Q2

SINGAPORE BUSINESS FORMATION STATISTICS REPORT

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2015

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Preface

Hawksford Singapore has been publishing the Singapore Business Formation Statistics, a quarterly report, since 2010. The report provides data on new business formation activities in the country. In addition to offering statistical data, the report also analyses the factors affecting business formations in Singapore. This report is a summary of the business formation activities in Q2 2015.

Report Highlights

- There were 15,964 new business formations in Q2 2015, registering a sharp increase from the 14,641 businesses formed in Q1 2015 but this fades in comparison with 18,689 businesses formed in Q2 2014.
- With 8,730 Private Limited Companies formed, this category held the largest share of 54.7% among the total businesses formed during the quarter. Although the category registered a small spike in terms of absolute numbers compared to Q1 with 8,390 private limited entities, the share of this category has fallen from 57% held in Q1.
- The share of the Sole Proprietorship registration in the total business formation swelled to 37.7%, a significant increase from the share of 34.9% held in the previous quarter.
- Of the total Private Limited Companies incorporated, Exempt Private Limited Companies (EPC), with 7,389 registrations, accounted for 84.6%.
- The number of Private Limited Companies formed during the quarter, increased by 4% against previous quarter. However on a Year on Year (YoY) basis the registration has dropped by 9.3%.
- The top three industry sectors with the largest number of business formations remain wholesale trade, financial services, and head office and management consultancy activities. There was a marginal increase of 1% in the share of company formations in the financial services sector, correspondingly the share of wholesale sector declined by 1%.
- The British Virgin Islands, the United States, Hong Kong, China, Japan and India were among the top investing countries in Singapore during the quarter.
- Entrepreneurs and investors from India, China, Malaysia and Indonesia accounted for the leading investors in Singapore.

Economic Review Q2 2015

The debate of a possible Greek Exit, or Grexit, dominated the headlines of the second quarter. The standoff between Greece and its creditors added to the woes of uneven global economic recovery. A softening US economy, slowing China, Chinese stock market crash and geopolitical unrest were the other dominant trends during the Q2 of 2015, which by and large remained lacklustre.

The US economy is estimated to have fared well in the second quarter. This is evident from the revised GDP estimates for Q1, during which it is estimated to have contracted by only 0.2%, against the initial estimate of 0.7% contraction. The downtrend that surfaced in the first quarter receded with the onset of warmer weather. Oil price rebounded and employment numbers improved, shoring up consumer confidence. Consumer spending increased during the period, however the inflation rate remained well below the federal target of 2%. Observers anticipate the first rate hike to kick in by the end of this year, despite low inflation and global uncertainties.

The Eurozone economy remained intact despite the speculation of Grexit. The economic trajectory remained strong and was reinforced by the stimulus from the European Central Bank. The weaker Euro, lower energy prices and lower lending rates accelerated the Euro area. Industrial production, construction and retail sales have all posted acceleration. The UK dispelled the concerns of a possible slowdown during the quarter by growing at an estimated rate of 0.7%.

Other than the tight financial markets that were exposed to the impending rate hikes, geopolitical factors affected emerging economies. This was reflected in the muted or flat growth in some of the key Asian economies that remain fragile.

The Chinese economy continues to lose steam with industrial production and profits falling. There is no strong sign of turnaround and the government is trying to tame the situation with stimulus measures such as rate cuts. However economists forecast a long and tough road to revival. Towards the end of the quarter, the crash of the equity markets, triggered by the government's measures to curb margin trading, has further exacerbated the economy.

The Indian Central Bank slashed its repo rate with the aim of boosting the economy. The government's infrastructure projects appear to be catalysing private sector capex, adding to the economic momentum. The IMF forecasts that India's growth will outpace China, allowing it to emerge as the fastest growing economy in the world.

Japan's moderate recovery was sustained during the quarter. The stimulus measures caused an increase in domestic private consumption in Q2, leading to an increase in factory output. However the slowed exports may have weighed down the growth of Japan's economy.

Malaysia's growth may have moderated during the quarter. Consumption spiked in Q1 before GST came into effect, whereas a slump was evident in consumption post-GST. A weaker ringgit helped temper the decline in exports. The central bank announced that it would continue to maintain the lower policy rate until the economy gathers momentum and the inflation is led by demand.

