

China Accounting Alert

January/February 2022

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

Mainland news and updates

- ▶ **MOF, State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"), China Banking and Insurance Regulatory Commission ("CBIRC") and China Securities Regulatory Commission ("CSRC") jointly issue Notice on 2021 Annual Reports**

Recently, the MOF, SASAC, CBIRC and CSRC have jointly issued [*Notice on Strict Implementation of Accounting Standards for Business Enterprises and Practical Guidance for Better Preparation of 2021 Annual Reports of Enterprises*](#) (Cai Kuai [2021] No.32, the "Notice"). According to the Notice, enterprises are required to fully understand the significance of better preparation of 2021 annual reports and key technical issues have been addressed on the implementation of accounting standards on the following aspects when preparing the 2021 annual reports:

- ▶ Accounting treatments related to the implementation of new standards
 - ▶ New revenue standards
 - ▶ Accounting Standard for Business Enterprises Interpretation No.14
 - ▶ New financial instruments standards
 - ▶ Circular on the Transitional Measures taken by Insurers for the Implementation of New Accounting Standards relating to Financial Instruments
- ▶ Accounting treatments related to other standards

For further details about the Notice, please refer to EY WeChat: [*Recently Released Notice on Strict Implementation of Accounting Standards for Business Enterprises and Practical Guidance for Better Preparation of 2021 Annual Reports of Enterprises*](#).

► **MOF releases Accounting Standard for Business Enterprises Interpretation No.15**

MOF releases [*Accounting Standard for Business Enterprises Interpretations No.15*](#) (Cai Kuai [2021] No.35) to clarify the following 3 issues:

- Accounting treatment for the external sales of products or by-products produced by enterprises before a fixed asset is ready for its intended use or in the R&D process (became effective on 1 January 2022)
- Presentation related to the centralized fund management (became effective upon release on 30 December 2021)
- Criteria for determining an onerous contract (became effective on 1 January 2022)

For further details about Interpretation No.15, please refer to EY WeChat: [*MOF issues Interpretation No.15 Accounting Standard for Business Enterprises*](#).

► **Accounting Department of the MOF releases Application Examples on the Accounting Treatment for the Centralized Management of Funds**

The Accounting Department of the MOF releases [*Application Examples on Financial Instruments Standards - Application Examples on the Accounting Treatment for the Centralized Management of Funds*](#), introducing the accounting treatment for 3 different scenarios for the centralized management of funds.

► **MOF, the People's Bank of China ("PBOC"), SASAC, CBIRC and CSRC jointly issue Notice on Bank Confirmations Pilot Programs**

MOF, PBOC, SASAC, CBIRC and CSRC jointly issue [*Notice on Launching Bank Confirmations Pilot Programs*](#) (Cai Kuai [2022] No.5) to launch the bank confirmation pilot programs in some listed companies, accounting firms and banking financial institutions in order to promote the transition to digital confirmation on the basis of the implementation of more standardized and centralized bank confirmations.

The pilot program covers 32 domestic listed companies of central enterprises ("pilot listed companies", excluding their subsidiaries, associates, and joint ventures), 7 accounting firms that provide pilot listed companies with auditing services for their 2021 annual reports, 7 banking financial institutions that opened accounts for pilot listed companies and have the foundation for piloting information-based programs, and a third-party digital platform for bank confirmations. The pilot program lasts from January to April 2022, i.e., the auditing period of 2021 annual reports of listed companies.

► **CSRC issues Guideline for the Application of Regulatory Rules - Accounting No. 2**

In order to further improve the regulatory ruling system of the capital market, the CSRC has sorted out controversial accounting issues that have been reflected in the market recently and issued [*Guideline for the Application of Regulatory Rules - Accounting No.2*](#).

The Guideline is not to provide an interpretation of accounting standards, but guiding opinions on how to implement accounting standards for specific transactions in the capital market, involving a total of 14 specific issues such as revenue, financial instruments, business combination, and non-recurring gains and losses.

