

Results Presentation For Analyst Briefing 1st Half ended 30 June 2014

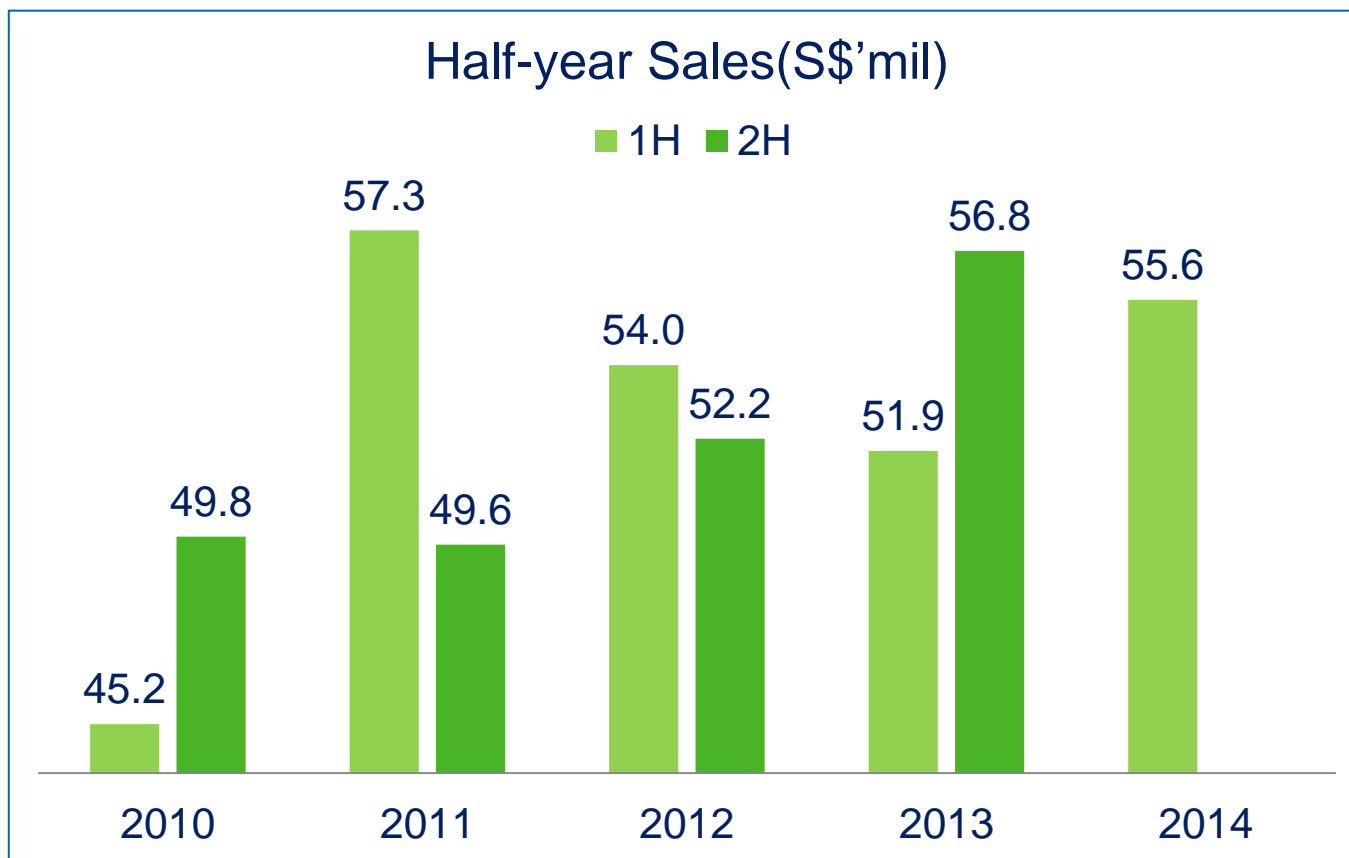


Financial Performance

- US economy recovered in 2Q 14 after a slow start to the year.
- Fear of China's economic growth decelerating has abated. China's economic growth pace quickened in 2Q14, with headline coming in at 7.5% y-o-y from 7.4% in 1Q14.
- Europe's recovery becoming fragile.
- Singapore's economy contracted for the first time in seven quarters - declining by 0.8% from the previous three months hurt by a slowdown in manufacturing.
- Political disruptions hurt Thai economy. Exports were sluggish and domestic demand weakened.
- Comparing the first half of 2014 to that in 2013, chemical production in US was up 0.9 percent.