After decelerating in the first quarter of the year, the Indonesian economy failed to gain momentum in the second quarter and economists estimate the GDP for the second quarter to remain flat at around 4.7%. Government infrastructure projects that were anticipated to pull the economy forward were halted by bureaucratic delays.

Singapore's economy slowed in the second quarter. The YoY advance GDP estimate for the quarter is 1.7%. On a QoQ basis it contracted by 4.6% against the 4.2% expansion recorded in Q1 2015. While manufacturing remains the weakest link, construction and services also contracted. Any improvement in the manufacturing sector may have been dragged down by the volatile biomedical sector. However we should wait for the June data to be released as the economic activities during the South East Asian games may tip up the flash estimates for Q2.

In line with our forecast in the previous report, the business formation numbers registered an upward growth, despite the lacklustre economic performance of Singapore in Q2. The 2015 budget has aided business confidence. Announcements such as deferral of hikes in the labour levy, skills upgrade, innovation and internationalization support schemes have boosted business sentiments, against the cloudy global economic backdrop.

The credit slowdown will impact the Asian economies in the coming quarters but the slow yet sustained growth in US will support Asian exports and drive growth. A federal rate hike, negotiations for the Greek bailout and geopolitical tension in the Middle East and South China will be the major economic themes in the coming quarters. Prices of oil and commodities will remain low. As for Singapore, the restructuring efforts and the resultant tight labour market and higher business costs will impede growth.

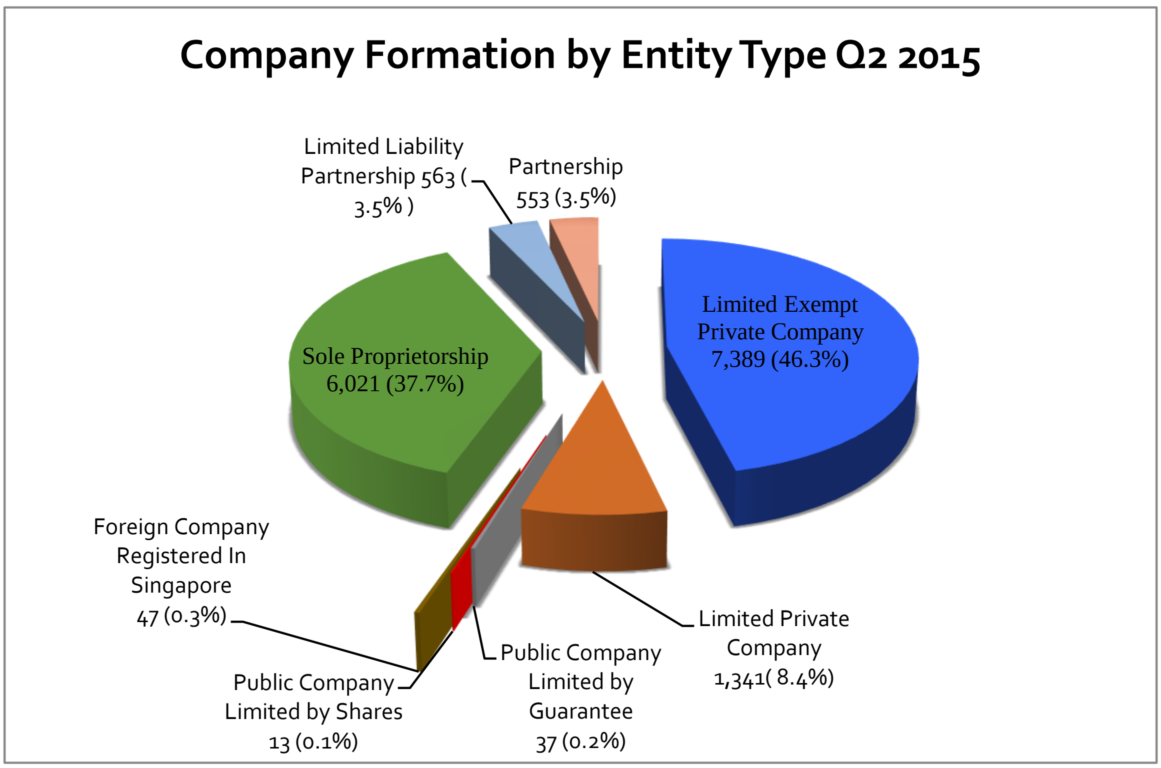
This report presents the latest statistics of the number and profile of new business formations, the industries that have the highest number of business formations, and the top investing countries in Singapore for Q2 2015. It will also offer a comparison of current data with those of the three previous quarters.

