

# China Accounting Alert

August 2021

This edition of *China Accounting Alert* provides news and updates about financial reporting in Mainland China, IFRS and EY publications.

## Mainland news and updates

- ▶ The Accounting Regulatory Department of the MOF releases implementation Q&As and application examples on private entities' accounting treatment for Public-Private Partnership ("PPP") contracts

Recently, the Accounting Regulatory Department of the MOF has released 11 [Implementation Q&As on the Accounting Treatment for Public-Private Partnership \("PPP"\)](#) and 3 [Application Examples on the Accounting Treatment for PPP Contracts](#), providing further guidance and illustrative examples on private entities' accounting treatment for PPP contracts regarding *Accounting Standard for Business Enterprises Interpretation No.14*.

For further details about these implementation Q&As and application examples, please refer to EY WeChat: [Interpretation of Implementation Q&As and Application Examples on the Accounting Treatment for PPP Contracts Released by the Ministry of Finance](#)

► **The Shanghai Stock Exchange and Shenzhen Stock Exchange Release Guidelines on Transfer of Listing**

In order to regulate the transfer of listing of companies listed on the National Equities Exchange and Quotations ("NEEQ") to the Shanghai Stock Exchange ("SSE") STAR Market and Shenzhen Stock Exchange ("SZSE") ChiNext Board, the SSE and SZSE have developed a series of guidelines. Among them, the guidelines related to financial accounting mainly include:

- [Guideline No. 3 of the Shanghai Stock Exchange for the Application of Rules for Review of Issuance and Listing of Stocks on the STAR Market - Application Documents for Transfer of Listing of Companies](#) (Shang Zheng Fa [2021] No.57)
- [Guideline No.4 of the Shanghai Stock Exchange for the Application of Rules for Review of Issuance and Listing of Stocks on the STAR Market - Contents and Formats of Reports on Transfer of Listing of Companies](#) (Shang Zheng Fa [2021] No.58)
- [Business Guideline No.4 of the Shenzhen Stock Exchange for Issuance and Listing of Stocks on the ChiNext Board - Application Documents for Transfer of Listing of NEEQ-Listed Companies to the ChiNext Board](#) (Shen Zheng Shang [2021] No.727)
- [Business Guideline No.3 of the Shenzhen Stock Exchange for Issuance and Listing of Stocks on the ChiNext Board - Contents and Formats of Reports on Transfer of Listing of NEEQ-Listed Companies to the ChiNext Board](#) (Shen Zheng Shang [2021] No.726)

The above guidelines became effective upon release on 23 July 2021.

► **SSE issues Guideline on Preparation of Prospectuses for Public Issuance of Corporate Bonds**

To improve the quality of information disclosure of corporate bonds, the SSE has formulated [Business Guideline No.1 of the Shanghai Stock Exchange for Review of Issuance and Listing of Bonds - Preparation of Prospectuses for Public Issuance of Corporate Bonds \(for reference\)](#) (Shang Zheng Han [2021] No.1388, "Guideline on Preparation of Prospectuses").

For corporate bonds to be listed on the SSE, the issuer may refer to the *Guideline on Preparation of Prospectuses* and its specific requirements in the instructions for the preparation of the relevant sections of the Prospectus. The issuer may select and apply relevant contents from the *Guideline on Preparation of Prospectuses* as appropriate, but shall fully disclose the information necessary for the investors to make judgments on value and investment decisions.