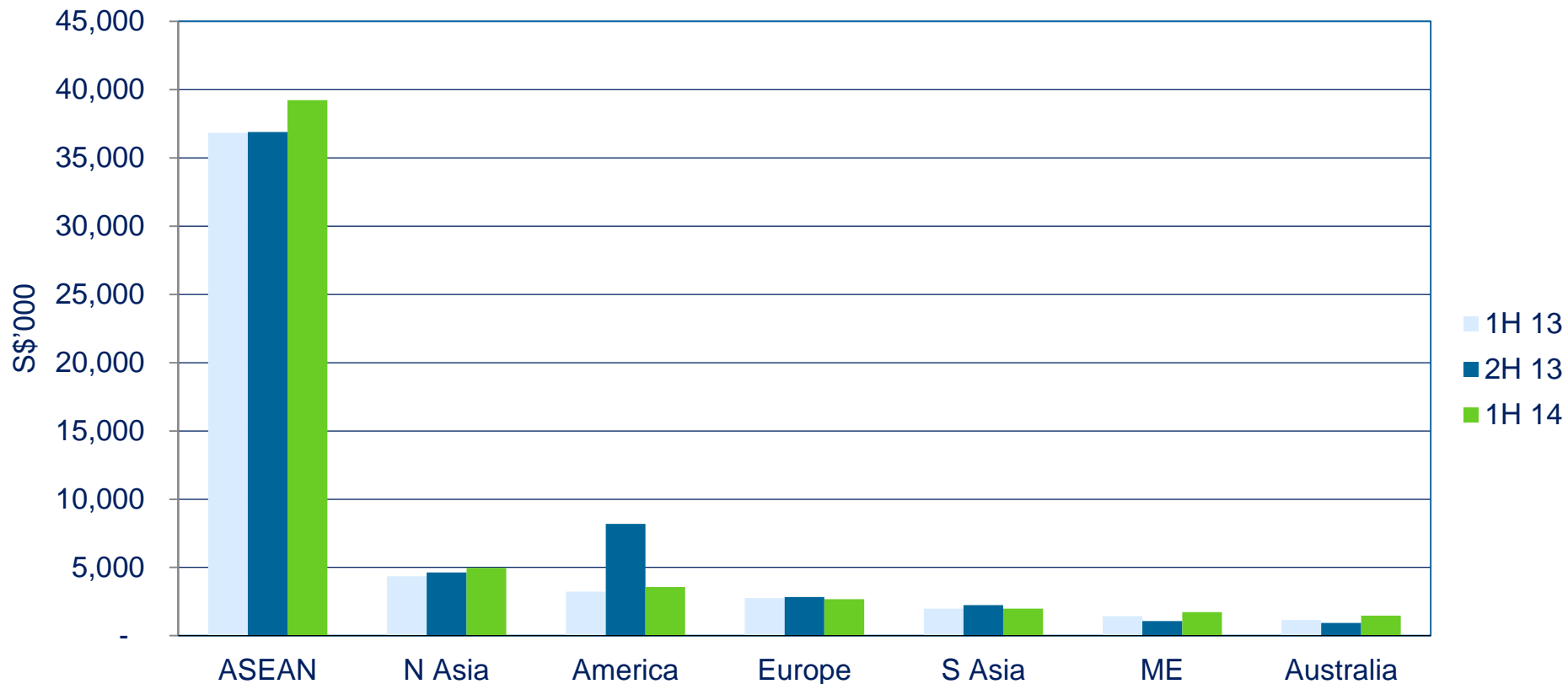
P&L Highlights

S\$'mil	1H 13	2H 13	1H 14	1H14 vs 2H13	Var %	1H14 vs 1H13	Var %
Sales	51.9	56.8	55.6	(1.2)	(2.1%)	3.8	7.3%
Gross Profit	10.4	11.1	11.0	(0.2)	(1.4%)	0.5	5.1%
Gross Profit Margin	20.1%	19.6%	19.7%	0.1% pt	na	(0.4% pt)	Na
Expenses	9.5	10.1	10.0	(0.2)	(1.6%)	0.5	5.0%
Expenses/Sales %	18.3%	17.8%	17.9%	0.1% pt	na	(0.4% pt)	Na
Other Income	0.06	0.15	0.13	(0.02)	(12.1%)	0.07	119.4%
Share of Assoc Profit	1.06	0.65	0.47	(0.18)	(27.8%)	(0.6)	(56.2%)
NPBT	2.1	1.8	1.6	(0.2)	(11.2%)	(0.5)	(22.9%)
NPAT	1.5	1.3	1.1	(0.1)	(10.0%)	(0.4)	(24.7%)
NPAT margin %	2.9%	2.2%	2.1%	(0.1% pt)	na	(0.8% pt)	Na
EBITDA	3.0	2.7	2.5	(0.2)	(6.1%)	(0.4)	(14.0%)
EBITDA Margin %	5.7%	4.8%	4.6%	(0.2% pt)	na	(1.1% pt)	Na
EPS	1.01	0.87	0.76	(0.11)	(12.6%)	(0.25)	(24.8%)