► **CSRC issues Guiding Opinions on Improving Quality of Information Disclosure of Prospectuses under the Registration-based IPO System**

In order to implement the registration-based IPO system reform requirements with a focus on information disclosure, and further improve the quality of information disclosure of prospectuses, the CSRC has formulated [*Guiding Opinions on Improving Quality of Information Disclosure of Prospectuses under the Registration-based IPO System*](#) (CSRC Announcement [2022] No.27). The guiding opinions became effective upon release on 28 January 2022. The guiding opinions consist of 5 sections including guiding ideology, basic principles, and encouraging issuers and intermediaries to fulfill their responsibilities, etc.

Furthermore, to establish a science-based, well-structured, standardized, reasonable and coordinated regulatory system for listed companies, the CSRC has recently integrated and revised a large number of regulations and normative documents such as guidelines for the supervision of listed companies, further details which are available in [CSRC Announcement](#).

► **The Shanghai Stock Exchange ("SSE") issues Notices on Disclosure of 2021 Annual Reports**

In order to better prepare for the disclosure of 2021 annual reports of listed companies, the SSE has issued *Notice on the Preparation of Disclosure of 2021 Annual Reports of Listed Companies on the Main Board* (the "Notice"). The Notice mainly includes requirements regarding matters related to delisting, occupation of funds and illegal guarantees, corporate governance and internal control, ongoing information disclosure of mergers, acquisitions and restructuring, the pledge and freeze of controlling interests and interests of actual controllers, implementation of accounting standards and requirements for financial information disclosure, and audit-related matters.

In order to better prepare the disclosure of 2021 annual reports of STAR-listed companies, the SSE has issued *Notice on the Preparation of Disclosure of 2021 Annual Reports of STAR-listed Companies* (the "STAR Notice"). The Notice mainly includes requirements regarding attributes of STAR-listed companies, use of proceeds, changes and risks in operating performance, ESG (environment, social responsibility and corporate governance) information, matters related to delisting risk alerts, and implementation of accounting standards for business enterprises.

► **SSE revises rules for listing of stocks**

The SSE releases the revised [*Rules of the Shanghai Stock Exchange for Listing of Stocks \(revised in January 2022\)*](#) (Shang Zheng Fa [2022] No.1). The Rules were effective on 7 January 2022 upon release.

The *Rules of the Shanghai Stock Exchange for Listing of Stocks (revised in December 2020)* (Shang Zheng Fa [2020] No.100), *Notice of Conscientiously Implementing the New Securities Law and Effectively Conducting Information Disclosure for Listed Companies* (Shang Zheng Fa [2020] No.9) and *Implementation Measures of the Shanghai Stock Exchange for the Relisting of Delisted Companies (Revised in December 2020)* (Shang Zheng Fa [2020] No.102) issued previously by the SSE have been repealed simultaneously. Transitions of matters including risk alerts of listed companies and delisting are still implemented in accordance with the *Notice on Issuing Rules of the Shanghai Stock Exchange for Listing of Stocks (revised in December 2020)* and relevant requirements.

► **SSE revises Guidelines on Industry Information Disclosure**

The SSE has revised *Guidelines No.5 on the Application of Self-Monitoring Rules for Listed Companies - Industry Information Disclosure* (Shang Zheng Fa [2021] No.4) and renamed it [*Guidelines No.3 on Self-Monitoring of Listed Companies - Industry Information Disclosure*](#) (the "Guidelines") (Shang Zheng Fa [2022] No.4). The Guidelines consist of information disclosure requirements for 16 industries including real estate, coal, electric power and retail. The Guidelines were effective on 7 January 2022 upon release.

Guidelines No.5 on the Application of Self-Monitoring Rules for Listed Companies - Industry Information Disclosure (Shang Zheng Fa [2021] No.4) issued previously by the SSE have been repealed simultaneously.

► **SSE integrates and releases Guidelines on Self-Monitoring for STAR-listed Companies**

SSE has renamed the original Guidelines No.1 to No.9 for Information Disclosure by STAR-listed Companies and has added the new Guidelines No.10 for Information Disclosure by STAR-listed Companies, to combine them into [Guidelines on Self-Monitoring of STAR-listed Companies](#) (the “Guidelines”) (Shang Zheng Fa [2022] No.4). The Guidelines were effective on 7 January 2022 upon release.

