



NEWS RELEASE

MEGACHEM'S NET PROFIT UP 30.7% to S\$1.5 MILLION IN 1H 2015

- ***Records 3.5% sales growth to S\$57.6 million***
- ***Growth in North Asia geographical market contributes to sales increase***
- ***Interim dividend of 0.3 cent per share, representing payout ratio of 30%***
- ***Group to focus on managing risks affecting macro environment***

Singapore, 11 August 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 a 30.7% growth in net profit to S\$1.5 million for the half year ended 30 June 2015 (“1H 2015”) on the back of a 3.5% increase in revenue to S\$57.6 million.

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group commented, “We are glad to have achieved a good set of performance for 1H 2015, having laid a sound operational foundation over the years to build up a sustainable business. During the period, we managed to grow our distribution and manufacturing business segments, registering a 3.4% and 5.4% rise respectively in revenue, while most of our geographical markets recorded higher sales.

“On the corporate governance front, we are also delighted to have reached a significant milestone. At last month’s prestigious Singapore Corporate Awards ceremony, we were conferred a total of four accolades within our category, the first time we bagged that many honours at the Awards in a single year. With our track record of receiving at least an award in seven out of the ten years since it was launched, our wins attest to our commitment in upholding transparency as well as corporate governance excellence for the benefit of our shareholders and other stakeholders.”

Performance Review

For 1H 2015, although the sales contribution from the ASEAN geographical segment decreased marginally by 1.0% to S\$38.8 million, it remained as Megachem's largest market by sales, similar to the previous corresponding period ("1H 2014"). The region accounted for 67.5% of 1H 2015's sales.

North Asia was the fastest growing market for Megachem for the half year, achieving a 32.9% growth in revenue to S\$6.6 million. It was also the Group's second largest revenue contributor, accounting for 11.5% of total sales during the period. All of Megachem's other geographical business segments achieved revenue growth in 1H 2015, except America and Australia which decreased S\$713,000 and S\$248,000 respectively.

In line with a growth in top line, gross profit increased 16.6% to S\$12.8 million in 1H 2015 while gross profit margin was boosted by 2.5 percentage points. This was a result of improvement in gross profit margins across Megachem's markets in ASEAN and the lower level of inventory write-offs during the period.

Operating expenses rose by S\$1.2 million or 12.7% to S\$11.0 million during the half year largely due the annual salary increment for employees and a rise in performance-based remuneration. This is in tandem with the Group's improved profitability for 1H 2015. Rental expense pressures contributed by an increase in warehousing rates and a higher average level of inventory held during the period also accounted for the increase in operating expenses. In addition, Megachem was affected by a net foreign exchange loss due to a volatile currency market.

In summary, as a result of the higher sales achieved and an improvement in gross profit margin despite the rise in operating expenses incurred and lower contribution from its associated company, Megachem's net profit attributable to shareholders increased in 1H 2015. Correspondingly, Megachem's EBITDA in 1H 2015 improved to S\$3.0 million from S\$2.5 million in 1H 2014.

Overall, the Group's balance sheet remained strong, with cash and bank balances of S\$9.1 million as at 30 June 2015, compared to S\$9.0 million as at 31 December 2014 while total borrowings decreased to S\$21.8 million as at 30 June 2015 from S\$21.9 million as at 31 December 2014. The Group's gearing ratio remained stable at 0.52 time as at 30 June 2015 and its liquidity level remained sound.

Proposed Dividend

In light of the good performance during 1H 2015 and to share the fruits of Megachem's labour with its loyal shareholders, an interim tax exempt dividend of 0.3 cent per share has been recommended by the Board of Directors. The dividend represents a payout ratio of 30% of the Group's net profit attributable to shareholders.

Outlook

A number of macroeconomic factors such as the potential growth deceleration of China and the lack of clarity surrounding the Euro zone's economic integration weigh down on the health of the global economy although the United States' economy has gained traction. These aspects will have an impact on the prospects of the chemical industry and correspondingly, that of Megachem's business. The Group anticipates subdued business sentiments to continue into the rest of 2015.

Mr. Chew added, "While we performed reasonably well for 1H 2015 despite benign market conditions surrounding the macro environment, we recognise the importance of not being complacent. Instead, our core focus for the rest of 2015 is maintained at improving capabilities and closely managing risks that have plagued the overall economy in the first half of 2015.

"We also endeavour to build upon our global network which has provided us with the dual benefits of geographical risk diversification and growth opportunities. Despite the current uncertainties clouding the global economy, our longer term outlook to build a sustainable business as a global chemical specialist remains positive."

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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