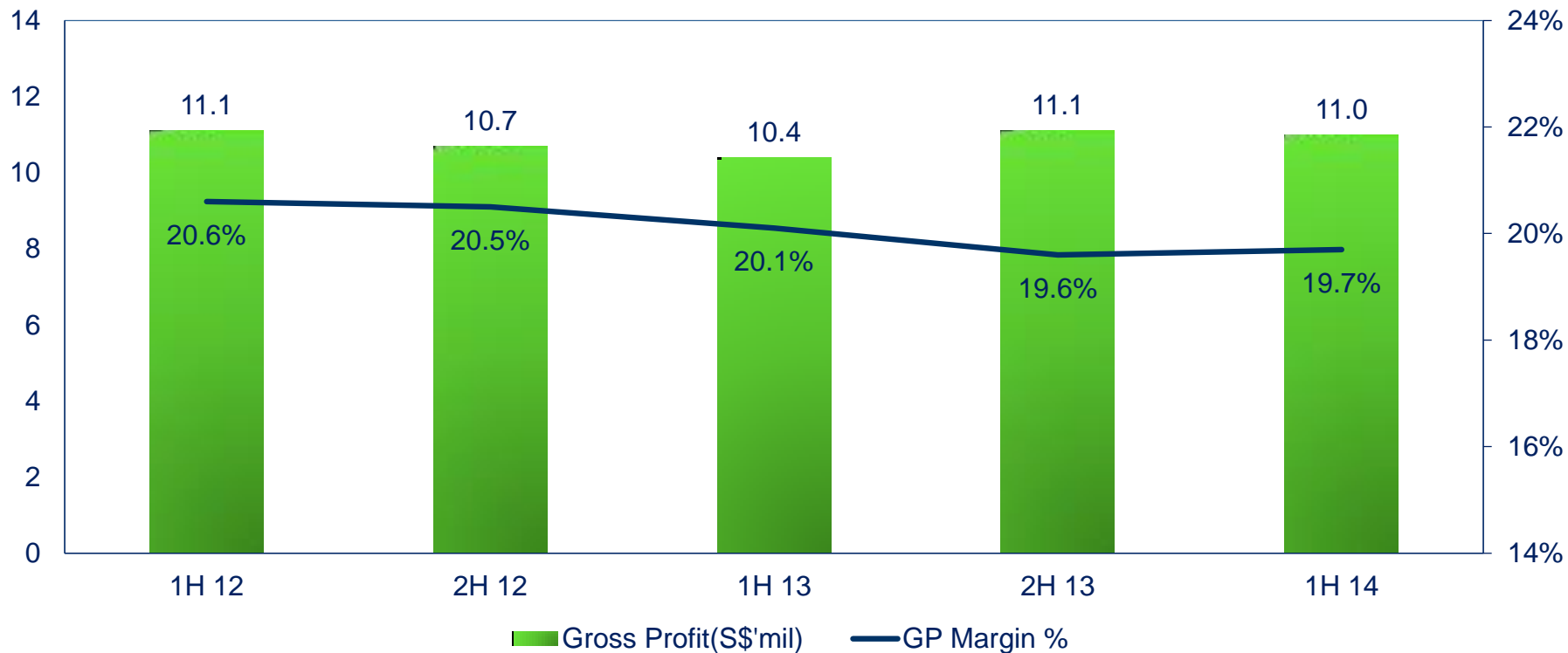
- 1H 2014 higher than 1H 2013 but lower than 2H 2013 and fell short of the record half-yearly sales in 1H 2011.

Sales breakdown by Geographic Markets



- 1H 14 vs 1H 13 : All markets higher except Europe and S Asia quite flat .
- 1H 14 vs 2H 13 : All markets higher except Europe, America, S Asia
- America sales normalised following pent-up demand in 2H 13. It fell by S\$4.6 mil vs 2H 13.

Gross Profit



- 1H 14 vs 1H 13 : GP increased S\$0.5 mil on the back of higher sales but margin fell 0.4% pt due to higher stock provision