► **SZSE issues Business Guidelines for Review of Issuance and Listing of Stocks on the ChiNext Board**

In order to further ensure the fulfillment of the main responsibility of information disclosure of issuers and review and control responsibility of intermediaries, the SZSE has issued [Notice on Issuing the Business Guidelines including Business Guideline No.2 of the Shenzhen Stock Exchange for Review of Issuance and Listing of Stocks on the ChiNext Board - Key Point of Acceptance of Application Documents on Issuance and Listing of Stocks on the ChiNext Board](#) (Shen Zheng Shang [2021] No.724). The SZSE has comprehensively revised and refined the requirements regarding the ChiNext Board initial public offering, refinancing and major asset restructuring application document acceptance and the key points of review, and has developed the following guidelines:

- [Business Guideline No.1 of the Shenzhen Stock Exchange for Review of Issuance and Listing of stocks on the ChiNext Board - Key Points of Acceptance of Application Documents on Issuance and Listing of stocks on the ChiNext board](#)

- ▶ *Business Guideline No.2 of the Shenzhen Stock Exchange for Review of Issuance and Listing on the ChiNext Board - Key Points of Review of Initial Public Offering on the ChiNext Board*
- ▶ *Business Guideline No.3 of the Shenzhen Stock Exchange for Review of Issuance and Listing of stocks on the ChiNext Board - Key Points of Review of Securities Offerings by Listed Companies on the ChiNext Board to General Investors*
- ▶ *Business Guideline No.4 of the Shenzhen Stock Exchange for Review of Issuance and Listing of stocks on the ChiNext Board - Key Points of Review of Securities Offerings by Listed Companies on the ChiNext Board to Specific Investors*
- ▶ *Business Guideline No.5 of the Shenzhen Stock Exchange for Review of Issuance and Listing of stocks on the ChiNext Board - Key Points of Review of Securities Offerings by Listed Companies on the ChiNext Board to Specific Investors (Simplified Procedures)*
- ▶ *Business Guideline No.6 of the Shenzhen Stock Exchange for Review of Issuance and Listing of stocks on the ChiNext Board - Key Points of Review of Major Asset Restructuring of Listed Companies on the ChiNext Board*

The above guidelines became effective upon release on 23 July 2021.

## IASB news and updates

### ▶ IASB Update for July 2021

The [July 2021](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held remotely from 20 to 21 July 2021 when the board discussed:

- ▶ Post-implementation Review of IFRS 9 - *Classification and Measurement*
- ▶ Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*
- ▶ Disclosure Initiative - Targeted Standards-level Review of Disclosures
- ▶ Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Maintenance and consistent application

In addition, the IASB held a remote joint meeting with the Financial Accounting Standards Board (FASB) on 23 July 2021.

## EY publications

### ▶ Applying IFRS: Energy Transition - lease considerations in respect of power purchase agreements

[This edition](#) of *Applying IFRS* is part of a series that seeks to explore the accounting implications of emerging business models and arrangements related to Energy Transition.

The use of Power Purchase Agreements (PPAs) in the supply of renewable energy is on the rise. This publication focuses solely on the assessment of whether solar and wind energy PPAs contain a lease in accordance with IFRS 16 *Leases*. In most cases, other accounting standards, including IFRS 9 *Financial Instruments* and IAS 38 *Intangible Assets*, also require consideration when accounting for PPAs.

### ▶ Applying IFRS: Disclosure of COVID-19 impact on expected credit losses of banks (July 2021)

In [this edition](#) of *Applying IFRS*, we provide our observations on the impact of COVID-19 on the expected credit loss (ECL) disclosures published by a sample of large UK and European banks in their IFRS financial statements for the year ended 31 December 2020, and how we expect these to evolve going forward. Where relevant, we have also included extracts from published results' presentations which contain examples of disclosures which could be provided in the financial statements.

### ▶ IFRS Developments Issue 194: Subsidiaries without public accountability: disclosures

The IASB issued an Exposure Draft which proposes to allow subsidiaries without public accountability to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in IFRS standards. Learn more in EY *IFRS Developments* [Issue 194](#).

### ▶ Good Group (International) Limited - Illustrative consolidated financial statements for the year ended 31 December 2021

[This edition](#) contains the illustrative consolidated financial statements of Good Group (International) Limited and its subsidiaries for the year ending 31 December 2021. The illustrative financial statements are prepared in accordance with IFRS in issue as at 30 June 2021 and effective for annual periods beginning on or after 1 January 2021.



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