The report is presented in six parts:

1. Business formation by entity type
2. Business formation by share capital
3. Business formation by shareholding structure
4. Business formation by industry
5. Business formation by shareholder's country of origin
6. Comparison of Business Formation Activity for the Last 4 Quarters

1 Business Formation by Entity Type

A total of 15,964 businesses were formed during the second quarter of 2015. The quarter registered a significant jump in the business formation numbers against Q1 during when only 14,641 businesses were formed. This is a 9% increase on a QoQ basis, however it has contracted markedly by 14.6% on a YoY basis. The announcement of deferred federal rate hike came as a relief to the businesses and the business formation surged in Q2 2015. It should be noted that the inflated numbers of Q2 2014 was mainly driven by the sharp spike in sole proprietorships and partnerships, prompted by Budget 2014 policy measures which were directed at these categories. The formation trend returned to normalcy with the turn of this year and we find the Private Limited Entity category taking the lead in line with the convention. Eliminating the atypical trend of last year, we may conclude that the business formation numbers appear healthy and reflective of the upbeat business sentiments despite the challenges posed by internal and external factors.



Private Limited Companies topped the chart with a total of 8,730 companies formed in Q2 2015. This category accounted for 54.7% of the total formation. Although it increased in terms of absolute numbers against the preceding quarter, during which there were 8,390 Private Limited Companies formed, in terms of share it registered a decline. Of these 84.6% (7,389) were Exempt Private Limited Companies or (EPC). Exempt Private Companies are companies that have no more than 20 shareholders and none of its shares are held by another corporate entity. EPCs with an annual turnover of S$5 million are exempted from statutory audit of their accounts. Instead they are simply required to file a declaration of solvency with the Accounting and Corporate Regulatory Authority (ACRA). Owing to the simple compliance framework this is the most popular entity in Singapore.

With a total of 6,021 Sole Proprietorships formed in Q2 2015, this category accounted for the next largest share (37.7%) after Private Limited Companies. This is the most popular entity among small business owners who are engaged in businesses that are less risky in nature and have low investments. Such businesses also have less scalability. Examples of such businesses include writing services, tutoring, art works and small retailers.

A total of 1,116 Partnership companies were formed, of which 563 were Limited Liability Partnerships (LLP). Partnerships in total accounted for 7% of the total business formation. LLP had a marginally higher share as against general partnership entities. The LLP structure offers the merits of easy compliance and limitation of liability of partners while facilitating pooling of funds by partners. This entity type is popular among professionals such as doctors, architects and engineers.

A total of 47 Foreign Companies were registered in Singapore during the quarter, accounting for 0.3% of the total business formation. This is a strong endorsement of Singapore's attractiveness to the foreign companies engaged in business in this part of the world.

50 Public Companies were formed in the second quarter accounting for 0.3% of the total business formation. 37 were Limited by Guarantee and 13 were Limited by Shares. Public Company Limited by Guarantee is commonly used for trade associations, charitable bodies, clubs, professional and learned societies, some religious bodies and the like, rather than commercial undertakings. Public Companies Limited by Shares may raise capital by offering shares and debentures to the public. A public company must register a prospectus with ACRA before making any public offer of shares and debentures.