Expenses

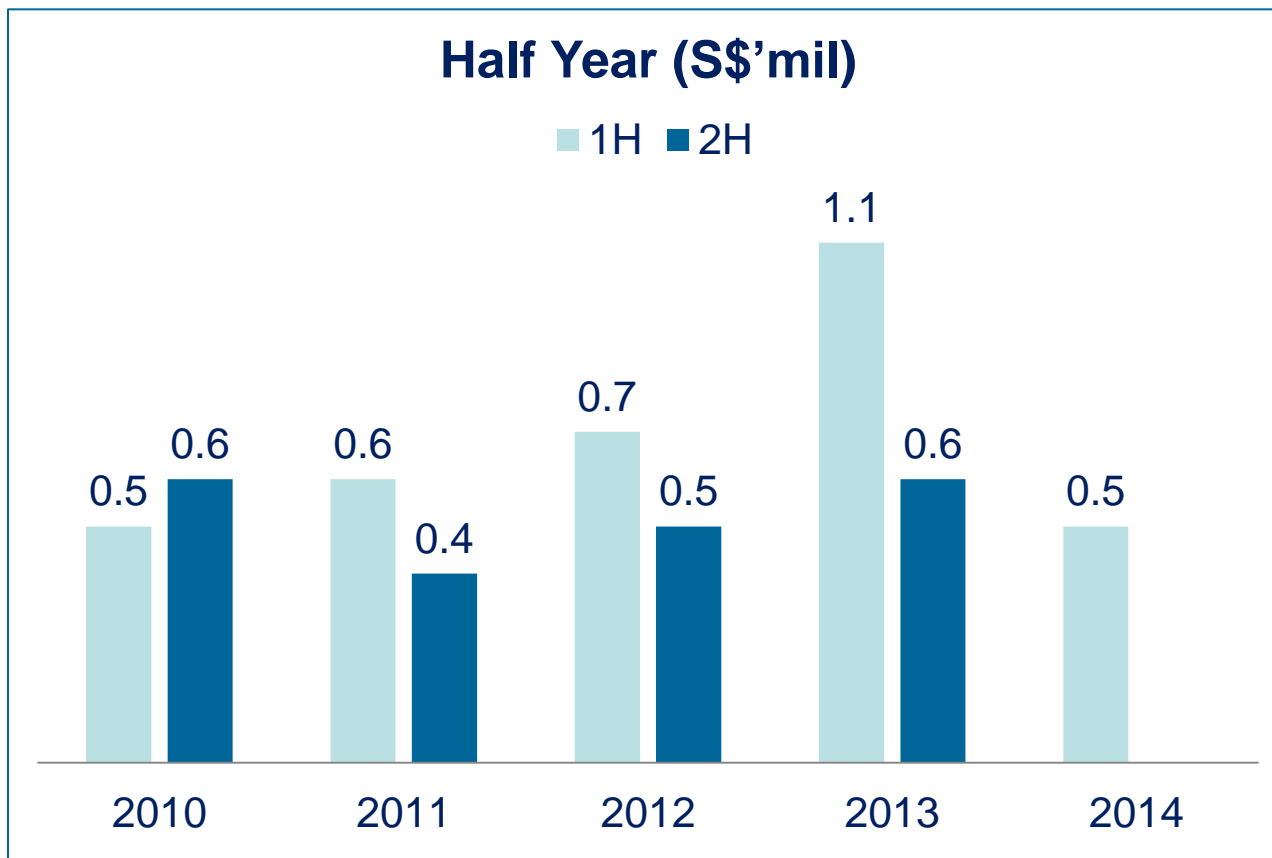
- Total operating expenses increased S\$480,000 or 5% y-o-y to S\$10 mil.

S\$'000	1H 2013	2H 2013	1H 2014	1H 14 vs 1H 13	1H 14 vs 2H 13	
Staff Cost	5,418	5,280	5,617	199	338	Annual salary increase.
Bad debt	79	16	120	41	104	Customers in Indonesia, Malaysia, India, Vietnam
Finance Cost	174	203	220	47	17	In line with higher borrowings.
FX loss	42	617	73	31	(544)	1H FX loss mainly in GBP/USD
Professional Fees	235	296	326	91	30	Legal fee for land purchase in Malaysia and trade mark registration.
Rental expense	870	881	944	74	64	Higher warehousing rates
Travelling & transport	407	560	465	58	(95)	Business travels.

- Total other operating income in 1H 14 was S\$133,000, increase of S\$72,000 y-o-y and decrease of S\$18,000 over 2H 13.

