



## MEGACHEM LIMITED

### RESULTS NEWS RELEASE

#### MEGACHEM DELIVERS RECORD PERFORMANCE IN FY2011 AND REWARDS SHAREHOLDERS WITH ATTRACTIVE DIVIDEND YIELD

- *Record sales with growth of 12.5% to S\$106.9 million
  - o *Surpasses S\$100 million mark for the first time**
- *Record net profit after tax at S\$5.1 million, up by 5.4%*
- *Earnings per share increases 4.9% to 3.64 cents*
- *Recommends a final dividend of 1.0 cents per share*
- *Expands custom-blending production capacity with new Tuas facility*

S\$'million	FY2011	FY2010	Change
Sales	106.9	95.0	+12.5%
Gross Profit	22.1	19.7	+12.3%
Net Profit After Tax	5.1	4.8	+5.4%
Earnings per share (S\$ cents)	3.64	3.47	+4.9%

**Singapore, 21 February 2012** – 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 strong sales of S\$106.9 million for the financial year ended 31 December 2011 (“FY2011”), a 12.5% growth compared to the previous corresponding financial year ended 31 December 2010 (“FY2010”). Correspondingly, net profit after tax was up by 5.4% from S\$4.8 million in FY2010 to S\$5.1 million in FY2011.

Commenting on the Group’s performance, Mr Sidney Chew, Executive Chairman and Managing Director remarked, “Despite a weakened global economy in the second half of 2011, MegaChem delivered both record sales and profit figures for FY2011. Our revenue surpassed S\$100 million for the first time, with the majority of our core markets registering strong growth. The good results demonstrate that we are on the right strategic track.”

### **Performance Review**

The ASEAN region remains the Group’s core contributor, recording S\$69.7 million in sales and accounting for 65.2% of total sales. The Group’s second largest market, North Asia, contributed S\$11.1 million or 10.4% of total sales.

For FY2011, America registered the highest year-on-year growth rate of 89.4% with sales of S\$8.6 million, compared to S\$4.5 million in FY2010. South Asia and Australia generated S\$6.0 million and S\$3.0 million in sales respectively, representing a 10.3% and 38.4% increase compared to the previous corresponding financial year.

On the back of higher revenue, gross profit increased 12.3% to S\$22.1 million for FY2011. Gross profit margin held steady at 20.7% in FY2011 compared to 20.8% in FY2010 as overall sales contribution by regions remained relatively unchanged.

Net profit before tax increased 2.1% year-on-year to S\$6.3 million for FY2011 while net profit attributable to shareholders was up 5.0% to S\$4.9 million, the highest ever achieved by the Group.

The Group had built up its inventory in the first half of 2011 following the natural disaster in Japan which affected one of its supply sources. Despite reduced inventory purchases on lower demand in the second half of 2011, inventory as at 31 December 2011 stood at S\$21.2 million, a S\$3.0 million increase compared to the same time last year.

For FY2011, total operating expenses amounted to S\$16.8 million, representing an increase of 11.9% or S\$1.8 million as compared to FY2010. With the completion of the purchase of the Tuas facility in December 2011, overall borrowings increased from S\$9.7 million as at 31 December 2010 to S\$15.3 million as at 31 December 2011. Consequently, gearing ratio increased from 0.27 as at 31 December 2010 to 0.39 as at 31 December 2011.

Net asset value per share increased from 27.07 cents as at 31 December 2010 to 29.21 cents as at 31 December 2011, primarily due to a higher net profit for FY2011. This was however, offset by the unfavourable currency translation reserves as a result of the weakening Thai Baht, Malaysian Ringgit and British Sterling Pound against the Singapore Dollar.

The Group's Return on Equity ("ROE") dipped slightly from 12.8% in FY2010 to 12.5% in FY2011. Earnings per share attributable to the equity holders of the Company increased from 3.47 cents to 3.64 cents for FY2011.

The Group's balance sheet remains healthy with good liquidity and low gearing.

## **Proposed Dividend : Attractive Dividend Yield**

To reward shareholders for their continued support and loyalty towards MegaChem, the Board has recommended a final dividend of 1.0 cents per share for FY2011, subject to shareholders' approval at the forthcoming annual general meeting. Added to the interim dividend of 0.3 cents per share, total dividends for FY2011 will amount to 1.3 cents per share, representing a payout ratio of 35.7% of the Group's net profit attributable to shareholders and dividend yield of 6.0% (based on MegaChem's last traded price of S\$0.215 on 20 February 2012).

## **Outlook**

Mr Chew says the Group's growth strategy for 2012 and beyond will be two-pronged, "We intend to further leverage on our strong Asian network for added visibility and to build a stronger portfolio in Asia – where the future growth of the chemical industry lies. This will serve as the spring board for our next phase of growth, as we continue to cultivate our business and source for opportunities in other emerging markets outside of Asia.

Concurrently, we are increasing our custom-blending production capacity as our new Tuas facility comes online in the second quarter of 2012. This will help meet and grow customers' demand and provide them with higher value services. In the long run, this is a business that is expected to generate better gross profit margins and cash flow for MegaChem."

The outlook of the global economy remains uncertain, with the Euro debt situation as yet unresolved. Mr Chew added with confidence on MegaChem's long-term prospects, "We continue to be prudent and remain deeply aware that any further deterioration in the external environment could have an adverse impact on our chemical business this year. But the diversity of our fundamentally-strong business model provides resilience and helps to cushion outward pressures. Our two-pronged growth strategy gives us a competitive edge in the business and serves as

pillars of growth in the longer term. Barring unforeseen circumstances, we envisage that the Group will continue to be profitable in 2012.”

### **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, Australia and the United Kingdom covering markets in ASEAN, South Asia, North Asia, Middle East, Europe, America and Oceania.

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](http://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 Holly Huang  
at telephone  
DURING OFFICE HOURS : 6534-5122 (Office)  
AFTER OFFICE HOURS : 9750-8237 / 9127-7768 (Handphone)  
EMAIL : [dolores.phua@citigatedrimage.com](mailto:dolores.phua@citigatedrimage.com)  
[holly.huang@citigatedrimage.com](mailto:holly.huang@citigatedrimage.com)

---

21 February 2012

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.