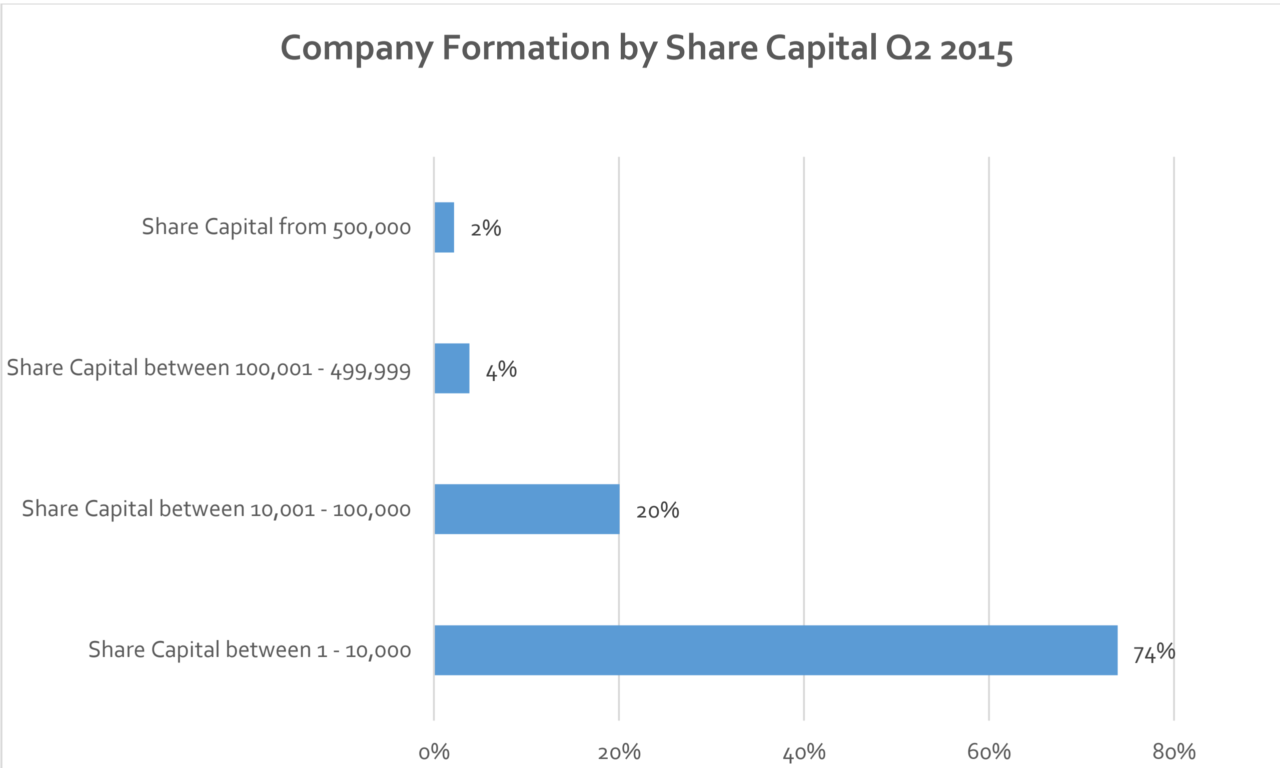
Type of Entity	Q2 2015	Increase/(Decrease) Q1 2015	Increase/(Decrease) Q2 2014
Limited Exempt Private Company	7,389	4.7%	(9.8%)
Limited Private Company	1,341	8.4%	(6.9%)
Public Company	50	(16.7%)	(10.7%)
Foreign Company Registered In Singapore	47	11.9%	(6.8%)
Sole Proprietorship	6,021	18%	(20.2%)
Limited Liability Partnership	563	11.9%	(22.1%)
Partnership	553	2%	(20.2%)

Across all categories, excluding public companies, the number of new businesses registered an increase on a QoQ basis. The largest increase on a QoQ basis was in the Sole Proprietorship. The bleak economic outlook that prevailed in the first quarter gave way to optimism prompted by the deferred rate hike, sustained US recovery and highly targeted support schemes for the SMEs and families. The Sole Proprietorships that predominantly service small businesses and non-enterprise or retail markets were assured of better prospects despite a gloomy overall global market, so we find that the Sole Proprietorship number surged in Q2.

The number of Foreign Companies registered in Singapore also witnesses a sharp QoQ growth of 11.9%. This is a strong endorsement of Singapore's trustworthiness as a regional business hub among international businesses. The annual budget announced towards the end of the Q1 appears to have shored up the flagging confidence of the international businesses. Although the Public Company category appears to have contracted, on further examination there was a marginal increase in the number of Public Companies Limited by Shares. From 11 in the preceding quarter it has inched up to 13 in Q2 2015. Though small the surge is significant as it reinforces the city-state's efficacy as a capital raising platform.

All categories registered a decline on a YoY basis, with sole proprietorship and Partnerships registering the sharpest decline. This is indicative of the return to convention from the small detour prompted by last year's policy measures directed at entities in these categories. The other categories have slowed because of the anticipated tightening of the liquidity that will impede growth.

