



NEWS RELEASE

MEGACHEM ACHIEVES RECORD SALES OF S\$115.9 MILLION IN FY2014

- ***Sales growth driven by increase in sales contribution from ASEAN and North Asia***
- ***Registers 14.6% increase in net profit after tax to S\$3.2 million***
- ***Final dividend of 0.7 cent per share proposed, bringing total dividend for FY2014 to 1.0 cent per share which represents a payout ratio of 48.0%***
- ***Megachem to focus on a balanced approach towards risks and opportunities, to remain an Asia-centric player and to exercise financial discipline***

Singapore, 16 February 2015 – 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 record sales of S\$115.9 million for the full year ended 31 December 2014 (“FY2014”) against a net profit after tax of S\$3.2 million.

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group said, “We first crossed the S\$100 million mark for revenue in FY2011 and are pleased to have achieved record sales in FY2014. Notwithstanding macro market volatilities, we succeeded in exceeding the previous year’s record of S\$108.7 million, reflecting the resilience of our business. FY2014 also marked another milestone for us as we acquired a piece of industrial land in Selangor, Malaysia to build a warehouse facility. The development seeks to improve our operational and cost efficiencies, enhance our logistic infrastructure and improve our supply chain management while reducing our reliance on third-party warehousing facilities.”

Performance Review

On a geographical segmentation basis, ASEAN continued to be the main driver of Megachem's business, making up 66.4% of the Group's S\$115.9 million sales in FY2014. This represented a 4.3% or S\$3.2 million growth as compared to sales of S\$73.8 million in the previous corresponding year ("FY2013").

Buoyed by a 31.0% or S\$2.8 million increase in the North Asia market's FY2014 sales, the region emerged as the Group's second largest market, contributing to 10.2% or S\$11.8 million of the total sales in FY2014. Other than the America and Africa markets which witnessed weaker sales, declining by S\$1.5 million and S\$90,000 respectively, all other geographical business segments registered positive sales growth in FY2014.

Correspondingly, the Group recorded an 8.7% increase in gross profit to S\$23.5 million, with gross profit margin rising 0.3 percentage point. This was largely attributable to the higher margins derived from indent sales to the Group's America market.

Other operating income grew by S\$0.3 million mainly as a result of net foreign exchange gain, higher bad debt recovered, grant income received and changes in fair value of financial assets.

Due to the political issues and weaker economy faced in Thailand which affected the Group's associated companies, Megachem's share of profit of associated companies declined by S\$0.7 million or 40.9% to S\$1.0 million in FY2014.

Megachem's overall operating expenses rose by S\$0.9 million or 4.7% to S\$20.2 million in FY2014 mainly due to higher employee remuneration. Beyond the normal annual remuneration increment and additional headcount costs necessary for the Group's expansion, the increase in employee remuneration was in line with Megachem's improved financial performance in FY2014.

Consequently, with Megachem's strong top line performance, net profit after tax in FY2014 grew 14.6% or S\$0.4 million to S\$3.2 million. Similarly, the Group's EBITDA improved to S\$6.2 million from S\$5.7 million.

The Group's overall borrowings were S\$21.9 million as at 31 December 2014 compared to S\$17.7 million as at 31 December 2013. The increase was due to the need to finance capital expenditures and working capital requirements which correspondingly raised Megachem's gearing ratio to 0.52 times from 0.44 times.

Earnings per share climbed to 2.08 cents in FY2014 from 1.88 cents in FY2013 while net asset value per share improved to 31.45 cents as at 31 December 2014 from 30.24 cents as at 31 December 2013.

For the half year ended 31 December 2014 ("H2 2014"), the Group achieved a 6.1% increase in sales to S\$60.3 million from S\$56.8 million in the previous corresponding period ("H2 2013") while net profit after tax rose 61.5% to S\$2.1 million in H2 2014 from S\$1.3 million in H2 2013.

Proposed Dividend

The Board of Directors have recommended a final dividend of 0.7 cent per share for FY2014, subjected to shareholders' approval at Megachem's Annual General Meeting for FY2014.

Mr. Chew said, "In appreciation of our shareholders' unwavering support and loyalty, we are delighted to announce the proposed dividend which, combined with the interim dividend of 0.3 cent per share, represents a payout ratio of 48.0% of our net profit attributable to shareholders."

Outlook

On a macroeconomic front, the global economy is expected to be positive, albeit on softer ground, backed by the United States' economic growth; lower prices of commodities particularly oil prices and the quantitative easing policies of Japan, China and the Euro zone. However, the economic outlook and conditions of the chemical industry remain mixed. Barring still fragile segments around the world such as deflation risks in the Euro zone and Japan as well as slower growth in China, the Group cautiously expects the chemical industry, which is highly correlated to economic activities, to continue on a positive trajectory.

Mr. Chew concluded, "Although we achieved a set of good financial performance in FY2014, we are not resting on our laurels and have in place several strategic directions going forward, one of which is our focus on a balanced approach towards risks and opportunities.

"Geographically, Asia remains an important part of Megachem's specialty chemical operations. With the region's rising middle class that translates into greater demand for goods ranging from electronics to cosmetics and pharmaceuticals, we believe this trend will drive large demand for specialty chemicals. As such, a key part of our strategy is to be an Asia-centric player in the industry and to leverage on our extensive existing network in Asia to capitalise on opportunities.

"Given the varied outlook of the macroeconomic environment whose effects will invariably cascade down to the chemical industry, we are committed to exercising financial discipline over our financial position. By prudently managing our finances, it will put Megachem in good stead to weather unforeseen circumstances while being in a good position to grow our business when attractive opportunities arise."

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.

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