

PRESS STATEMENT DATED 26TH AUGUST 1997

The Official Receiver will, on 1st September 1997, set up a Disqualification Unit to investigate the conduct of directors of wound up companies. If, following these investigations, the conduct of the directors of the companies has been such that they are unfit to be involved in the management of companies, the Official Receiver will apply to Court to have them disqualified as directors.

Section 149 of the Companies Act (Chapter 50) permits the disqualification of directors of insolvent companies who have been proven to be unfit to manage companies. Essentially, the object of this provision is not to punish errant directors but to protect creditors, investors and the public from losses which might be caused by the activities of dishonest, unscrupulous, irresponsible and incompetent directors, by preventing such persons from continuing to be directors of companies.

The Companies Act imposes various statutory, fiduciary and other duties on directors of companies. These duties are attendant on the privilege of limited liability of companies and should therefore be discharged conscientiously. Directors, for example, have a duty to maintain proper accounts of the company, file annual returns with the Registrar of Companies and cooperate with the liquidator in his investigation and realisation of assets when the company goes into liquidation. Directors also have a duty to ensure that companies are adequately managed, that assets and moneys are properly accounted for and that further liabilities are not incurred when a company is clearly insolvent.

The setting up of a new Disqualification Unit within the Official Receiver's Office will increase the scrutiny of the conduct of directors of insolvent companies. In setting up the Unit, the Official Receiver hopes to ensure better compliance with the Companies Act, raise the standard of directors' conduct and the creditability of our commercial sector. The Unit will begin its task by investigating a targeted number of companies wound up each year, with a view to ascertaining the affairs of the company prior to its winding up and whether the directors have been responsible for the insolvency of the company or have otherwise breached their obligations towards the company's creditors and shareholders. The new Disqualification Unit will be headed by Ms Choong Kwee Choo, an accountant.

The disqualification of directors is actively undertaken by the Official Receivers in a number of other jurisdictions including the United Kingdom, Australia, New Zealand and Hong Kong.