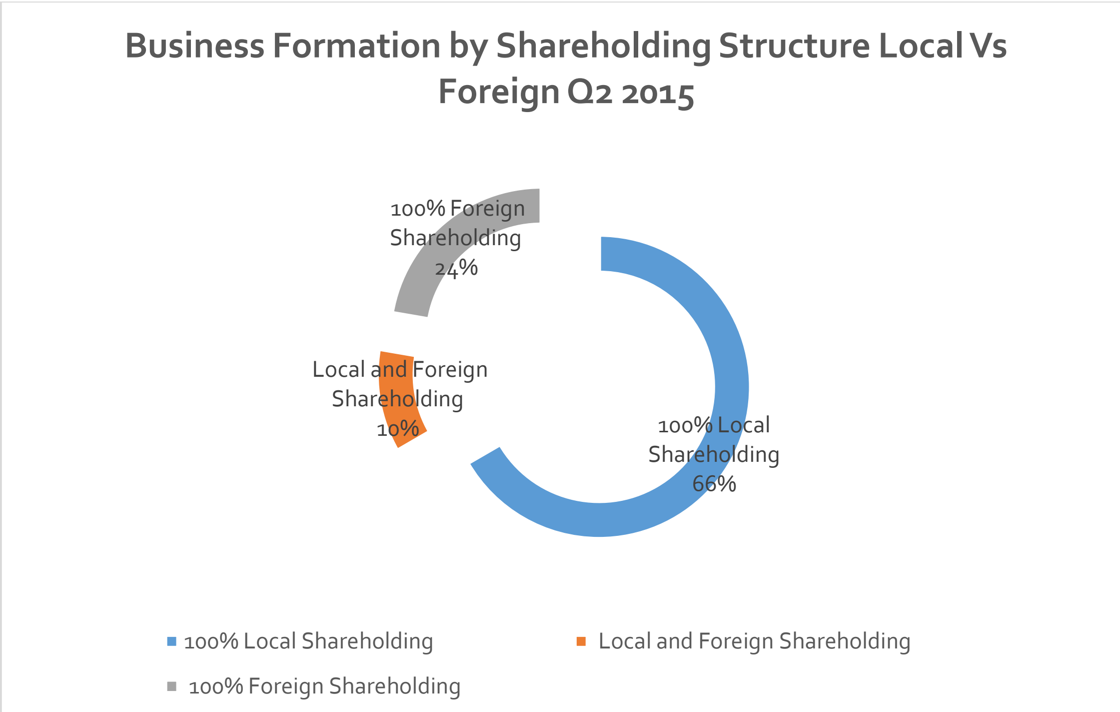
2 Business Formation by Share Capital



The majority of the formations are entities with a share capital of less than S$10,000. In Singapore, companies can be incorporated with a minimum share capital of S$1. This clears the most cumbersome hurdle along the path of entrepreneurs who would have otherwise been dissuaded by the prohibitive regulatory barriers. Singapore fosters enterprise spirit and paves the way for easy business formation through such simple regulatory framework

In Q2 of 2015, 74% of the company formations had a share capital of less than S$10,000. It is interesting to note that the share of companies with capital of S$10,001 – S$100,000 and those with share capital of S$100,001 - S$499,999 remained stable at 20% and 4% respectively. This indicates that more big companies continue to set up in Singapore and reflects of the strong business environment and ecosystem that prevails in Singapore.