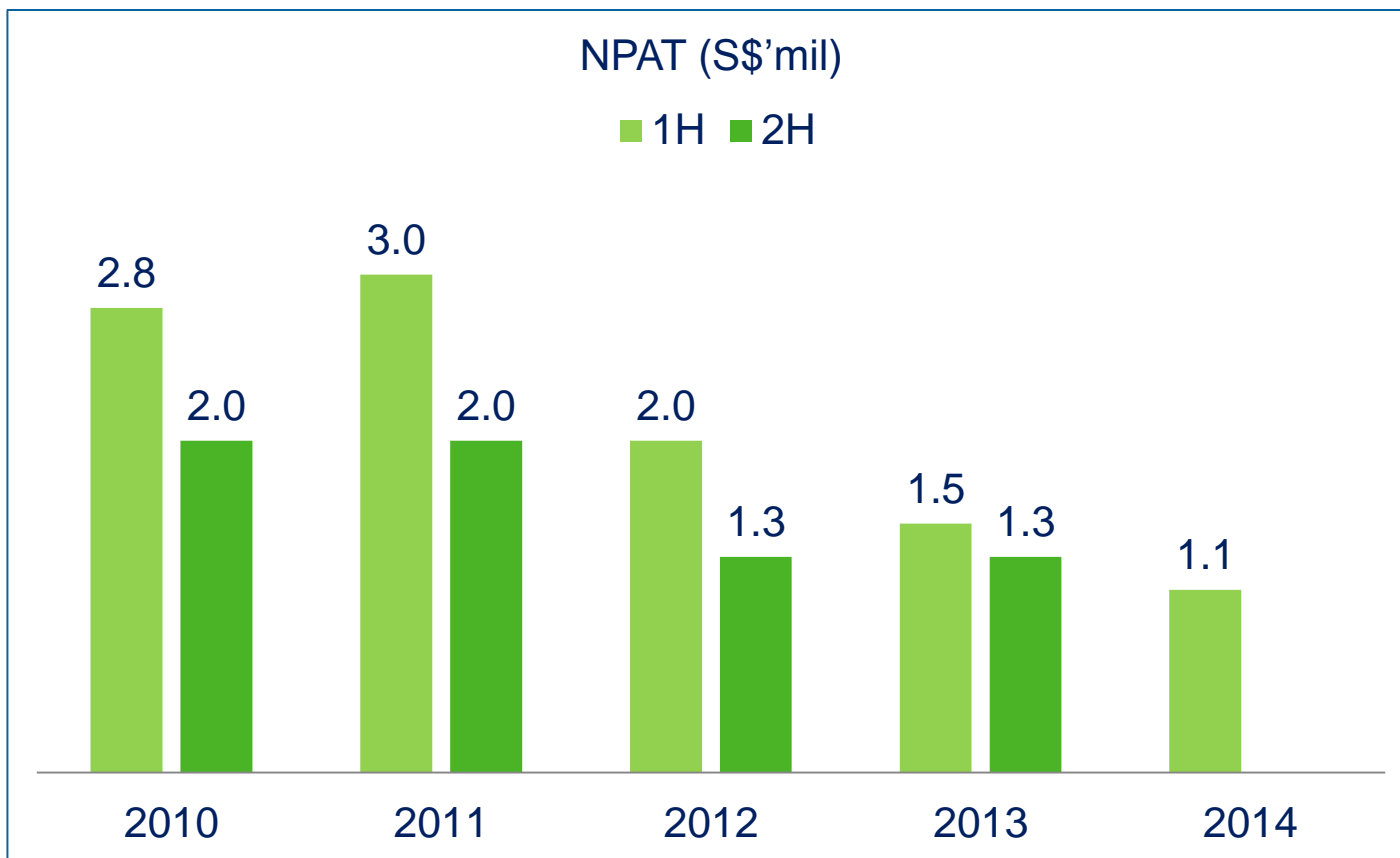
S\$'000	1H 13	2H 13	1H 14	1H 14 vs 1H 13	1H 14 vs 2H 13	
Bad Debt recovered	2	6	51	49	46	Debt recovered
Change in fair value/FX gain	15	86	5	(10)	(81)	Listed shares in supplier & FX contracts
Grant Income	-	15	41	41	26	Wage Credit Scheme & Productivity
Interest Income	20	24	25	5	1	

