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March 2022

# China Accounting Alert

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 and China Securities Regulatory Commission (“CSRC”) issue Notice on Further Enhancing the Effectiveness of Internal Control over Financial Reporting of Listed Companies**

The MOF and CSRC jointly issued [Notice on Further Enhancing the Effectiveness of Internal Control over Financial Reporting of Listed Companies](#) (The Notice, Cai Kuai [2022] No.8). According to the Notice, listed companies are required to fully understand the significance of enhancing internal control over financial reporting, and to enhance the effectiveness of their internal control over financial reporting, which mainly covers the following 7 key areas:

- ▶ Risks and controls of fraud and misstatements related to fund/asset activities
- ▶ Risks and controls of fraud and misstatements related to revenue
- ▶ Risks and controls of fraud and misstatements related to costs and expenses
- ▶ Risks and controls of fraud and misstatements related to investment activities
- ▶ Risks and controls of fraud and misstatements related to related party transactions
- ▶ Risks and controls related to material risk activities and significant risk incidents
- ▶ Risks and controls related to preparation of financial reports

► **The National Equities Exchange and Quotations (“NEEQ”) Revises Measures for Tier-based Administration and Guidelines on Tier-based Adjustments**

The NEEQ revises the [Measures for the Market Tier-Based Administration of Companies Listed on the National Equities Exchange and Quotations](#) (*Tier-Based Administration Measures*, NEEQ Announcement [2022] No.53). Tier-based administration of NEEQ-listed companies covers the following types of companies: companies entering the Innovation Tier when listing; companies on the Base Tier entering the Innovation Tier; and companies on the Innovation Tier being adjusted to the Base Tier. *Tier-Based Administration Measures* became effective upon release on 4 March 2022. *The Measures for the Market Tier-Based Administration of Companies Listed on the National Equities Exchange and Quotations* issued on 27 December 2019 were repealed simultaneously.

The NEEQ revises [Guidelines on the Market Tier-based Adjustments of Companies Listed on the National Equities Exchange and Quotations](#) (*Guidelines on Tier-based Adjustments*, NEEQ Announcement [2022] No.54). The Guidelines can be applied to the business process of companies on the Base Tier entering the Innovation Tier and companies listed on the Innovation Tier being adjusted to the Base Tier. Companies applying for NEEQ listing while entering the Innovation Tier are handled in accordance with the relevant provisions of the stock listing business. The *Guidelines on Tier-based Adjustments* became effective upon release on 4 March 2022. The *Guidelines on the Market Tier-based Adjustments of Companies Listed on the National Equities Exchange and Quotations* issued on 30 April 2020 were repealed simultaneously.

The NEEQ office also issues [Notice on 2022 Work Arrangement of Companies Entering the Innovation Tier](#) (NEEQ Office Fa [2022] No.8) in accordance with the *Tier-Based Administration Measures and the Guidelines on Tier-based Adjustments*, clarifying the relevant timing and considerations of companies entering the Innovation Tier. It is mentioned therein that companies entering the Innovation Tier but only meeting the requirements of Item III of Rule VII in the *Tier-Based Administration Measures* shall issue an announcement in accordance with the requirements of Appendix 1 *Compulsory Contents for Announcement of NEEQ-Listed Companies Entering the Innovation Tier According to R&D Criteria Only*, before submitting the entry materials, stating the compliance with the relevant requirements.

**IASB news and updates**

► **IASB Update for February 2022**

The [February 2022](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 21 to 24 February 2022 when the board discussed:

**Research and standard-setting**

- Dynamic Risk Management
- Financial Instruments with Characteristics of Equity
- Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12
- Rate-regulated Activities
- Disclosure Initiative - Targeted Standards-level Review of Disclosures
- Primary Financial Statements
- Second Comprehensive Review of the *IFRS for SMEs* Standard

