Dear Clients,

Subject: Amendments to the Companies Act – Audit Exemption

On 15 April 2015, ACRA announced the legislative changes to the Companies Act. The amended legislation expands the audit exemption for small group and small companies. This amended legislation is effective for the financial year beginning on or after 1 July 2015.

Financial reporting exemption for small group or small companies

Previously, exempt private companies (i.e. companies with not more than 20 members and having no corporate shareholders) with annual revenue of not more than S$5 million are exempted from statutory audit.

This audit exemption has been revised and after the revision, a parent company or a subsidiary company considered as “small company” and part of a “small group” will be exempted from statutory audit.

To qualify as a “small group”, the group must satisfy at least two of the following three quantitative criteria in each of the immediate past two financial years:

- Consolidated revenue of not more than S$10 million;
- Consolidated total assets of not more than S$10 million;
- Total number of employees of the group of not more than 50.

Singapore subsidiaries that belong to a group (including foreign groups) are only exempted from statutory requirements if the group meets 2 out of 3 of the above mentioned exemption criteria in each of the immediate past two financial years, i.e. the assessment of the above criteria is on the group basis.

To qualify as a “small company” (i.e. a part of a small group), the company must satisfy at least two of the following three quantitative criteria in each of the immediate past two financial years:

- Total revenue of not more than S$10 million;
- Total assets of not more than S$10 million;
- Total number of employees of the group of not more than 50.
Small companies that qualify for audit exemption are still required to file their financial statements unless they qualify as solvent exempt private companies ("EPC") (i.e. a private company which has at most 20 individual shareholders, and able to pay its debts as and when they fall due).

Table 1 below summarises these changes.

<table>
<thead>
<tr>
<th>Audit Exemption for Small Group or Small Companies</th>
<th>Prior to the Amendment</th>
<th>After the Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) EPC with revenue of ≤ 5 million; or</td>
<td>1) Small company; or</td>
<td></td>
</tr>
<tr>
<td>2) Dormant company.</td>
<td>2) Small company which is part of a small group.</td>
<td></td>
</tr>
</tbody>
</table>

(Table 1)

Transitional provisions are provided for existing companies if it is a private company and meets the above two of the following three abovementioned quantitative criteria in either the first or second financial year subsequent to the commencement of the small company audit exemption (i.e. FY2016 or FY2017).

For FY2019, assessment of the quantitative criteria is made based on whether the company meets the criteria in two out of three preceding financial years (which are FY2016, 2017 and 2018).

Refer to table 2 below

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the company meet (2) of (3) quantitative criteria?</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Audit exemption</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario 2</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the company meet (2) of (3) quantitative criteria?</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Audit exemption</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

(Table 2)

From FY 2020, the quantitative assessment has to be performed based on preceding two consecutive financial years.
Financial reporting exemption for dormant companies

With the changes to the Act expected to be effective this year, dormant unlisted companies will no longer be required to prepare unaudited financial statements, if these conditions are both fulfilled:

- Total assets at any time of the financial year is not more than S$0.5 million; and
- The company has been dormant since the date of incorporation or since the end of the immediate preceding financial year.

Table 3 below summarises these changes.

<table>
<thead>
<tr>
<th>Audit Exemption for Dormant Companies</th>
<th>Prior to the Amendment</th>
<th>After the Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not Exemption Available.</td>
<td>Available for dormant companies which satisfy prescribed conditions above.</td>
</tr>
</tbody>
</table>

(Table 3)

For more information and guidance on whether your company meets the above criteria or how these amendments may have impacted your annual return, financial statement and audit requirements, please do not hesitate to call or email us and we will be happy to assist you.

If we do not hear from you, we will presume that an audit for your Singapore entity is required and we will proceed to schedule the audit accordingly.

Yours sincerely,

[Signature]

HELMI TALIB & CO

Singapore

22 March 2016