Share of Associate's Profit



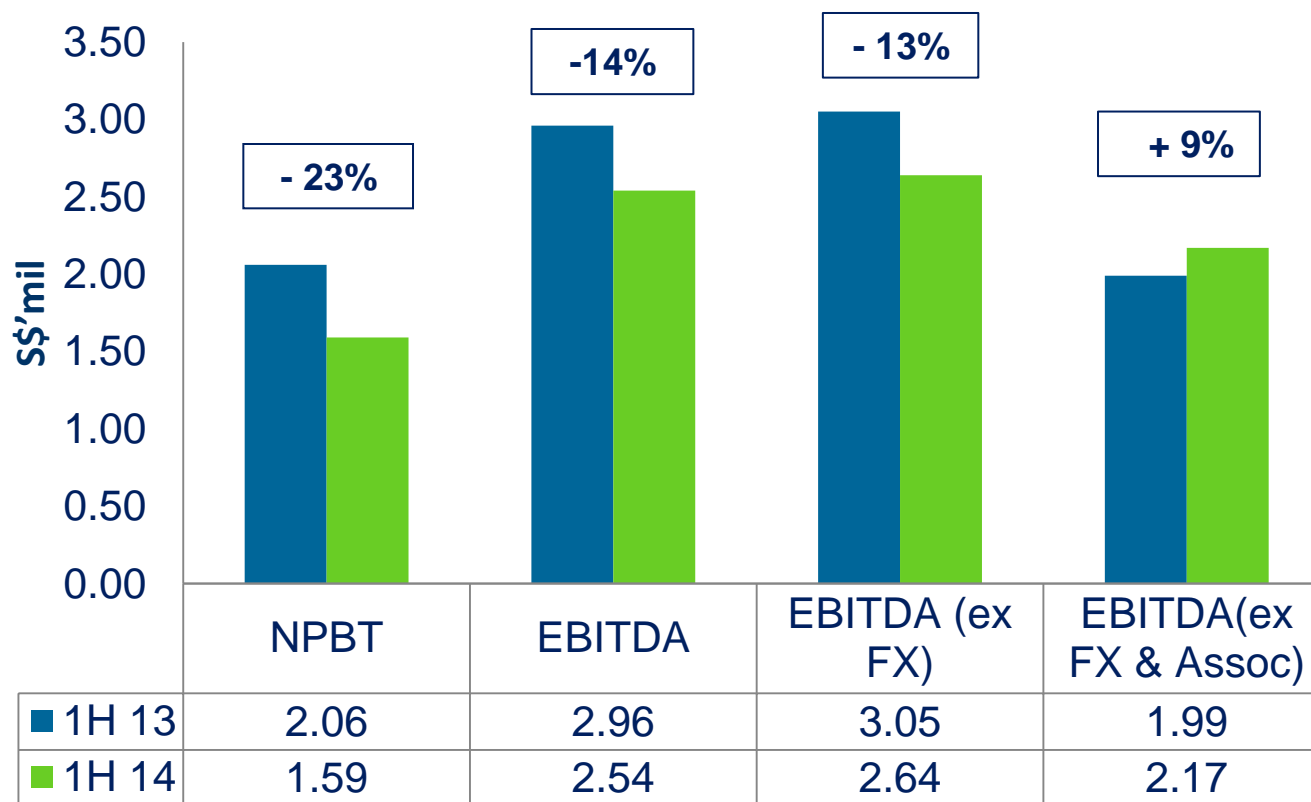
Political unrest in Thailand affected our associate's business .

Net Profit After Tax



- Lower 1H 14 net profit after tax due to lower contribution from associated company

NPBT/EBITDA



NPBT declined but stripping off depreciation, FX and associate's profit, 1H 14 performance was actually better
=> Fall in NPBT due mainly to lower contribution from Thai associate.

Balance Sheet

S\$'mil	2013	1H 2014	Var	
Cash	8.5	10.8	2.3	Cash reserved for construction of warehouse. Advance payment from customers.
Borrowings	17.7	22.8	5.1	Increase to fund working capital.
Shareholders Equity	40.3	40.4	0.1	
Gearing (times)	0.44	0.56	0.12	Higher borrowings.
Current ratio (times)	1.76	1.63	(0.13)	Higher short term borrowings
Inventory	19.8	20.2	0.4	
Inventory T/O (days)	90	90	-	
Trade Receivables	25.5	26.9	1.5	Higher sales.
Receivables T/O (days)	85	88	3	Marginal increase
Property, Plant & Equipment	11.8	12.4	0.6	Land purchase in Malaysia.
NTA/share (cents)	30.24	30.31	0.07	



Cashflow

S\$'000	FY2013	1H 14	
Cash from Operating activities	1,562	(482)	Increased funding requirement.
Cash used in Investing activities	(565)	(1,204)	Purchase of land in Malaysia
Cash provided by Financing Activities	(649)	4,044	Increase in borrowings.
Net change in Cash	348	2,359	
Beginning Cash	8,056	8,439	
Ending Cash	8,439	10,809	

P&L Summary

- Fairly broad-based growth in sales year-on-year but
- Thailand's associate contribution lower on back of political disruption

=> Profit lower

Balance Sheet Summary

- Capex commitments, increased working capital needs raised bank borrowings and gearing

=> Balance sheet still sound



**Outlook 2014 : Stability and
Sustainability**



Threats

- Europe economy is still fragile
- Military coup in Thailand provides temporary relief but political impasse remains unresolved. There is no certainty performance at our Thai associate will be better.
- Currency movement is increasingly volatile.

Opportunities

- Economic activity in US seems to be back on track after a rough start to the year
- China : 2Q14 GDP Report shows growth gathering momentum. Central bank's loosening measures in recent months and increased fiscal spending are providing more favourable economic backdrop for China in the second half of this year.
- The Chemical Activity Barometer (CAB), a leading economic indicator posted a 0.4% increase over June suggesting there is room for further expansion in coming months
- Opportunities for further organic growth within existing markets
- Contract manufacturing better positioned to meet customers' needs.

