



NEWS RELEASE

MEGACHEM'S NET PROFIT UP 15.7% TO S\$2.7 MILLION IN FY2009.

- Well-positioned for growth
- Strong rebound in sales in 2HY2009 to S\$38.7 million
- Net profit after tax in 2HY2009 surged 131% and 151% compared to 1HY2009 and 2HY2008 respectively
- Extending reach through its global network
- Proposing higher dividend payout

S\$'million	FY2009	FY2008	Change
Revenue	70.6	77.7	-9.1%
Gross Profit	15.3	15.8	- 3.0%
Gross Profit Margin (%)	21.7	20.3	+1.4 percentage points
Net Profit	2.7	2.3	+15.7%
Earnings per share (S\$ cents)	1.98	1.66	+19.3%

Singapore, February 26, 2010 – MegaChem Limited ("MegaChem" or the "Group"), a global one-stop specialty chemical solutions provider, today reported a 15.7% increase in net profit to S\$2.7 million for the full year ended December 31, 2009 ("FY2009") despite a 9.1% fall in revenue to S\$70.6 million.

Said Mr Sidney Chew, Executive Chairman and Managing Director of MegaChem, "Despite the severe economic downturn, we saw a strong rebound in sales for the second half of 2009, as well as growth in full year net profit. This, we believe, is

testimony to the resilience of our business and success in building networks globally. We also attribute the growth to our ability to offer higher value creation to our business partners worldwide through better product mix, supply chain solutions and integrated services."

Performance Review

Overall the second half of 2009 fared significantly better than the first, with sales rebounding strongly by 21.4% to S\$38.7 million. Although the Group's major market segments registered fall in sales for the full year, there was an increase in sales across all market segments in the second half compared to the first with the exception of Australia and Africa. This is attributable to the Group's ability to offer higher value creation to our business partners worldwide through better product mix, supply chain solutions and integrated services.

The Group's manufacturing operations also saw pick up in business in the second half of 2009, as orders from custom-blending services resumed. Overall, a marginal decline of 4.3% in year-on-year sales from manufacturing operations was experienced.

Despite price pressures for a large part of the first half of 2009, the Group's gross profit margin improved 1.4 percentage points. Prices began to stabilise in the second half of 2009 resulting in higher gross profit margin.

Following cost containment measures, coupled with lower finance cost and fair value losses, total expenses declined by \$0.8 million or 5.6%.

The Group's associated company in Thailand also performed better resulting in our share of their net profit increasing by \$0.1 million or 25.4%.

The higher gross profit margin, better performance of the Group's associated company and a reduction in expenses thus contributed to the higher profit for the full year.

As a result the Group's earnings per share increased 19.3% from 1.66 cents to 1.98 cents.

Proposing higher dividend

To provide a better total return to our shareholders, MegaChem intends to pay out interim and final year dividend and will also adopt a higher dividend payout. Therefore MegaChem is proposing a final dividend for financial year 2009 at 1 cent per share subject to shareholders approval at the coming AGM. This represents a dividend payout of 50.6% and is significantly higher than the dividend payment for financial year 2008.

Outlook

"We have forged ahead with our globalisation strategy by expanding our presence in the emerging markets of Asia. Our representative offices in India and Vietnam have been converted to subsidiaries which will enable us to deepen our penetration into these markets. This year marks the full implementation of our strategy set five years ago, which was to build a global platform to launch our next phase of growth. The next 5 years will see us scaling up our business using the global platform which we have built" said Mr Chew.

"We foresaw the opportunity of building regional relationships with some of our multi-national customers. Some level of success has since been achieved which will provide a higher as well as steadier stream of revenue for MegaChem. The crisis has also enabled us to consolidate our position in the industry, resulting in more product agencies being secured. In addition our custom-blending business has also seen resumption in orders as well as new customers being secured. We will continue to develop this business as an added engine of growth."

On his outlook for MegaChem in 2010, Mr Chew commented, "MegaChem has emerged from the crisis even stronger than before. We have strengthened our

market position and our financial position remains healthy. In view of the global economy's improving conditions, we have started to restock inventory in anticipation of increase in demand and prices in the chemical industry. Our marketing approach will also resume a more aggressive stance to capitalise on the economic recovery. The changes in the business landscape present us with many opportunities to seize. The strategy which has been put in place will put us in a good position to take full advantage of these opportunities. Barring any unforeseen circumstances, we envisage a better performance this year."

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'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.

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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