MEGACHEM ACHIEVED RECORD SALES OF S$108.7 MILLION FOR FY2013

- ***Sales increased by 2.3% to S$108.7 million driven mainly by growth in revenues from America and ASEAN market segments.***
- ***Recorded net profit after tax of S$2.8 million***
- ***Recommends a final dividend of 0.7 cent per share, bringing total dividends for FY2013 to 1.0 cent per share***
    - ***Represents a payout ratio of 53.3% and a dividend yield of 3.3%[1]***
- ***Group to focus on tapping emerging opportunities amid a more sanguine outlook for chemical market in 2014***

Singapore, 24 February 2014 – Megachem Limited (ñMegachemò or the ñCompanyò, and together with its subsidiaries and associated companies, collectively the ñGroupò), a global one-stop specialty chemical solutions provider, today reported record sales of S$108.7 million for the full year ended 31 December 2013 (ñFY2013ò) and a net profit after tax of S$2.8 million.

Performance Review

ASEAN continues to be a core market and contributes 67.9% to the Groupôs sales. Its sales of S$73.8 million in FY2013 represents a 3.7% gain from S$71.1 million in the previous corresponding year (ñFY2012ò).

America emerged as the Groupôs second largest market with sales of S$11.4 million and a share of 10.5%. With boosted sales coming from South America, the greater America region recorded a 55.8% increase in revenues from FY2012.

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[1]Based on MegaChem's last traded price of S$0.30 on 31 December 2013.

Sales in the Group’s other markets of North Asia, South Asia, Europe, Middle East and Australia were generally lower affected by weaker demand for chemicals in these regions.

Despite higher sales for FY2013, the Group recorded a slightly lower gross profit of S$21.6 million. Positive contributions from slightly higher distribution sales were offset by the increase in manufacturing overheads following the expansion of its manufacturing facility. As a result, gross profit margin reduced slightly by 0.7 percentage point to 19.9% for FY2013.

Higher employee remuneration and depreciation for property, plant and equipment contributed largely to an increase in total expenses of S$0.6 million or 3.3%.

Other operating income decreased by S$0.2 million following lower bad debt recovered, grant income and gain from disposal of plant and equipment.

Our share of associated company’s profit increased substantially by S$0.5 million or 38.5%, boosted by higher profits in the first half of FY2013 which more than offset the slower second half.

Despite the record sales, net profit after tax at S$2.8 million in FY2013 was S$0.6 million or 17.8% lower than the S$3.4 million recorded in FY2012 due mainly to the higher manufacturing overheads and increased operating expenses following the completion of its facility expansion in the middle of FY2012. The Group’s EBITDA, which more accurately measures its operating performance, fell by a significantly lesser margin of 3.7% or S$0.2 million year-on-year from S$5.9 million in FY2012 to S$5.7 million in FY2013.

The Group’s inventory remained flat at S$19.8 million as at 31 December 2013 as it continued to be prudent in its purchasing strategy in view of an uncertain global economy. Hence inventory turnover days saw an improvement from 95 to 90 days.

Due to higher sales in the last quarter of FY2013, receivables turnover days increased from 80 days to 85 days.

As at 31 December 2013, overall borrowings stood at S$17.7 million, a marginal increase of S$1.7 million from S$16.0 million as at 31 December 2012. This was due to increase in funding requirement for the Groupôs capital expenditure on plant and equipment as well as for working capital. As a result, gearing ratio was marginally higher at 0.44 times as at 31 December 2013, compared to 0.40 times as at 31 December 2012.

Earnings per share decreased from 2.38 cents to 1.88 cents for FY2013 while net asset value per share improved from 29.90 cents as at 31 December 2012 to 30.24 cents as at 31 December 2013.

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group said, ñWe are pleased to have achieved record sales for the year and are heartened that our business model continued to show resilience despite the macroeconomic headwinds.

ñOur bottom-line however, was impacted mainly by increased costs associated with our manufacturing facility expansion. The expansion is an integral part of our overall strategy of adding greater value to our customers as well as of building a long term sustainable growth business model.ò

Proposed Dividend

As an appreciation to shareholders for their support over the past year, the Board has recommended a final dividend of 0.7 cent per share for FY2013. When combined with the interim dividend of 0.3 cent per share, the total payout for the year is expected to be 1.0 cent. This represents a payout ratio of 53.3% of the Groupôs net profit attributable to shareholders and a dividend yield of 3.3%. The final dividend will be subject to shareholdersô approval at the Groupôs upcoming Annual General Meeting for FY2013.

Outlook

With the worldôs developed economies expected to recover from their crises in 2014, global growth is expected to strengthen. This is expected to be led by major advanced economies with most emerging markets following in their wake. Barring downside risks such as prolonged economic uncertainty, the outlook for the chemical industry is expected to improve for 2014. According to the American Chemicals Council, global chemical production is expected to grow by 3.8% in 2014, outpacing the 2.4% recorded in 2013.

Mr. Chew concluded, ñAs an established chemical specialist with a presence in 11 countries worldwide, we continue to enhance our market position by leveraging on our extensive network as well as strong customer relationships. We continue to see opportunities emerging globally, especially from the shale gas industry in the United States of America. We are building on our good track record in securing trading relationships with our US-based customers in view of this trend.

ñIn the near future, we also expect the demand for chemicals in the Asia-Pacific region to outpace other parts of the world. With our strong presence in Asia, we are in good position to capitalise on the regionôs growth. That said, we remain cautious in the prediction of our prospects and are focused on ensuring the stability of our business to continue delivering sustainable value to our shareholders.ò

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 customersô 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

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.

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