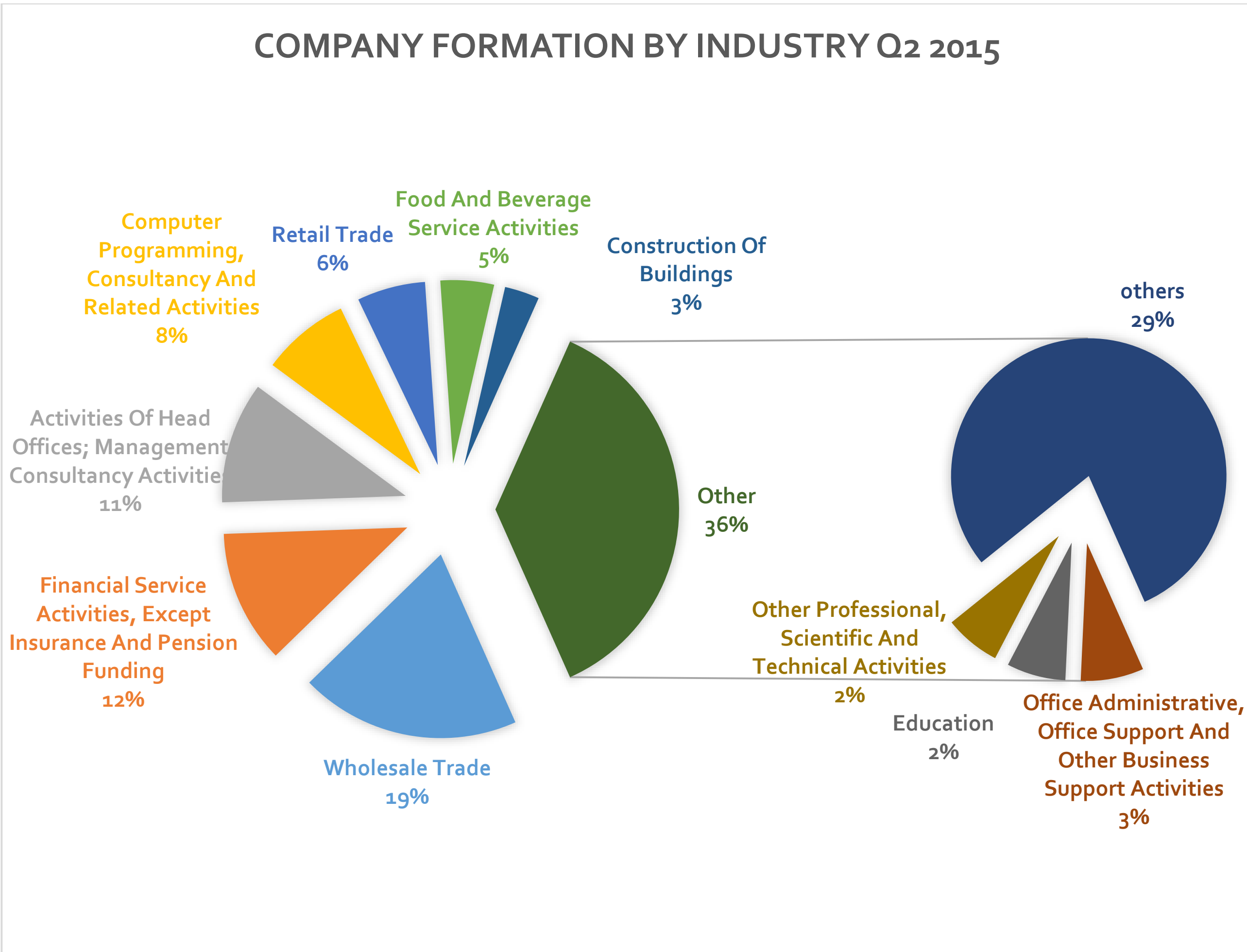
3 Business Formation by Shareholding Structure



In line with convention, the majority of the companies incorporated in Q2 2015 were locally owned with 66% fully owned by Singapore-resident shareholders. Foreigners wholly owned 24% of the companies formed during the period and 10% were owned by a combination of local and foreign shareholders.

The share of companies with 100% foreign shareholding shot up by 2% in this quarter to 24%. The March announcement by the US federal bank to defer rate hike further, and sustained US recovery and moderate yet sustained regional economic performance must have prompted this sharp increase in the share. Singapore allows for 100% foreign shareholding and it has established extensive Avoidance of Double Taxation Treaties with countries around the world. It also allows free repatriation of profits and there is no tax on capital gains.