=> Efforts to develop long term sustainable growth are on-going and the results of such efforts will not be immediately visible



Share Performance :
Enhancing Shareholders' Long Term Value

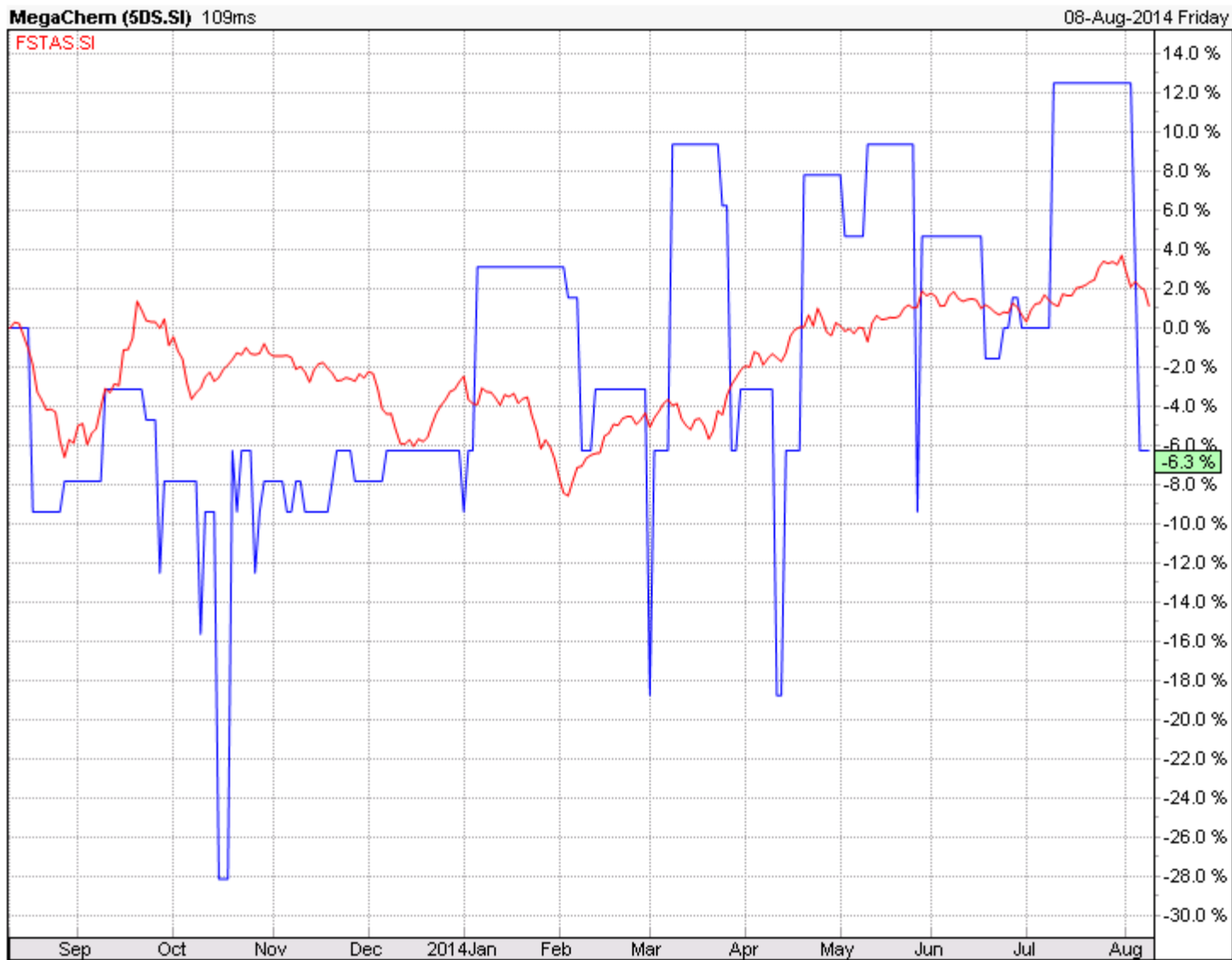
Share Information (as at 8 Aug 2014)

Listing Date	17-Oct-2003
IPO Price	28.0 cents
Historical High	68.0 cents
Historical Low	13.0 cents
52 weeks High	36.0 cents
52 weeks Low	23.0 cents
Price (as at 8 Aug 2014)	30.0 cents
P/E (based on 2013 EPS of 1.88 cts/sh)	16.0 x
No of Shares	133,300,000
Market Capitalisation(as at 8 Aug 2014)	\$39.99 mil
NTA/share (cents)	30.31 cents
Price/Book Ratio	0.99

