MEGACHEM LIMITED
Registration No. 198803293M

ANNOUNCEMENT ON ACQUISITION OF ASSET UNDER RULE 1010

PROPOSED PURCHASE OF INDUSTRIAL LAND AT SERI ALAM INDUSTRIAL PARK, SUNGAI KAPAR INDAH, KLANG, SELANGOR, MALAYSIA

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 Ms Alicia Kwan (tel: (65) 6221 5590) at 1 Robinson Road #21-02 AIA Tower Singapore 048542.

INTRODUCTION

The Board of Directors of Megachem Limited (the "Company") is pleased to announce that its wholly-owned subsidiary C.N. Chemicals Sdn. Bhd. ("CNC") has entered into a Sale and Purchase Agreement to purchase a piece of Land (as defined below) on 8 April 2014 from the Vendor (as defined below) (the "Proposed Transaction").

1. DETAILS OF THE PROPOSED TRANSACTION

LAND

Address	:	Seri Alam Industrial Park, Sungai Kapar Indah, Klang, Selangor, Malaysia
Description	:	Light and medium industrial land
Land area	:	3.54 acres or 154,202 sq. ft
Tenure	:	Freehold
Purchase Price	:	Malaysian Ringgit (RM) 8,311,509

The purchase price was made publicly available through the Project Developer's sales team. Having reviewed publicly available information on past transacted prices of similar properties, the Directors consider that the purchase price of RM 8,311,509 is fair and reasonable. No valuation on the Land has been commissioned. The purchase price was agreed on a willing-buyer-willing-seller basis after arm's length negotiation with the Vendor.

VENDOR

The Vendor is NPO Land Sdn Bhd.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is an independent third party not connected with our Directors or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates as defined under the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules").

THE AGREEMENT

RM 831,151, being 10% of the purchase price, has been paid upon signing of Sale and Purchase Agreement.

The balance of RM 7,480,358, being the remaining 90% will be in progressive payments until delivery of vacant possession.

The completion of the Proposed Transaction is subject to successful completion of legal documentation. There are no other material conditions attached to the agreement entered into between CNC and the Vendor except the followings: -

(a) that the category of Land use shall be converted from residential to industrial by the Vendor within 12 months from the date of the Sale and Purchase Agreement, and

(b) that the Vendor shall complete the development of the Land and hand over vacant possession to CNC within 12 months from the day the approval mentioned in (a) is obtained.

FUNDING

The purchase price will be funded with internal funds and bank borrowings.

No equity security will be issued for the purpose of funding the purchase. As such, Rule 1006 (d) will not be applicable.

RATIONALE

CNC intends to use the piece of land to build a warehouse facility to enhance its logistic infrastructure. This will also enable CNC to achieve greater operational and cost efficiency in its supply chain.

2 RELEVANT FIGURES UNDER RULE 1006 OF THE CATALIST RULES

2.1 The relative figures computed on the bases set out under Rule 1006 of the Catalist Rules based on the latest audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 are as follows :-

Rule 1006 (a)	Net asset value of assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
Rule 1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not applicable[(1)]
Rule 1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares.	7.8% [(2)]
Rule 1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously issued.	Not applicable
Rule 1006 (e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets.	Not applicable

Note:

(1) The acquisition is intended to enhance efficiency in supply chain operation and hence, achieve cost savings.

(2) Based on the purchase price of RM8,311,509 (S$3,202,894 at exchange rate S$/RM2.595) and share price of S$0.31 as well as market capitalization of S$41,323,000 of the Company as at 7 April 2014.

As none of the relative figure under Rule 1006 of the Catalist Rules exceeds 75%, the Company is not required to convene a general meeting of the shareholders to seek specific approval on the Proposed Transaction.

2.2 Under the provision of Rule 1010 of the Catalist Rules, the Proposed Transaction constitutes a "discloseable transaction" based on the above bases.

3. FINANCIAL EFFECTS

3.1 Net Tangible Assets ("NTA") per share

For illustration purposes, assuming that the Proposed Transaction had been effected on 31 December 2013, the proforma financial effects of the Proposed Transaction on the consolidation financial statements of the Company and its subsidiaries as at 31 December 2013 would not be material. The Proposed Transaction would have the following effects on the consolidated NTA of the Group :-

	NTA	NTA per share
	S$	cents
Before adjusting for the Proposed Transaction	40,315,699	30.24
After adjusting for the Proposed Transaction	40,281,113(1)	30.22(1)

Note:

(1) The proforma NTA and NTA per share are determined based on the following assumptions: (i) full ownership of the Land is passed to CNC although transaction is expected to be completed by middle of 2016.

3.2 Earnings per Share ("EPS")

For illustration purposes, assuming that the Proposed Transaction had been effected on 1 January 2013, the proforma financial effects of the Proposed Transaction on the consolidated EPS based on the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2013 would be as follows :-

	Earnings	EPS
	S$	Cents
Before adjusting for the Proposed Transaction	2,500,679	1.88
After adjusting for the Proposed Transaction	2,363,665(2)	1.77(2)

Note:

(2) The proforma financial effects are determined based on the following assumptions: (i) bank loan to be obtained to finance the acquisition is RM5,500,000 at floating interest rates average 4.7% per annum over the tenure of 10 years; and (ii) other cost incurred in relation to the property such as stamp duty and professional fees are included.

4. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and controlling shareholders of the Company (other than through their shareholdings of the Company) has any interest, direct or indirect, in the Proposed Transaction.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Sales and Purchase agreement will be made available for inspection during normal business hours at the registered office of Megachem Limited at 11 Tuas Link 1 Singapore 638588 for a period of 3 months from the date of this announcement.

By order of the Board

Chew Choon Tee
Managing Director

23 April 2014