



## NEWS RELEASE

### MEGACHEM REGISTERS 2.9% RISE IN NET PROFIT AFTER TAX TO S\$3.3 MILLION IN FY2015

- ***Gross profit margin climbs 2.7 percentage points to 22.9%***
- ***Recommends final dividend of 0.7 cent per share, bringing total dividend for FY2015 to 1.0 cent per share – payout ratio of 45.0%***
- ***Megachem remains focused on capitalising on opportunities amidst positive long-term industry prospects tempered by short-term macro-economic headwinds***

**Singapore, 22 February 2016** – 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 announced that it has achieved a 2.9% rise in net profit after tax to S\$3.3 million on revenue of S\$110.6 million for the full year ended 31 December 2015 (“FY2015”). In comparison, Megachem recorded a net profit after tax of S\$3.2 million on revenue of S\$115.9 million in the previous corresponding year (“FY2014”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group said, “We are glad to attain a higher bottom-line despite a slight decrease in sales compared to the previous financial year. Our operations remain robust and cash flows stayed positive although we were invariably affected by volatile macro-economic conditions outside our control, similar to other players within our industry.”

## **Performance Review**

ASEAN remained the largest contributor to the Group's top-line, accounting for 67.8% of Megachem's revenue of S\$110.6 million in FY2015. The region registered a 2.5% decrease in sales while contributions from America, Europe and Australia dipped by 63.5%, 1.0% and 22.4% respectively during the financial year, as compared to FY2014.

Comparatively, North Asia, South Asia and the Middle East regions recorded a rise in revenue by 22.9%, 7.4% and 13.0% respectively. North Asia continued to be Megachem's second largest market, contributing 13.1% to the Group's FY2015 revenue.

Gross profit margin climbed by 2.7 percentage points to 22.9% largely due to better margins across the Group's ASEAN, America and the Middle East markets, coupled with a lower level of inventory write-offs during the year.

Megachem recorded a 38.7% decline in other operating income to S\$0.3 million in FY2015. This was mainly a result of an absence of a net foreign exchange gain registered in FY2014, as well as a lower fair value gain from listed equities and forward forex contracts.

For the Group's share of profit of associated companies, it decreased by 11.3% to S\$0.9 million during the year, due primarily to Thailand's economy still being in a recovery stage and has yet to rebound sharply.

Overall, operating expenses increased by 6.9% or S\$1.4 million to S\$21.6 million in FY2015 mainly due to higher employee remuneration. This corresponded with the increment in annual salaries and headcount growth necessary for the expansion of the business. In addition, an increase in warehousing rental rates and a rise in average inventory level led to higher rental expenses.

Consistent with the Group's stronger gross profit, offset mainly by an increase in operating expenses, net profit after tax in FY2015 grew 2.9% or S\$0.1 million to S\$3.3 million. Megachem's EBITDA correspondingly improved to S\$6.4 million as compared to S\$6.2 million in FY2014.

The Group maintained a robust balance sheet, with cash and bank balances rising S\$2.1 million to S\$11.1 million and total borrowings declining by S\$3.6 million to S\$18.3 million as at 31 December 2015. Megachem's gearing ratio continued to be sound at 0.43 time as at the financial year end.

Earnings per share increased to 2.22 cents in FY2015 from 2.08 cents in FY2014 while net asset value per share rose to 31.65 cents as at 31 December 2015 from 31.45 cents as at 31 December 2014.

### **Proposed Dividend**

For the financial year, in appreciation of the faith and support from shareholders and to share the fruits of Megachem's labour, a final dividend of 0.7 cent per share has been recommended by the Board of Directors. Along with the interim dividend of 0.3 cent per share paid on 30 September 2015, the total dividend for FY2015 of 1.0 cent per share represented a payout ratio of 45.0%.

The proposed dividend is subject to shareholders' approval at the Group's FY2015 Annual General Meeting.

### **Outlook**

The Group anticipates a number of concerns such as uncertainties in crude oil prices, economic weakness in Europe and China, as well as the volatilities in the currency and financial markets, to affect the global economy in 2016.

Mr. Chew concluded, “Our operations have been relatively resilient against the backdrop of a cautious global economic outlook. However, as a player in the chemical industry, Megachem nevertheless remains inextricably tied to the overall health of the economy. Given the challenging conditions of the economy, we expect to see at least some impact to our efforts in driving revenue growth.

“For 2016, our focus remains in capitalising on long-term opportunities, including diversifying our business portfolio; strengthening our portfolio coverage of resilient industries; deepening our network in Asia; enhancing relationships with business associates and improving our operational capabilities, all of which will further strengthen the base for Megachem’s long-term growth.

“Overall, while we anticipate short-term headwinds, with our robust and extensive network established in Asia, coupled with our strong business fundamentals, our longer-term prospects remain 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, China, Vietnam, India, the 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 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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