02 One Raffles Place SINGAPORE 048616
CONTACT	:	Ms Dolores Phua / Ms Andrea Low at telephone
DURING OFFICE HOURS	:	6534-5122 (Office)
AFTER OFFICE HOURS	:	9750-8237 / 9667-5837 (Handphone)
EMAIL	:	dolores.phua@citigatedrimage.com andrea.low@citigatedrimage.com

015/11/001/ML

February 21, 2011

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

This announcement has not been examined or approved by 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 Mr Bernard Lim (tel: (65) 6221 5590) at 79 Anson Road, #15-03 Singapore 079906.