Notice on Issuing Business Guidelines on Information Disclosure for the Companies Listed on the SSE STAR Market No.1 to No.8 and Revising some Guidelines for Formats of Announcements (Shang Zheng Han [2020] No.13), *Notice on Revising Provisional Guidelines for Formats of Announcements on Reappointment/Change of Accounting Firms of Listed Companies* (Shang Zheng Han [2021] No.37), *Notice on Revising Business Guidelines on Information Disclosure for the Companies Listed on the SSE STAR Market No.3 - Daily Information Disclosure* (Shang Zheng Han [2021] No.1633), and *Notice on Issuing Business Guidelines on Information Disclosure for the Companies Listed on the SSE STAR Market No. 9 - Financial Indicators for Delisting: Operating Income Deduction* (Shang Zheng Han [2021] No.1883) have been repealed simultaneously.

In addition, in order to optimize the monitoring ruling system of listed companies, the SSE has recently integrated and revised a large number of normative documents including guidelines for self-monitoring of listed companies. For further details, please refer to the SSE official website for [Latest Rules](#) and [Latest Guidelines and Process](#).

► **The Shenzhen Stock Exchange (the “SZSE”) revises Rules for Listing of Stocks**

The SZSE has issued the revised [Rules of the Shenzhen Stock Exchange for Listing of Stocks \(revised in 2022\)](#) (Shen Zheng Shang [2022] No.12), which became effective upon release on 7 January 2022. The revision covers the implementation of new laws, regulations and requirements, the adjustment of the order of chapters, and the re-integration of higher and lower-level rules, etc.

10 rules including *Rules of the Shenzhen Stock Exchange for Listing of Stocks (revised in 2020)* have been repealed simultaneously. Transitions of matters including risk alerts of stocks of listed companies and suspension and termination of listing shall still be implemented in accordance with the *Notice on Issuing Rules of the Shenzhen Stock Exchange for Listing of Stocks (revised in 2020)* (Shen Zheng Shang [2020] No.1294) and related requirements.

► **The SZSE integrates and revises Guidelines on Industry Information Disclosure**

The SZSE has integrated and revised Guidelines on Industry Information Disclosure No.1 to No.18, and renamed them as [Guideline No.3 on Self-Monitoring for Listed Companies -- Industry Information Disclosure](#) (Shen Zheng Shang [2022] No.15). The integrated Guideline includes the information disclosure requirements for 18 major sectors in 9 industry categories such as manufacturing, construction, retail and real estate, etc., which is applicable to listed companies on the Main Board and ChiNext Board of the SZSE. The Guideline became effective upon release on 7 January 2022.

Guidelines on Industry Information Disclosure No.1 to No.18 have been repealed simultaneously.



► **The SZSE integrates and revises ChiNext Board Guidelines on Industry Information Disclosure**

The SZSE has integrated and revised the ChiNext Board Guidelines on Industry Information Disclosure No.1 to No.15, and renamed them as [Guideline No.4 on Self-Monitoring for Listed Companies - ChiNext Board Industry Information Disclosure](#) (Shen Zheng Shang [2022] No.16). The integrated Guideline includes the information disclosure requirements for the next generation information technology, biological, digital creative and new energy industries, etc., which is applicable to the listed companies on the ChiNext Board. The Guideline became effective upon release on 7 January 2022.

The ChiNext Board Guidelines on Industry Information Disclosure No.1 to 15 have been repealed simultaneously.

In addition, in order to optimize the monitoring ruling system of listed companies, the SZSE has recently integrated and revised a large number of normative documents including Guideline on Self-Monitoring for Listed Companies. For further details, please refer to the “[Latest Rules](#)” and “[Business Guidelines - Stocks](#)” on the official website of the SZSE.

► **The Beijing Stock Exchange (the “BSE”) office issues Notice on the Better Preparation of Disclosure of 2021 Annual Reports of Listed Companies**

In order to better prepare for the disclosure of 2021 annual reports of listed companies of the BSE, the BSE office has issued [Notice on the Better Preparation of Disclosure of 2021 Annual Reports of Listed Companies](#) (Bei Zheng Ban Fa [2021] No.31), which:

