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IPOS AND SGX LAUNCH PILOT PROGRAMME TO HELP COMPANIES IDENTIFY AND COMMUNICATE THE VALUE OF INTANGIBLE ASSETS INFORMATION TO STAKEHOLDERS

Singapore, 4 February 2020 – The Intellectual Property Office of Singapore (IPOS) and Singapore Exchange (SGX) have partnered to launch the Intangible Disclosure Evaluation and Audit Scheme (IDEAS) programme exclusively for SGX-listed companies and companies preparing for a listing. The programme aims to raise awareness and encourage companies to undergo intangible assets (IA) evaluations and promote a more robust IA disclosure environment. This will help investors better appreciate the value of intangible assets, and support companies in capital raising.

IA as an important indicator of business value

In a knowledge-driven economy, IA is becoming increasingly critical in enterprise growth and success. Empirical evidence shows leading global technology companies are investing heavily into IA¹ to remain competitive. Despite this evidence, important IA information is often omitted from financial and stakeholder reports, which remain rooted in traditional accounting practices developed for a production-based economy.

The IDEAS programme provides companies with government support to undergo an IA evaluation and audit process. The process will enable companies to identify important IA information that are key drivers to their businesses, and make recommendations on disclosing such important information to communicate business value to the market. Greater transparency and clarity in IA disclosures will help companies build investor trust and enhance the effectiveness of the Singapore capital market in helping IA-rich businesses raise capital, as the knowledge economy shifts away from the traditional indicators of performance grounded in tangible asset values².

¹ American Economic Association Research: Intangibles, Investment and Efficiency 2018

²ACRA, ISCA, NUS Business School research: Into the Minds of Investors, 2016 (<https://isca.org.sg/media/779569/acra-isca-nus-into-the-minds-of-investors-final.pdf>)

Ideas Today. Assets Tomorrow.

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Dr. Bernard Ong (王凯宏博士), Group Director of Policy & Engagement at IPOS (新加坡知识产权局政策与交流组高级司长), said: “Technologies, brands, ideas, data, know-hows and other forms of IA are the primary forces making the world’s most innovative and valuable enterprises. Yet, market understanding of IA, including intellectual property, remains a big challenge to investors and enterprises alike. IDEAS will enable investors to make sharper investment decisions while helping IA rich companies unleash their real enterprise value. IPOS is delighted to partner with SGX to nurture and grow the next frontier of innovative enterprises for Singapore.”

Mr. Chew Sutat (周士达), Head of Global Sales and Origination at SGX (新交所执行副总裁), said, “Our partnership with IPOS is another step towards our vision of creating a robust and supportive ecosystem in Singapore for innovative companies. Listing on the exchange is often one of the steps in a company’s journey and we are committed to supporting businesses through every phase of their growth. In helping to develop greater awareness and understanding of IA, we can bring more value to our listed companies and the wider business community.”

IDEAS will run as a pilot programme until the end of 2020. During this period, companies will be nominated by IPOS and SGX to participate in the programme and will receive IPOS’ support to undergo an evaluation to identify key IA information that could be better disclosed to their stakeholders. Feedback gathered during the pilot phase will be instrumental in shaping future support for IA disclosures. Only a limited number of companies will be able to participate in the pilot programme.

SGX-listed companies, REVEZ Corporation Ltd and Hyphens Pharma International Limited, as well as Memiontec, currently preparing for its listing, are some of the companies already confirmed to join the IDEAS programme.

Mr. Victor Neo (梁维恒), Deputy Board Chairman and Group CEO of Revez Corporation Ltd (集团总裁) said, “REVEZ is glad to participate in IDEAS. It is a good opportunity for the company to identify and articulate our business value that is driven by non-physical and non-monetary assets, such as our reputation, expertise and brand value. I am confident that after going through IDEAS, REVEZ will have valuable IA information to better communicate our position as a leading innovator in our industry. It will provide greater confidence of the long-term prospects of our company to clients, investors and potential partners.”

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Ms. Fang Lee Wei (方丽慧), Chief Financial Officer at Hyphens Pharma International Limited (凯帆药剂国际有限公司财务总监), said, "We are excited by the opportunity to join the IDEAS programme. As ASEAN's leading specialty pharma and consumer healthcare group, Hyphens possesses a considerable portfolio of intangible assets that not only differentiates us from competitors but is also a vital source of competitive advantage to drive sustainable growth. We hope that through IDEAS, our investors can better recognise the long-term value of our business."

Mr. Tay Kiat Seng, CEO of Memiontec said, "We believe that our participation in IDEAS will provide us with fresh insights on the value drivers of our business. Having a deeper understanding of our company's intangible asset and proprietary know-how, can enhance how we showcase our value to our clients and investors".

Research and global trends towards IA disclosure

Today's investment environment sees IA comprising more than 80% of the market value within the S&P 500³. Global IA values have tripled in the last decade, amounting to US\$57 trillion.⁴ This also represents two-thirds of global GDP in 2018. Firms in Singapore have similarly experienced a 150% growth in IA values between 2010 to 2016.⁵ Further research has shown that leading technology companies investing into IA enjoy higher rates of return on their IA investments and are booking stronger profits⁶.

Current financial reporting standards place more emphasis on tangible asset disclosures as compared to IA disclosures.⁷ The GIFT 2019⁸ report indicates that much of IA values remain undisclosed. There is a growing need to re-assess the accounting for and reporting of IA, to improve the relevance of information provided to financial report users. In February 2019, the UK Financial Reporting Council issued a discussion paper in response to frequent calls to reform the accounting for IA and explore possible improvements to the reporting of factors, such as IA, that are important to a business's generation of value.⁹

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³ Ocean Tomo Intangible Asset Market Value Study

⁴ US\$15.5 trillion in 2008 to over \$57.3 trillion in 2017 (Brand Finance Global Intangible Finance Tracker 2018)

⁵ Brand Finance Top 100 Singapore Brands Report 2016

⁶ American Economic Association Research: Intangibles, Investment and Efficiency 2018

⁷ Traditional reporting recommends that goodwill disclosure be included.

⁸ Brand Finance Global Intangible Finance Tracker 2019

⁹ iasplus.com/en/news/2019/02/frc-intangibles

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About IPOS

The Intellectual Property Office of Singapore (IPOS) is a government agency under the Ministry of Law. Our mission is to use our intellectual property (IP) expertise and networks to drive Singapore's future growth, and build Singapore into a hub where innovative enterprises use IP and intangible assets to grow. More information on IPOS can be found at www.ipos.gov.sg.

About Singapore Exchange

Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore.

SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

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