### Maintenance and consistent application

- ▶ Maintenance and consistent application
- ▶ Availability of a Refund (Amendments to IFRIC 14): Project review
- ▶ Provisions - Targeted Improvements: Project review
- ▶ Lease Liability in a Sale and Leaseback (Amendments to IFRS 16): Transition, effective date and due process

### Strategy and governance

- ▶ Third Agenda Consultation

### ▶ **IFRIC Update for March 2022**

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

#### Committee's tentative agenda decisions

- ▶ IFRS 17 *Insurance Contracts* - Transfer of Insurance Coverage under a Group of Annuity Contracts
- ▶ IFRS 9 *Financial Instruments* and IFRS 16 *Leases* - Lessor Forgiveness of Lease Payments
- ▶ IAS 32 *Financial Instruments: Presentation* - Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity
- ▶ Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition

### Agenda decisions for Board consideration

- ▶ IAS 7 *Statement of Cash Flows* - Demand Deposits with Restrictions on Use arising from a Contract with a Third Party

### Other matters

- ▶ IFRS 9 *Financial Instruments* and IFRS 16 *Leases* - Forgiveness of Lease Payments–Lessees
- ▶ Work in Progress

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

### **EY publications**

- ▶ **Good Group (International) Limited - Unaudited interim condensed consolidated financial statements (June 2022)**

[This edition](#) contains illustrative interim condensed consolidated financial statements of Good Group (International) Limited and subsidiaries for the period ending 30 June 2022. It is prepared in accordance with IFRS issued as at 28 February 2022 and effective for annual periods beginning on 1 January 2022.

- ▶ **International GAAP® Disclosure Checklist for Annual Financial Statements (IFRS in issue at 28 February 2022)**

[This disclosure checklist](#) is for annual financial statements with a 30 June 2022 year end. It captures the disclosure requirements of IFRS standards and interpretations in issue at 28 February 2022. It is available in PDF/Word and online formats.

- ▶ **International GAAP® Disclosure Checklist for Interim Condensed Financial Statements (IFRS in issue at 28 February 2022)**

[This disclosure checklist](#) is for interim financial statements with a 31 December 2022 year end. It captures the disclosure requirements for IFRS standards and interpretations in issue at 28 February 2022. It is available in PDF/Word and online formats.



## Contact us

### Beijing

Level 16, Ernst & Young Tower, Oriental Plaza  
1 East Changan Avenue, Dongcheng District  
Beijing, 100738  
Tel: +86 10 5815 3000  
Fax: +86 10 8518 8298

### Shanghai

50/F, Shanghai World Financial Center  
100 Century Avenue, Pudong New Area  
Shanghai, 200120  
Tel: +86 21 2228 8888  
Fax: +86 21 2228 0000

### Hong Kong

27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong  
Tel: +852 2846 9888  
Fax: +852 2868 4432

### Shenzhen

21/F, China Resources Building  
5001 Shennan Dong Road, Shenzhen  
Guangdong, 518001  
Tel: +86 755 2502 8288  
Fax: +86 755 2502 6188

### Guangzhou

18/F, Ernst & Young Tower  
13 Zhujiang East Road, Tianhe District  
Guangzhou, Guangdong, 510623  
Tel: +86 20 2881 2888  
Fax: +86 20 2881 2618

### Macau

21/F, 39 Avenida de Almeida Ribeiro, Macao  
Tel: +853 8506 1888  
Fax: +853 2832 2500

### Anhui

Unit 2509-2510, 25/F, Tower A  
China Resources Building  
111 Qianshan Road, Shushan District  
Hefei, Anhui, China 230031  
Tel: +86 551 6521 0666  
Fax: +86 551 6521 0703

### Changsha

Unit 2501, 25F, Block C  
Kailin Commercial Center  
53 Binjiang Road, Yuelu District, Changsha  
Hunan, 410006  
Tel: +86 731 8973 7800  
Fax: +86 731 8973 7838

### Chengdu

17/F, The Office Tower  
Chengdu Shangri-La Centre  
Block B, 9 Binjiang Dong Road, Chengdu  
Sichuan, 610021  
Tel: +86 28 8462 7000  
Fax: +86 28 8676 2090

