

LETTER TO SHAREHOLDERS

Board of Directors:

Chew Choon Tee (Managing Director and Executive Chairman)
Tan Bock Chia (Executive Director)
Dr Patrick Pui Hang Yeung (Independent Director)
Lee Bon Leong (Independent Director)
Chan Kam Loon (Independent Director)

Registered Office:

No. 132 Pioneer Road
Singapore 639588

Date : 2 April 2008

To: The Shareholders of Megachem Limited

Dear Sir/Madam

APPOINTMENT OF AUDITORS

The ordinary resolution in item no. 6 is to seek the shareholders' approval to appoint Messrs RSM Chio Lim who have given their consent to act as auditors of the Company.

The Board of Directors having reviewed fee proposals received from 3 reputable audit firms and in consultation with the Audit Committee determined that Messrs RSM Chio Lim's quotation to be most competitive. For the reason of cost efficiency, the Board of Directors is proposing to appoint Messrs RSM Chio Lim as Auditors of the Company in place of Messrs PricewaterhouseCoopers for the financial year ending 31 December 2008.

The Directors and the Audit Committee have considered the adequacy of the resources and experience of RSM Chio Lim and the persons to be assigned to the audit engagement of the Company, the number and experience of the supervisory and professional staff to be assigned to the audit engagement of the Company, the audit engagements of RSM Chio Lim, and the size and complexity of the Company's operations. The Directors are of the opinion that RSM Chio Lim will be able to meet the audit obligations of the Company in compliance with Rule 712(1) of the Listing Manual of the SGX-ST.

The Directors therefore recommend the appointment of RSM Chio Lim, who has consented to act, as Auditors of the Company in place of PricewaterhouseCoopers, who is retiring at the forthcoming AGM to be held on 18 April 2008.

In accordance with the requirements of Rule 1203(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited:

- (a) the outgoing Auditors, Messrs PricewaterhouseCoopers, have confirmed that they are not aware of any professional reasons why the new Auditors should not accept appointment as Auditors of the Company; and
- (b) the Company confirms that there were no disagreements with the outgoing Auditors, Messrs PricewaterhouseCoopers, on accounting treatments within the last 12 months; and

- (c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the change of Auditors that should be brought to the attention of shareholders.

The Directors collectively and individually accept responsibility for the accuracy of the information given herein and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinion expressed in this Letter are fair and accurate and that there are no material facts the omission of which would make any statement in this Letter misleading.

A copy of this Letter to shareholders on the appointment of auditors is enclosed with the 2007 Annual Report.

The following documents may be inspected at the registered office of the Company at No. 132 Pioneer Road, Singapore 639588, during normal business hours from the date of this Letter up to the date of the AGM:

- (a) Notice of non-reappointment as Auditors dated 26 March 2008 from Messrs PricewaterhouseCoopers; and
- (b) Letter of consent to act as Auditors dated 26 March 2008 from Messrs RSM Chio Lim.

The Directors wish to express their appreciation for the past services rendered by Messrs PricewaterhouseCoopers.

Yours faithfully
For and on behalf of the Board of Directors

Chew Choon Tee
Executive Chairman and Managing Director

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Letter.