



NEWS RELEASE

MEGACHEM RECORDS NET PROFIT OF S\$1.5 MILLION DESPITE PERSISTENT UNCERTAINTY

- *Declares interim dividend of 0.3 cents per share*

S\$'million	H1 2013	H2 2012	H1 2013 vs H2 2012	Change (%)	H1 2012	H1 2013 vs H1 2012	Change (%)
Sales (S\$mil)	51.9	52.2	(0.4)	(0.7)	54.0	(2.2)	(4.0)
Gross Profit (S\$mil)	10.4	10.7	(0.3)	(2.4)	11.1	(0.7)	(6.3)
Gross Profit Margin (%)	20.1	20.5	(0.4) pts	n.a.	20.6	(0.5) pts	n.a.
Net Profit After Tax (S\$mil)	1.5	1.3	0.2	13.7	2.1	(0.5)	(26.3)
Earnings per share (S\$ cents)	1.01	0.95	0.06	6.3	1.43	(0.4)	(29.4)
ROE (%) (Annualised)	6.8	6.3	0.5 pts	n.a.	9.8	(3.0) pts	n.a.

Singapore, 13 August 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 sales of S\$51.9 million and net profit after tax of S\$1.5 million for the half year ended 30 June 2013 (H1 2013+). This represented a fall of 4.0% in sales and 26.3% decrease in net profit after tax compared to the half year ended 30 June 2012 (H1 2012+).

Sequentially, sales decreased 0.7% from S\$52.2 million for the second half of the financial year ended 31 December 2012 (~~H2 2012~~), but net profit after tax improved 13.7% from S\$1.3 million in H2 2012 to S\$1.5 million in H1 2013.

Mr Sidney Chew, Executive Chairman and Managing Director, said, ~~%~~The persistent uncertainty in the global economy has put pressure on our sales and operating margins, and though we have seen reduced sales across most markets apart from ASEAN, the Group's performance in H1 2013 remained within our expectations. I am pleased that our bottom-line saw a slight improvement from H2 2012, supported by smaller foreign exchange losses and better results from our associated companies in Thailand.+

Performance Review

The ASEAN region, which recorded S\$36.8 million in sales, continued to be the Group's core contributor, accounting for 71.1% of Group sales in H1 2013. This was 2.4% higher compared to a revenue of S\$36.0 million in H1 2012.

The Group's second largest market, North Asia, registered sales of S\$4.4 million or 8.4% of total sales. America generated S\$3.2 million, accounting for 6.2% of total revenue while Europe recorded S\$2.8 million in sales, making up another 5.3%.

In line with lower sales, gross profit declined by 6.3% from S\$11.1 million in H1 2012 to S\$10.4 million in H1 2013. Higher operating expenses arising from additional headcount and higher depreciation of plant and equipment led to a year-on-year fall in net profit after tax by 26.3% to S\$1.5 million.

On the balance sheet front, bank borrowings increased by approximately S\$3.5 million to S\$19.5 million on higher working capital needs. Consequently, gearing went up from 0.40 times as at 31 December 2012 to 0.49 times as at 30 June 2013, though still maintained at an acceptable level. Its liquidity and overall financial condition remained sound.

Dividend

Mr Chew said, "Although market conditions remain challenging moving into the second half of the year, we want to continue rewarding our loyal shareholders for standing by us in these uncertain times. The Board has recommended to maintain an interim dividend of 0.3 cents per share for the financial period ended 30 June 2013."

Outlook

Given the chemical industry's sensitivity to economic activities, any further deterioration in the external environment is expected to impact the Group's business prospects in the next six months (H2 2013). Though the United States economy continues its moderate growth path, concerns over Europe's continuing woes, possibility of a reduction in liquidity in the United States as well as moderated growth in China will continue to affect markets and demand for chemicals going forward.

"While the market landscape remains at best uncertain in the near term, Megachem is taking this opportunity to strengthen our business fundamentals and capabilities, namely in the custom-blending business supported by our new facilities at Tuas and in improving businesses in markets where performances fell short of our expectations."

"Companies in the specialty chemicals sector will need to find more ways to focus on customer behaviour and better tailor their operations to offer ever-more competitive products and services to customers. In this vein, we continue to evaluate synergistic opportunities with our Japanese chemicals partner, Chori Co., Ltd, to strengthen Megachem's supply sources and widen our product range, giving us greater thrust in markets as yet fully tapped by the Group," concluded 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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