



## NEWS RELEASE

### MEGACHEM ACHIEVES 7.3% INCREASE IN SALES FOR H1 2014

- ***Driven by core ASEAN market and higher sales from most markets***
- ***Reported net profit after tax of S\$1.1 million***
- ***Recommends an interim dividend of 0.3 cent per share***
  - o ***Represents a payout ratio of 39.3%***
- ***Remains focused on building sustainable long term growth in distribution and contract manufacturing***

**Singapore, 11 August 2014** – 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\$55.6 million and net profit after tax of S\$1.1 million for the half year ended 30 June 2014 (“H1 2014”). This represented a 7.3% increase in top line performance and a 24.7% decrease in net profit after tax as compared to the half year ended 30 June 2013 (“H1 2013”).

Commenting on the Group’s performance, Mr Sidney Chew, Executive Chairman and Managing Director, said: “As MegaChem is a chemical specialist with interests globally, we were invariably affected by the challenges surrounding our key markets during H1 2014. Despite the uncertainties, bright spots remain in our ASEAN business segment which contributed to MegaChem’s overall revenue growth during H1 2014 although our bottom line was impacted mainly by the lower profit contribution by our associated company in Thailand.”

## Performance Review

ASEAN remains the Group's key market, recording sales of S\$39.2 million which represented 70.5% of the Group's total sales for H1 2014. ASEAN's top line in H1 2014 was 6.5% higher compared to H1 2013's S\$36.8 million, mainly driven by healthy demand from Singapore, Indonesia and Vietnam.

North Asia, as MegaChem's second largest market, recorded sales of S\$5.0 million, representing 8.9% of total sales. The Group's sales in America registered S\$3.6 million while Europe recorded S\$2.7 million, making up 6.4% and 4.8% of H1 2014's sales respectively.

Overall gross margins declined marginally from 20.1% in H1 2013 to 19.7% in H1 2014 mainly as a result of higher inventory write-off. Despite the higher revenue achieved in H1 2014, net profit after tax declined 24.7% to S\$1.1 million compared to S\$1.5 million in H1 2013, largely impacted by the lower share of profits from an associated company during the period. In contrast, Megachem's EBITDA which reflects the Group's operating financial performance more accurately, declined by a lower percentage of 14.0% or S\$0.4 million in H1 2014 to S\$2.5 million as compared to H1 2013.

The Group's balance sheet remains robust, with cash and bank balances of S\$10.8 million as at 30 June 2014. Although the Group's borrowings increased to S\$22.8 million as at 30 June 2014 from S\$17.7 million as at 31 December 2013, net gearing stood at a reasonably low level of 0.56 times as at 30 June 2014. This was slightly higher compared to 0.44 times as at 31 December 2013. The increase in borrowings was largely attributable to the funding of capital expenditures and working capital requirements.

## **Proposed Dividend**

In appreciation of shareholders' support despite challenges within the industry, the Board has recommended a similar tax exempt interim dividend of 0.3 cent per share for H1 2014 as was declared for H1 2013. This represents a payout ratio of 39.3% of the Group's net profit attributable to shareholders.

## **Outlook**

The Group remains cautiously optimistic on the near-term outlook of the chemical industry given that the brighter prospects of the US economy and China's growth are tempered by the fragile Eurozone recovery and recent global political tensions. In Asia, the political unrest in Thailand has put a blemish on the Group's results, with ongoing concerns of the unresolved political impasse and the potential impact during H2 2014 on the performance of the Group's associated company in Thailand.

Mr Chew added: "Notwithstanding challenges brought on by global macro headwinds, we remain firmly focused on the strengthening of our core business segment in both Distribution and Custom Blending for sustainable growth. We believe that there are opportunities for further organic growth within our existing markets."

"In Custom Blending, with production capacity and capabilities put in place, we now have the essential infrastructure to meet customers' diverse and changing needs. The execution of this strategy is still work-in-progress and the benefits will not be immediately visible."

“Beyond pursuing financial performance at MegaChem, we are committed in engaging our investors actively in a transparent manner. We firmly believe that the adoption of best practices and the improvement of disclosure quality will help raise our standard of communication with shareholders and the investing public. On this pursuit, we are honoured to have won Bronze for both the prestigious Best Investor Relations Award and the Best Annual Report Award earlier last month at the Singapore Corporate Awards 2014. These awards serve as a reminder for us to stay focused on achieving high standards in our investor relations communication while maintaining our course towards being a global chemical specialist.”

### **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 distributes its products globally through its extensive distribution network in Singapore, Malaysia, Indonesia, Thailand, the Philippines, Shanghai, Beijing, Vietnam, India, Middle East, Australia and the United Kingdom.

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, beverage, flavours, fragrance, 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 ancillary services for its customers.

For more information, please visit [www.megachem.com.sg](http://www.megachem.com.sg).

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*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.*

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