



NEWS RELEASE

MEGACHEM REPORTS REVENUE OF S\$99.8 MILLION AND NET PROFIT AFTER TAX OF S\$2.2 MILLION IN FY2016

- *Gross profit margin rose 2.4 percentage points to 25.3%*
- *Gearing ratio improves to 0.36 time as at 31 December 2016*
- *Final dividend of 0.7 cent per share recommended, translating to total dividends of 1.2 cents per share for FY2016 – payout ratio of 78.4%*
- *Continues to build resilience to mitigate adverse effects of macroeconomic volatilities while developing growth pillars over the long term*

Singapore, 21 February 2017 – 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 revenue of S\$99.8 million and net profit after tax of S\$2.2 million for the full year ended 31 December 2016 (“FY2016”). Comparatively, Megachem registered revenue of S\$110.6 million and net profit after tax of S\$3.3 million in the previous corresponding year (“FY2015”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group said, “Weaker macroeconomic conditions, as we had cautioned during the first half of the financial year, affected the demand for specialty chemicals. Consequently, our financial performance for FY2016 was impacted.

“Despite the challenges, we continued to keep a close eye on cost and profitability which led to improved gross profit margins during the year. Amidst an uncertain business climate, we also strengthened our balance sheet and achieved a lower gearing ratio as at the financial year-end. This was also supported by our cash flows which have remained healthy.”

Performance Review

The lower top line recorded for FY2016 was mainly attributable to the persistent soft market conditions in the regions that the Group operates. Geographical segments wise, ASEAN, which continues to account for the largest part of Megachem’s topline at 66.4%, experienced sales decline of 11.7%. Other geographical segments that saw a dip in revenue contribution included North Asia and Europe. These two segments’ revenue decreased by 8.4% each while America and Africa registered declines of 71.5% and 85.1% respectively.

By comparison, South Asia, the Middle East and Australia achieved improvements, with revenue growing 15.9%, 3.5% and 66.9% respectively.

In spite of the lower overall revenue in FY2016, the Group achieved an improvement in its gross profit margin. It rose by 2.4 percentage points to 25.3%, leading Megachem to report a gross profit of S\$25.3 million for the financial year.

Other operating income rose 154.0% to S\$0.7 million largely as a result of net foreign exchange gains during FY2016, as compared to foreign exchange losses in FY2015.

On the share of profit of associated company front, higher operating expenses led to the Group’s share of its profit to decrease by 37.7% to S\$0.5 million in FY2016.

Total operating expenses grew by 3.6% to S\$22.4 million in FY2016, primarily attributable to the S\$0.9 million impairment of trade receivables originating from customers in Venezuela. This was due to uncertainties over the timing of receivables collection brought on by currency controls imposed in Venezuela.

In line with the Group's lower revenue for FY2016, profit after tax declined by 32.1% to S\$2.2 million in FY2016 from S\$3.3 million in FY2015. The decrease was amplified by higher income taxes of S\$0.3 million which largely stemmed from withholding taxes paid for a rise in dividends received from our associated company. Correspondingly, the Group's EBITDA for FY2016 dipped 12.6% to S\$5.6 million for the financial year from S\$6.4 million in FY2015.

The balance sheet remained strong and is bolstered by cash and bank balances which increased S\$0.5 million to S\$11.6 million while total borrowings decreased by S\$2.9 million to S\$15.3 million as at 31 December 2016. The Group's gearing ratio improved to 0.36 as at the financial year end from 0.43 as at 31 December 2015.

As for earnings per share, it was lower at 1.53 cents in FY2016 as compared to 2.22 cents in FY2015 while net asset value per share declined to 31.50 cents as at 31 December 2016 from 31.65 cents as at 31 December 2015.

Proposed Dividend

As part of Megachem's efforts to reward shareholders and in appreciation of the support over the year, the Board of Directors has recommended a final dividend of 0.7 cent per share. Including the interim dividend of 0.5 cent per share paid on 30 September 2016, the collective dividends of 1.2 cents per share for FY2016 represented a payout ratio of 78.4%. The proposed final dividend is subject to shareholders' approval at Megachem's upcoming FY2016 Annual General Meeting.

Outlook

Given on-going headwinds surrounding the global economy, marked by issues such as trade protectionism, concerns on consequences of Brexit and uncertainties over China's economic growth rate, the outlook of Megachem's business in financial year 2017 is difficult to predict. In particular, political uncertainties surrounding the US could also introduce additional volatility to the economy.

Mr. Chew concluded, "As a specialty chemical player with an extensive presence across the world, we are naturally susceptible to fluctuations of the global economy. While these are largely outside our direct sphere of control, we strive to pursue sustainable strategies and build resilience over the long-term so as to mitigate adverse effects of macroeconomic uncertainties. These include maintaining financial discipline, optimising cost structures, operational excellence and growing our productivity efforts.

"Running parallel to these, we intend to allocate additional resources to build new growth pillars, enhance product and service offerings and develop business partnerships. Another key focus will be to continue leveraging on our strong network in Asia which is our largest geographical market and in which we have built long-standing relationships."

About Megachem Limited

Established in 1988, Megachem is today a one-stop specialty chemical solutions provider. We provide integrated value-added services including 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.

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