4 Business Formation by Industry



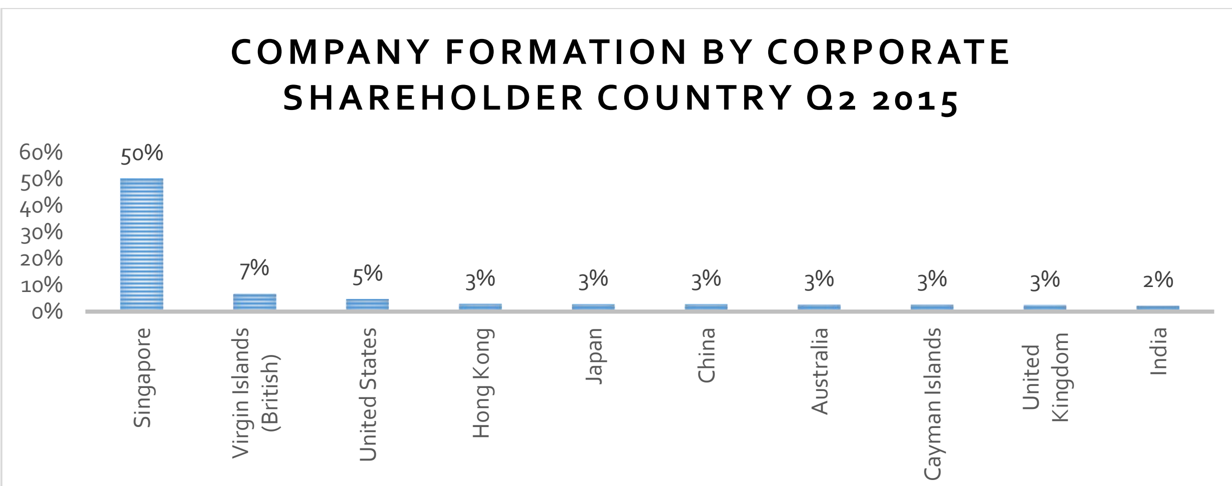
Continuing with the trend the maximum number of business formations was in the Wholesale Trade industry, followed by Financial Services and Activities of Head Office and Management consultancy. This has been the convention for the past few years. The share of Financial Services sector and the Activities of Head Office and Management Consultancy grew marginally by 1% compared to the preceding quarter. As an international financial centre the regulatory regime is transparent and robust. Singapore is also in the white list of the OECD's watch list and is no longer considered a tax haven. The clean image is attractive to High Net Worth Individuals (HNWI) who choose to park their funds and assets in Singapore. The number of HNWIs is also growing in this part of the world, thereby prompting the set-up of more companies in this sector. Singapore's Financial Sector Incentive (FSI) schemes have also favoured the sector.

Singapore's dominance as a regional distribution hub continues to remain unchallenged, despite the competitive strategies of regional economies. This has led to the sustained high share of Wholesale Trade Sector in business formation. Stationing Head Office Activities in Singapore brings operational efficiency and several other tax benefits to the companies, thus we find that the company formation in these sectors continues to reign high.

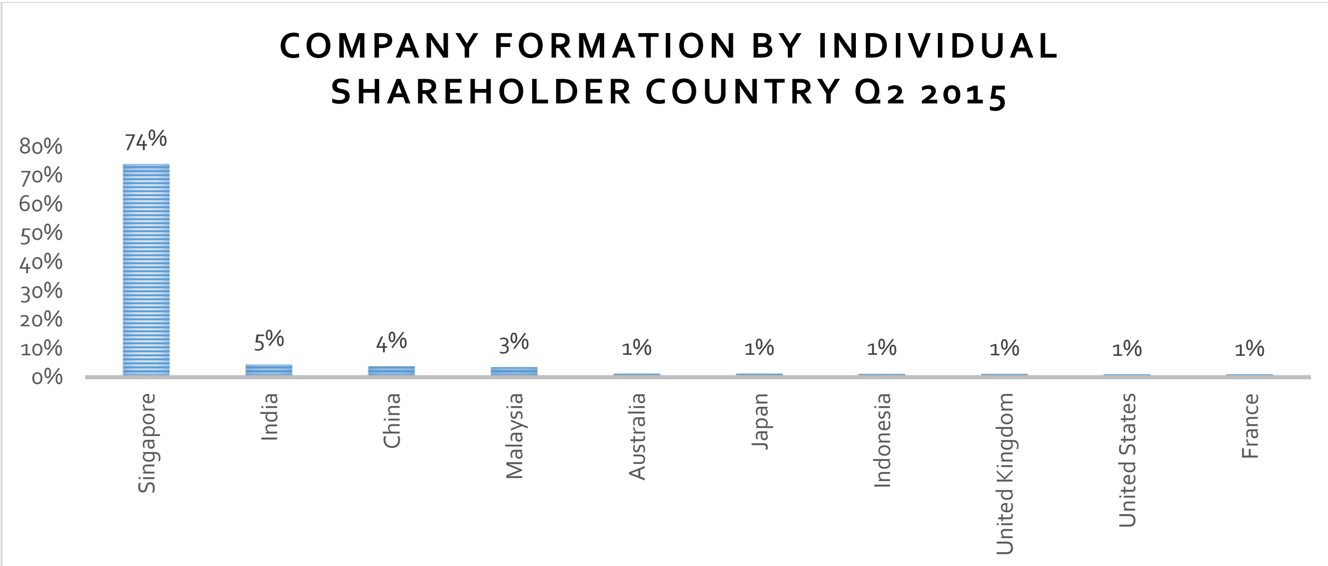
The share of Retail Trade and Construction sector dipped marginally against the preceding quarter. The tight labour market and cooling measures in the property market have caused the dip.

