

MEGACHEM LIMITED

NEWS RELEASE



MEGACHEM POSTS NET PROFIT OF S\$2.3 MILLION FOR FY2008 ON THE BACK OF RECORD LEVEL SALES

- Continues to strengthen market position by taking advantage of extensive network

S\$'million	FY2008	FY2007	Change
Revenue	77.7	73.6	+5.5%
Gross Profit	15.8	13.1	+20.8%
Gross Profit Margin (%)	20.3	17.8	+2.5 percentage points
Net Profit	2.34	2.33	+0.4%
Earnings per share (S\$ cents)	1.66	1.69	-1.8%

Singapore, *February 20, 2009* – Megachem Limited (“Megachem” or the “Group”), a global one-stop specialty chemical solutions provider, today reported a marginal 0.4% increase in net profit to S\$2.3 million for the full year ended December 31, 2008 (“FY2008”), while revenue climbed 5.5% to S\$77.7 million. Excluding a one-off gain last year from the sale of a property, net profit increased S\$0.4 million or 18.1%.

Said Mr Sidney Chew, Executive Chairman and Managing Director of Megachem, “In view of the severe economic downturn, we are pleased to have delivered another

record level of revenue as well as growth in net profit (excluding one-off item). This, we believe, is testimony to our successful efforts to reposition ourselves as a global player as well as an integrated solution partner.”

Performance Review

During the year under review, the Group’s ASEAN markets registered a marginal growth of 2.7% with Singapore leading the growth with an 18.8% or S\$4.3 million increase in sales. Indonesia grew moderately by 8% or S\$0.5 million, while the Group’s emerging markets in Vietnam and Philippines demonstrated strong growth potential with jump in sales of 73.9% or S\$1.0 million and 86.5% or S\$0.4 million respectively. Conversely, sales from Malaysia and Thailand contracted by 4.1% or S\$0.6 million and 53.8% or S\$4.3 million respectively.

The Group’s Middle East and America markets also registered strong growth of 85.2% or S\$1.9 million and 69.7% or S\$2.3 million respectively in FY2008 with increased penetration into these markets.

Sales from China, the Group’s main market in North Asia, contracted by 25.3% or S\$0.9 million as it continued to suffer from stiff competition in this market.

Similarly, sales from the European markets also declined by 26.4% or S\$1.6 million as a result of the impact of the global economic downturn as well as the depreciation of the British sterling pounds of more than 10% year on year.

Growth from the Group’s manufacturing operation moderated in FY2008 with an increase of 8.3% or S\$0.2 million as demand from its custom-blending customers stabilised.

Despite higher raw material prices and volatile foreign currency movements, Group gross profit margin increased marginally to 20.3% as it was able to pass on higher cost

to its customers. Overall, Group gross profit increased 20.8% or S\$2.7 million for the year under review. Due to the higher sales and improved gross margin, Group profit before tax increased 3.9% or S\$0.1 million to S\$3.0 million in FY2008. Excluding the one-off gain from disposal of land recorded in 2007, the Group's profit before income tax increased by S\$0.5 million or 17.9%.

Outlook

“While the current economic recession poses a risk to our performance going forward, we are bracing ourselves for the challenges ahead with several measures to minimise its impact on our performance,” added Mr Chew.

The Group has put in place a more prudent purchasing policy by cutting back on inventory, especially for products which are more sensitive to falling crude oil prices. In line with its practice of prudence, it will also implement cost cutting measure in areas such as entertainment, staff benefits, travelling and finance costs, practice improved vigilance in credit management, reduce financial risk by keeping gearing at manageable levels and defer some of the Group's capital expenditure until the market conditions improve.

“As we brace ourselves for the challenges ahead, we will direct our focus and resources towards strengthening our market position by taking advantage of our extensive network as well as close relationships with our major customers and suppliers. We will also increase our competitive edge by promoting our manufacturing services to bring better value to our customers.

“We are optimistic that our strategy as well as our established market position, will allow us to weather the challenges in the face of a turbulent economic environment and position ourselves well for opportunities as the economy recovers,” concluded Mr Chew.

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, contract manufacturing of specialty chemicals as well as proprietary chemical products manufacturing to meet our customers' requirements.

The Group's global distribution network today comprises distribution points in Singapore, Malaysia, Indonesia, Thailand, the Philippines, Shanghai, Beijing, Vietnam, India, Middle-east and the United Kingdom covering markets in ASEAN, South Asia, North Asia, Middle East, Europe, America and Australia markets.

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 1,500 industrial customers, comprising mostly well-known multinational companies. The Group serves a wide spectrum of industries including water treatment, food, pharmaceuticals, polymers, coatings, electronics, rubber and plastics.

To enhance the Group's competitive edge and complement its strength in distribution, Megachem has integrated the manufacturing of specialty chemicals for its customers, and the manufacture of its own range of products into the business model.

For more information, please visit www.megachem.com.sg

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