



NEWS RELEASE

MEGACHEM MAINTAINS SALES OF OVER S\$100 MILLION FOR FY2012 DESPITE CONTINUING CHALLENGING MACROECONOMIC ENVIRONMENT

- *Sales down marginally by 0.6% to S\$106.3 million on lingering Eurozone issues and anaemic global economic conditions*
- *Recorded net profit after tax of S\$3.4 million*
- *Continues good dividend payout: Recommends a final dividend of 1.0 cent per share, bringing total dividends for FY2012 to 1.3 cents per share*
- *Double pillars of growth: Strong Asian Network for Distribution Activity and increased production capacity for Contract Manufacturing Activity*

S\$'million	FY2012	FY2011	Change
Sales	106.3	106.9	-0.6%
Gross Profit	21.8	22.1	-1.3%
Gross Profit Margin (%)	20.6	20.7	-0.1ppt
Net Profit After Tax	3.4	5.1	-33.3%
Earnings per share (S\$ cents)	2.38	3.64	-34.6%

Singapore, 25 February 2013 – 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 a net profit of S\$3.4 million on the back of a marginal 0.6% decline in sales to S\$106.3 million for the full year ended 31 December 2012 (“FY2012”). Mainly due to higher expenses relating to business expansion, the Group experienced a 33% or S\$1.7 million decline in net profit to S\$3.4 million. In FY2012, the Group expanded its contract manufacturing production facility in Singapore, set up a new subsidiary in Australia and saw an increase in staff costs in line with business expansion.

Commented Mr Sidney Chew, Executive Chairman and Managing Director, “We remain heartened by MegaChem’s full year performance as the Group worked against weakened global demand especially in the second half of year 2012 to deliver healthy sales figures and remained firmly in the black. Our revenue surpassed the S\$100 million-mark for the second year running, with our strongholds – ASEAN, North Asia and Europe markets all registering modest growth.

There was some impact at the bottom-line level as we expanded our business but these are investments that are integral to our strategy of building an integrated business and fortifying our pillars of growth.”

Proposed Dividend: Attractive Dividend Yield

To reward shareholders for their steadfast loyalty towards MegaChem, the Board has recommended a final dividend of 1.0 cent per share for FY2012, subject to shareholders’ approval at the forthcoming Annual General Meeting. Added to the interim dividend of 0.3 cent per share, total dividends for FY2012 amount to 1.3 cents per share, representing a payout ratio of 54.7% of the Group’s net profit attributable to shareholders and a dividend yield of 5.0% (based on MegaChem’s last traded price of S\$0.26 on 31 December 2012).

Performance Review

The ASEAN region remains the Group’s core contributor, recording S\$71.1 million in sales, accounting for 66.9% of total revenue. The Group’s second largest market, North Asia, contributed S\$11.4 million or 10.8% of Group sales.

Despite anaemic market conditions, Europe contributed S\$6.4 million to total sales compared to S\$4.5 million in FY2011. The Group had little sales to countries such as Portugal, Italy, Greece and Spain and outside the Euro zone, it managed to grow its business.

Sales in the Group's remaining markets – America, South Asia, Middle East and Australia – were generally down, generating sales of S\$17.3 million in FY2012 versus S\$21.6 million in FY2011.

In line with lower sales, gross profit decreased 1.3% to S\$21.8 million for FY2012. Gross profit margin ("GPM") held steady at 20.6% (GPM of 20.7% in FY2011) as overall sales contribution by regions remained relatively unchanged.

The Group had adopted a prudent approach in its inventory management in anticipation of lower demand for chemicals in the second half of 2012. Accordingly, inventory as at 31 December 2012 stood at S\$19.8 million, a \$1.5 million decrease compared to the same time last year.

Total assets base increased S\$4.8 million following the Group's plant expansion, which was partially funded with bank borrowings. Overall borrowings increased slightly from S\$15.3 million as at 31 December 2011 to S\$16.0 million as at 31 December 2012. Due to prudent inventory management, the Group's working capital cycle improved, leading to positive operating cash flow and sound liquidity. Gearing ratio was marginally higher at 0.4 times as at 31 December 2012, compared to 0.39 times as at 31 December 2011. The Group's balance sheet remained healthy with sound liquidity and acceptable gearing.

Earnings per share decreased from 3.64 cents to 2.38 cents for FY2012. Conversely, net asset value per share improved from 29.21 cents as at 31 December 2011 to 29.90 cents as at 31 December 2012.

Outlook

Downside risks in the global economy remain as the world continues to await Europe's recovery. While uncertainty remains, demand for chemicals is expected to increase should the economic situation improve, with the United States showing signs of improvement and China thought to be a continuing bright spot. With near

term visibility uncertain, MegaChem will continue to focus on strengthening its business fundamentals, leveraging on its double pillars of growth throughout 2013.

Mr Chew said, "Our strong Asian network has fortified the Group against negative economic headwinds in the last year. Moving forward, it will further enable us to build a stronger portfolio in Asia – where we believe the future growth of the chemical industry continues to be. In this vein, we had entered into a strategic partnership agreement with Japanese group, Chori Co. Ltd. in 2012, for the mutual expansion of both parties' chemicals business through the tapping of respective marketing expertise and network, catering to increasing demand for chemicals in Asia."

The Group had expanded its custom-blending production capacity at Tuas (Singapore) in June 2012 and is now in a stronger position to further meet growing customers' demand. "Contract manufacturing will serve as our second pillar of growth in the longer term. Our higher-value custom blending operations provide us with a competitive edge in the chemical industry and is expected to help support our gross profit margins even against the backdrop of a continuing uncertain economic climate," added Mr Chew.

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 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 2,000 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

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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.

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