### Chongqing

Unit 1-2, 2-1, 56/F, World Financial Centre  
188 Minzu Road, Yuzhong District  
Chongqing, 400010  
Tel: +86 23 6273 6199  
Fax: +86 23 6033 8832

### Dalian

28/F, Eton International Tower  
280 Changjiang Road  
Zhongshan District, Dalian  
Liaoning, 116000  
Tel: +86 411 8252 8888  
Fax: +86 411 8250 6030

### Haikou

Unit 2901B, 29/F, Tower A  
Internet Financial Tower  
3 Guoxing Avenue, Haikou  
Hainan, 570100  
Tel: +86 898 3660 8880  
Fax: +86 898 3638 9398

### Hangzhou

Unit 1002-4, 10/F, Tower B, UDC Building  
8 Xinye Road, Qianjiang CBD, Hangzhou  
Zhejiang, 310016  
Tel: +86 571 8736 5000  
Fax: +86 571 8717 5332

### Jinan

Unit 1906, 19/F, South Building  
China Life Tower, 11001 Jingshi Road  
Lixia District, Jinan, Shandong 250014  
Tel: +86 531 5580 7088  
Fax: +531 5580 8338

### Kunming

Unit 2708, 27F, Spring City 66 Office Tower  
23 Dongfeng East Road  
Panlong District, Kunming  
Yunnan, 650051  
Tel: +86 871 6363 6306  
Fax: +86 871 6363 9022

### Nanjing

Room 2201-06 & 16, 22/F, Nanjing Two IFC 111  
Hexi Street, Jianye District, Nanjing  
Jiangsu, 210019  
Tel: +86 25 5768 8666  
Fax: +86 25 5268 7716

### Qingdao

Unit 3401, Block B  
China Resources Building  
6 Shandong Road, Shinan District, Qingdao  
Shandong, 266071  
Tel: +86 532 8904 6000  
Fax: +86 532 8579 5873

### Shanxi

Unit 5010, 50/F, Building A  
China Overseas International Center  
No. 8, Section 1, Jinci Road  
Xiayuan Street, Wanbailin District  
Taiyuan, Shanxi, China 030024  
Tel: +86 351 6089 998  
Fax: +86 351 6087 778

### Shenyang

Unit 1708, 17/F, Tower A  
Chamber of Commerce Headquarters Mansion  
51-1 Qingnian Street, Shenhe District, Shenyang  
Liaoning, 110014  
Tel: +86 24 3128 3366  
Fax: +86 24 3195 8778

### Suzhou

Suite A, 28/F, Suzhou Modern Media Plaza  
265 Suzhou Avenue  
East Suzhou Industrial Park  
Jiangsu, 215028  
Tel: +86 512 6763 3200  
Fax: +86 512 6763 9292

### Tianjin

Unit 1705-08, 17/F, Metropolitan Tower  
183 Nanjing Road, Heping District  
Tianjin, 300051  
Tel: +86 22 5819 3535  
Fax: +86 22 8319 5128

### Wuhan

Unit 3304-3309, Heartland 66 office Tower  
688 Jingnan Avenue, Qiaokou District  
Wuhan, China 430030  
Tel: +86 27 8261 2688  
Fax: +86 27 8261 8700

### Xiamen

Room 1603, Century Wealth Center  
158 Taitung Road  
Siming District, Xiamen  
Fujian, 361008  
Tel: +86 592 3293 000  
Fax: +86 592 3276 111

### Xi'an

Suite 1207-1209, Building C, Urban Portal  
1 Jinye Road, High-tech Zone, Xi'an  
Shaanxi, 710065  
Tel: +86 29 8783 7388  
Fax: +86 29 8783 7333

### Zhengzhou

11/F, Block 8, North Zone  
Kineer Business Center  
51 Jinshui East Road, Zhengzhou  
Henan, 450046  
Tel: +86 371 6187 2288  
Fax: +86 371 6163 0088

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