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JURISDICTION: SINGAPORE

(A) ABOUT COMPANIES INCORPORATED IN SINGAPORE

A company is a business entity registered under the Companies Act, Chapter 50 (the “Act”). It has a legal personality i.e. it has rights to own properties and has perpetual succession. The Accounting and Corporate Regulatory Authority (“ACRA”) administers the Act.

Requirements under the Act

1. Company Name

A private company shall have the word “Private” or “Sendirian” as part of its name, inserted immediately before the word “Limited” or “Berhad” or, in the case of an unlimited company, at the end of its name.

2. Share Capital

There is no concept of authorised share capital and par value in Singapore. These concepts had been abolished under the Companies (Amendment) Act 2005.

The minimum issued and paid-up share capital is 1.00 and there is no restriction on the type of currency.

3. Subscribers / Shareholders

There is a need for at least one subscriber / shareholder who can either be an individual or a corporation. Shareholders need not be ordinarily resident in Singapore.

4. Directors

A company must have at least one director who is an “ordinarily resident” (the usual place of stay of a person) in Singapore. For ACRA’s purposes, if a person is able to provide a local residential address and prove that he is staying in Singapore on a long-term arrangement (i.e. he can legally remain in Singapore for a long period), ACRA may accept that he is an ordinarily resident here.

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Hence, the ordinarily resident director need not be a Singapore Citizen or Singapore Permanent Resident. A foreigner who has a valid employment pass could be appointed as an ordinarily resident director subject to prevailing requirements of the Ministry of Manpower on directorships of employment pass holders.

Where the company only has one member, that sole director may also be the sole member of the company. No person other than a natural person who has attained the age of 18 years and who is otherwise of full legal capacity shall be a director of a company.

5. Secretary

Every company must appoint a secretary within 6 months of the date of its incorporation.

Every company shall have one or more secretaries each of whom shall be a natural person who has his principal or only place of residence in Singapore. It shall be the duty of the directors of a company to take all reasonable steps to secure that each secretary of the company is a person who appears to them to have the requisite knowledge and experience to discharge the functions of secretary of the company.

Where a director is the sole director of a company, he shall not act or be appointed as the secretary of the company.

6. Registered Office of Company

A company shall as from the date of its incorporation have a registered office within Singapore to which all communications and notices may be addressed and which shall be open and accessible to the public for not less than 3 hours during ordinary business hours on each business day.

7. Accounting Records

Every company and the directors and managers thereof shall cause to be kept such accounting and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair profit and loss accounts and balance-sheets and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

The company shall retain the records for a period of not less than 5 years from the end of the financial year in which the transactions or operations to which those records relate are completed.



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8. Financial Statements

A Singapore company is required to prepare its financial statements that comply with the Singapore Financial Reporting Standards set by the Accounting Standards Council of Singapore. The financial statements have to give a true and fair view of the state of affairs of the company.

9. Auditors

A company shall appoint an auditor within 3 months from the date of its incorporation, unless it is exempted from audit requirements under Section 205B or 205C of the Act.

10. Audit Exemption

The following companies are not required under the Act to have their financial statements audited:-

- (a) Dormant companies; or
- (b) Small Companies whose financial year begins on or after 1 July 2015.

A company qualifies as a small company if:

- (a) it is a private company in the financial year in question; and
- (b) it meets at least 2 of 3 following criteria for immediate past two consecutive financial years:
 - (i) total annual revenue \leq S\$10m;
 - (ii) total assets \leq S\$10m;
 - (iii) no. of employees \leq 50.

For a company which is part of a group:

- (a) the company must qualify as a small company; and
- (b) entire group must be a “small group”

to qualify to the audit exemption.

For a group to be a small group, it must meet at least 2 of the 3 quantitative criteria on a consolidated basis for the immediate past two consecutive financial years.



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Where a company has qualified as a small company, it continues to be a small company for subsequent financial years until it is disqualified. A small company is disqualified if:

- (a) it ceases to be a private company at any time during a financial year; or
- (b) it does not meet at least 2 of the 3 the quantitative criteria for the immediate past two consecutive financial years.

Where a group has qualified as a small group, it continues to be a small group for subsequent financial years until it does not meet at least 2 of the 3 the quantitative criteria for the immediate past two consecutive financial years.

Companies that qualify for the audit exemption are still required to prepare unaudited financial statements accompanied by the Directors' Statement prepared in accordance with the Act except for a dormant non-listed company (other than a subsidiary of a listed company) in respect of its financial year ended on or after 3 January 2016 if:

- (a) the company fulfils the substantial assets test; and
- (b) the company has been dormant from the time of formation or since the end of the previous financial year.

The substantial assets test is that the total assets of the company at any time within the financial year must not exceed S\$500,000. For a parent company, the consolidated total assets of group at any time within the financial year must not exceed S\$500,000.

11. Annual General Meeting (“AGM”)

A Singapore company must hold an AGM within 6 months of the company's financial year end.

12. Annual Return Filing to ACRA

In respect of each financial year, an audited / unaudited financial statements and / or relevant statements together with the annual return must be filed with ACRA within 7 months of the company's financial year end, failing which, penalties might be imposed by ACRA for late lodgement.

A company, other than an exempt private company that is able to meet its liabilities as and when they fall due (i.e. solvent company), is required to file its financial statements in XBRL format to ACRA as part of the annual return.



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What is an exempt private company?

An exempt private company is a company which has not more than 20 members and in which no corporation holds any beneficial interest in its shares.

Sources of Information extracted from the website of ACRA and the Companies Act, Chapter 50.

The intention of this article is to serve as a general guide. The application of its contents to specific situations will depend on the particular facts and circumstances involved. Accordingly, a reader should seek appropriate professional advice regarding any particular issue that he/she may encounter and this presentation should not be relied upon as a substitute for professional advice.

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