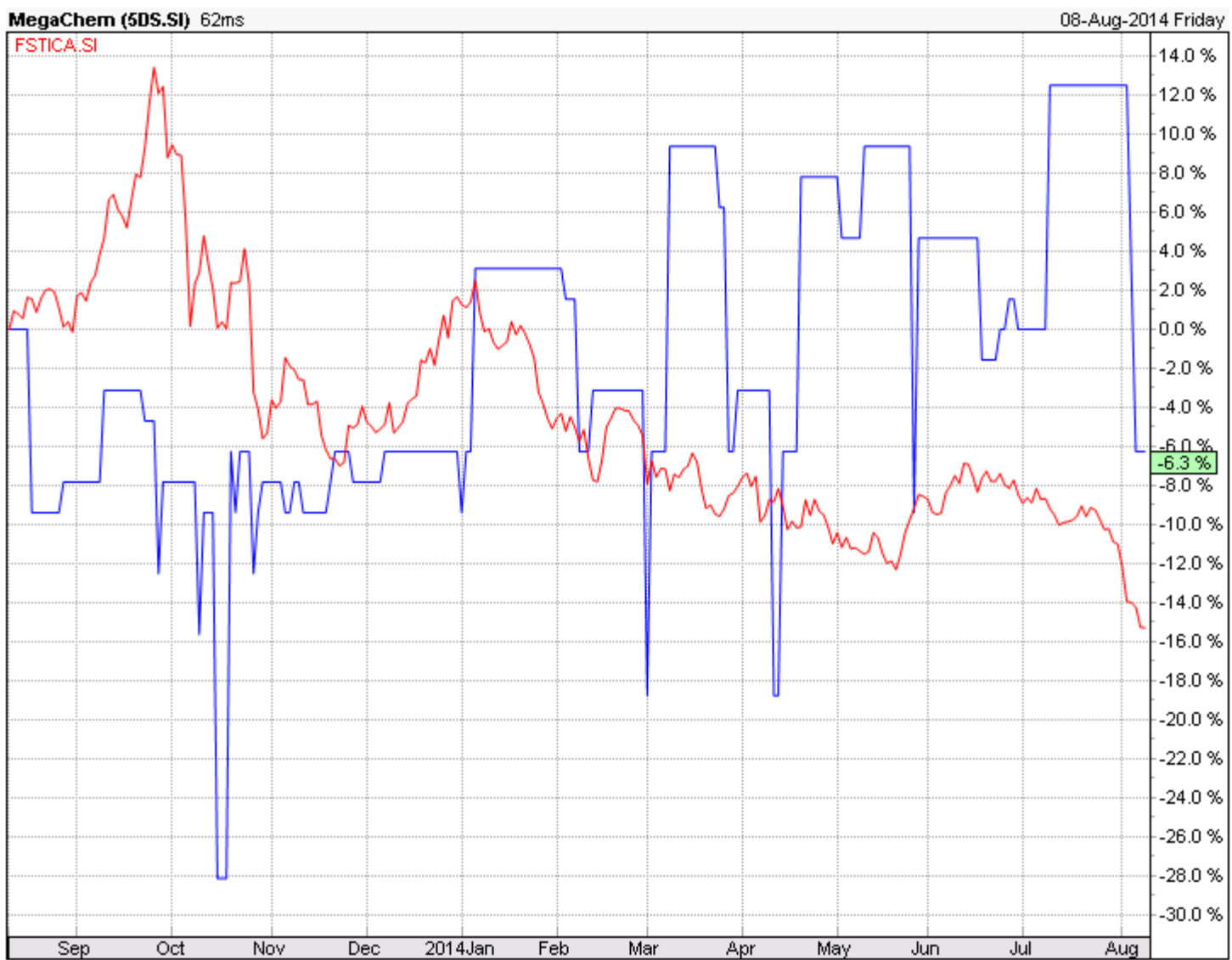
Share Price Performance



Share Price – Megachem vs ST All Shares



Share Price – Megachem vs Catalyst



2014 Interim Dividend Proposal

Interim dividend : 0.3 cts/share

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	1H 14
Price/sh(cents)	31.5	26.0	16.0	16.0	21.5	23.5	19.5	20.0	19.8	26.0	30.0	32.0
Dividend / share (cents) - net	0.56	0.864	0.576	0.81	0.595	0.40	1.00	1.20	1.30	1.30	1.00	0.30
Dividend payout (%) - net	23.1%	31.9%	30.2%	62.2%	35.1%	24.1%	50.6%	34.6%	35.7%	54.7%	53.3%	39.3%
Dividend Yield (%) - Net	1.8%	3.3%	3.6%	4.9%	2.8%	2.0%	5.1%	6.0%	6.6%	5.0%	3.3%	0.9%

*Note : Price/share is based on closing price of last trading day in each respective year .
Dividend yield for half year period is not annualised.*

- Strong Business model – an integrated specialty chemical provider.
- Profitable track record since inception.
- Resilient business – tested through several crises.
- Platform being developed for next phase of growth.
- Consistent dividend payout.

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