5 Business Formation by Country of Origin

Singapore's enterprise ecosystem and simple and low tax regime have proved to be strong tractions for international investors and shareholders. The extensive Double Tax Avoidance (DTA) treaty network and Singapore's location in the burgeoning Asia is the top draw among international enterprises. Singapore allows 100% foreign shareholding and there is no tax on capital gains. There is no restriction on repatriation of capital. 50% of the subsidiaries formed in Singapore had foreign corporate shareholders. Companies from countries like the British Virgin Islands, Hong Kong, the USA, Australia, Japan, India and the UK have set-up subsidiary companies in Singapore. In the second quarter, corporate entities from British Virgin Islands (7%) continued to account for the highest share of companies formed. In this quarter the share of United States went up by 2% to 5%, with the US economy well set in its recovery route. Many US companies are looking to expand into the region through Singapore. Companies from Hong Kong, Japan, China, and Australia are also finding Singapore an attractive location for setting up subsidiaries.



For Q2 2015, individual investors and entrepreneurs from India, China, Malaysia and Australia accounted for the largest share of foreign shareholders. The share of individual Indian and Chinese investors remained at a sizeable 5% and 4% respectively since the preceding quarter, underscoring the appeal of Singapore against the decelerating Chinese economy. The liquidity in India has increased with the central bank slashing the lending rates; so far the central bank has slashed the rates thrice this year. The low credit rate must have directed some of the investments to flow into Singapore through newly formed subsidiaries.


COMPANY FORMATION BY INDIVIDUAL SHAREHOLDER COUNTRY Q2 2015
80%
70%
60%
50%
40%
30%
20%
10%
0%
74%
5%
4%
3%
1%
1%
1%
1%
1%
1%
Singapore
India
China
Malaysia
Australia
Japan
Indonesia
United Kingdom
United States
France

6 Comparison of Business Formation Activities Over the Last 4 Quarters

	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Total Number of Business Registrations	15,964	14,641	20,540	21,918
Registrations by Entity Type				
Exempt Private Limited Company	7,389	7,059	8,006	8,767
Non-Exempt Private Limited Company	1,341	1,331	1,320	1,262
Sole Proprietorship	6,021	5,104	9,585	10,102
Partnership	553	542	712	764
Limited Liability Partnership	563	503	818	946
Public Limited Company	50	60	53	39
Foreign Company Registered in Singapore	47	42	46	38
Registrations by Share Capital				
S$1 to S$10,000	74%	74%	77%	75%
S$10,001 to S$100,000	20%	20%	18%	20%
S$100,001 to S$500,000	4%	4%	3%	4%
Above S$500,000	2%	2%	2%	2%
Registrations by Share Structure				
100% Local Shareholding	66%	67%	67%	71%

	Q2 2015	Q1 2015	Q4 2014	Q3 2014
100% Foreign Shareholding	24%	22%	22%	19%
Both Local and Foreign Shareholding	10%	11%	11%	10%

About Hawksford Singapore

Hawksford is a successful, international, independent wealth structuring, funds and corporate services provider. Our clients range from small and large corporates to ultra-high net worth individuals.
We help clients to meet all of the statutory compliance requirements and relieve the administrative burdens associated with administrating and managing a company; this allows clients to focus on running and growing their business. In addition, we also provide fiduciary services and complete solutions for corporate governance.

Ultimately, we pride ourselves on our top quality, friendly service, which provides clients with value for money. Our people are highly experienced and well trained and we have invested heavily in the best technology to ensure we deliver when we say we will, we can meet a clients' business needs, we clearly present options and we communicate clearly and concisely. We also aim to be transparent on the fees we charge and provide practical advice to clients.

Our Services include:

- Company Formation & Fiduciary Services
- Tax & Accounting
- Immigration
- Business Licenses
- Start-Up Assistance

To learn more about doing business in Singapore and the services that our group offers, please visit our website at: www.guidemesingapore.com.

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