- Provides the 2021 annual reports and summary templates of listed companies: The disclosure requirements are more detailed and comprehensive. Compared with the Selection Tier, it has added additional disclosure requirements for quarterly financial data, entrusted asset management that are individually significant or high-risk entrusted asset management, and deposits and loans with finance companies that are interrelated, etc.
- Clarifies requirements on industry information disclosure: Companies engaged in industries such as software and information technology service, pharmaceutical manufacturing, computer, telecommunications and other electronic equipment manufacturing, professional and technical services, environmental governance, lithium battery, chemical, retail and construction are required to disclose industry information in accordance with the relevant requirements of industry information in the annual report template, and companies in other industries are encouraged to disclose industry information voluntarily
- Highlights the normative requirements for financial information disclosure of the following:
 - Accounting policies, changes in accounting estimates and correction of accounting errors
 - Implementation of the new lease standard
 - Impairment of assets
 - Prevention of the occupation of funds by controlling shareholders



▶ **The National Equities Exchange and Quotations (NEEQ) office releases Notice on the Better Preparation of Disclosure of 2021 Annual Reports of NEEQ-listed Companies**

The NEEQ office has issued [*Notice on the Better Preparation of Disclosure of 2021 Annual Reports of NEEQ-Listed Companies*](#) (NEEQ System Announcement [2021] No.156) to better prepare for the disclosure of 2021 annual reports of NEEQ-listed companies, which:

- ▶ Provides differentiated templates for the disclosure of annual reports for general companies at different tiers and NEEQ-listed companies of seven financial industries;
- ▶ Requires companies listed on the Innovation Tier to fulfill responsibilities for information disclosure of annual reports in accordance with the guidelines on sub-industry information disclosure, and encourages companies listed on the Base Tier to make voluntary disclosures;
- ▶ Reaffirms the relevant processing of the situation that triggers or may trigger the termination of listing;
- ▶ Highlights the regulatory requirements for financial information disclosure such as changes in accounting policies and accounting estimates, correction of accounting errors, implementation of the new lease standard, impairment of assets, and prevention of occupation of funds by controlling shareholders.

IASB news and updates

▶ IASB Update for January 2022

The [January 2022](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held on 25 January 2022 when the board discussed:

Work plan overview

- ▶ IASB work plan update
- ▶ Approach to prioritizing matters arising from post-implementation reviews

Research and standard-setting

- ▶ Primary Financial Statements
- ▶ Business Combinations under Common Control

Maintenance and consistent application

- ▶ Maintenance and consistent application
- ▶ Lack of Exchangeability (IAS 21): Feedback Summary
- ▶ IFRIC Update

Taxonomy

- ▶ IFRS Taxonomy Update - Initial Application of IFRS 17 and IFRS 9 - Comparative Information

▶ IFRIC Update for February 2022

At its February 2022 meeting, the IFRS Interpretations Committee (IFRIC) discussed:

Committee's tentative agenda decisions

- ▶ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* - Negative Low Emission Vehicle Credits

Agenda decisions for Board consideration

- ▶ IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* - Targeted Longer-Term Refinancing Operation ("TLTRO") III Transactions

Other matters

- ▶ IFRS 17 *Insurance Contracts* - Profit Recognition for Annuity Contracts
- ▶ Work in Progress

The [February 2022](#) issue of the *IFRIC Update* summarizes what you need to know about these and other issues discussed at the IFRIC's February 2022 meeting.

EY publications

► Applying IFRS: Accounting for climate change

There is increasing focus on the measurement and disclosure of climate-related matters in many entities' financial statements. [This edition](#) of *Applying IFRS* is intended to support entities in assessing and disclosing the extent to which climate change affects their financial statements prepared in accordance with IFRSs. Significant judgement may be required to identify the accounting considerations that are relevant to the entity-specific facts and circumstances.

► IFRS Update of standards and interpretations in issue at 31 December 2021

[This edition](#) of *IFRS Update* is an overview of the upcoming changes in standards and interpretations issued by the IASB and the IFRIC as at 31 December 2021 that will be effective for the first time for reporting periods ended at that date or thereafter. It also summarizes key features of selected IASB projects and recent IFRIC agenda decisions.

► Good Real Estate Group (International) Limited (2021)

Illustrative annual consolidated financial statements of [Good Real Estate Group \(International\) Limited](#) and subsidiaries for the year ended 31 December 2021 are prepared in accordance with IFRSs issued at 30 June 2021 and effective for annual periods beginning on or after 1 January 2021.



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