

# China Accounting Alert

May 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 adjusts the scope of the Provisions on the Accounting Treatment for COVID-19-related Rent Concessions

The MOF has released [Circular on Relevant Issues regarding the Application of the Provisions on the Accounting Treatment for COVID-19-related Rent Concessions](#) (Cai Kuai [2022] No.13), further extending the period of rent concessions under the simplified approach in the Provisions on the Accounting Treatment for COVID-19-related Rent Concessions (Cai Kuai [2020] No.10) to after 30 June 2022. Related transitional provisions and disclosure requirements still follow the relevant provisions of Cai Kuai [2021] No. 9.

The circular became effective upon release on 19 May 2022. The circular does not apply to enterprises listed both domestically and overseas at the same time and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards for Business Enterprises.

### ► The China Securities Regulatory Commission ("CSRC") issues Notice on the Standardization of Business Transactions between Listed Companies and Group Finance Companies

To standardize business transactions between listed companies and associated group finance companies ("finance companies"), the CSRC has issued [Notice on the Standardization of Business Transactions between Listed Companies and Group Finance Companies](#) (Zheng Jian Fa [2022] No. 48). According to Article 8 of the Notice, accounting firms providing audit services for listed companies should submit special reports on related transactions involving financial companies on an annual basis, and disclose them simultaneously with the annual report.

- ▶ **Shanghai Stock Exchange (the “SSE”) revises key points of review of issuance and listing of corporate bonds**

In an effort to continue to enhance the transparency of bond review, the SSE has issued [Guidelines for the Application of Rules of the Shanghai Stock Exchange for Review of Issuance and Listing of Corporate Bonds No.3 - Key Points of Review \(revised in 2022\)](#) (Shang Zheng Fa [2022] No.63), which became effective upon release on 29 April 2022.

The *Guidelines for the Application of Rules of the Shanghai Stock Exchange for Review of Issuance and Listing of Corporate Bonds No.3 - Key Points of Review* (Shang Zheng Fa [2021] No.24) issued by the SSE on 22 April 2021 have been repealed simultaneously.

- ▶ **The SSE revises formats of announcements of listed companies**

In order to improve the effectiveness and pertinence of main board information disclosure, the SSE has issued [Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements \(revised in 2022\)](#) (Shang Zheng Han [2022] No.751) which integrate and streamline the formats of announcements from the original 101 items to 52 items. The Guideline became effective upon release on 7 May 2022.

The *Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements* (Shang Zheng Han [2021] No.1632) previously issued by the SSE has been repealed simultaneously.

- ▶ **The SSE releases guidelines for the application of rules for review of sci-tech innovation corporate bonds**

To further develop the function of corporate bonds in promoting the national innovation-driven development strategy and industry transformation and upgrade, and to regulate the business conduct related to the application for the issuance and listing, as well as the listing transfer of sci-tech innovation corporate bonds, the SSE has formulated [Guidelines for the Application of Rules of the Shanghai Stock Exchange for Review of Issuance and Listing of Corporate Bonds No.4 - Sci-tech Innovation Corporate Bonds](#) (Shang Zheng Fa [2022] No.77), which became effective upon release on 20 May 2022.

The Guidelines provide specific requirements in four aspects: the scope of bond issuer, support methods, information disclosure and verification norms, and supporting measures.

- ▶ **The SSE and Shenzhen Stock Exchange (the “SZSE”) issue Guidelines for Newly Acquired Projects of Infrastructure REITs**

To standardize the acquisition of infrastructure projects through infrastructure Real Estate Investment Trusts (“infrastructure REITs”), the SSE and SZSE have issued [Shanghai Stock Exchange Guideline No.3 for the Application of the Rules for Publicly Offered Infrastructure Real Estate Investment Trusts \(REITs\) - Newly Acquired Infrastructure Project \(for Trial Implementation\)](#) (Shang Zheng Fa [2022] No. 83) and [Shenzhen Stock Exchange Business Guideline No.3 for Publicly Offered Infrastructure Real Estate Investment Trusts - Newly Acquired Infrastructure Project \(for Trial Implementation\)](#) (Shen Zheng Shang [2022] No. 530). The guidelines became effective upon release on 31 May 2022.

The above guidelines mainly cover clarification on the required conditions and procedure arrangement of newly acquired infrastructure projects, information management and the suspension/resumption of listed infrastructure REITs, and the expansion of funding raising and offering.

Article 13 of the two guidelines requires that accounting firms shall audit the financial statements of the infrastructure project to be acquired and issue an auditor's report; Article 14 of the two guidelines stipulates that if an infrastructure project to be acquired is evaluated based on future income expectations such as the income approach and using the expectations as the reference for pricing, the infrastructure fund shall separately disclose the difference between the actual and predicted amounts of the project available for distribution in the annual report within two years after the acquisition of the infrastructure project, and a special audit opinion on the particular information should be issued by an accounting firm.

► **The SZSE revises/formulates two business guidelines for review of issuance and listing of corporate bonds**

The SZSE has issued [\*Business Guidelines of the Shenzhen Stock Exchange for Review of Issuance and Listing of Corporate Bonds No.1 - Key Points of Review \(revised in 2022\)\*](#) (Shen Zheng Shang [2022] No.437) and [\*Business Guidelines of the Shenzhen Stock Exchange for Review of Issuance and Listing of Corporate Bonds No.2 - Application Documents and Preparation Requirements\*](#) (Shen Zheng Shang [2022] No.438), so as to further integrate the ruling system, improve the information disclosure requirements in key areas, and ensure the fulfillment of the responsibility of issuers and intermediaries.

The above Guidelines became effective upon release on 29 April 2022. The *Business Guidelines of the Shenzhen Stock Exchange for Review of Issuance and Listing of Corporate Bonds No.1 - Key Points of Corporate Bond Review* (Shen Zheng Shang [2021] No.430) issued by the SZSE on 22 April 2021 have been repealed simultaneously.

► **The SZSE revises formats of announcements of listed companies on the Main Board and the ChiNext Board**

In order to regulate the information disclosure of listed companies on the Main Board and the ChiNext Board, the SZSE has issued [\*Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements \(revised in April 2022\)\*](#) (Shen Zheng Shang [2022] No.435) and [\*Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies on the ChiNext Board - Formats of Announcements \(revised in April 2022\)\*](#) (Shen Zheng Shang [2022] No.436), which have added formats of delisting announcements. The above Guidelines became effective upon release on 29 April 2022.

The *Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements* (Shen Zheng Shang [2022] No.27) and *Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies on the ChiNext Board - Formats of Announcements* (Shen Zheng Shang [2022] No.29) issued by the SZSE on 7 January 2022 have been repealed simultaneously.

► **The SZSE issues business guidelines for sci-tech innovation corporate bonds**

In order to broaden the direct financing channels for sci-tech innovation enterprises and engagements, and promote the high-quality development of the bond market, the SZSE has formulated [\*Business Guidelines of the Shenzhen Stock Exchange for Innovation Corporate Bonds No.6 - Sci-tech Innovation Corporate Bonds\*](#) (Shen Zheng Shang [2022] No.489), which became effective upon release on 20 May 2022.

The Guidelines provide specific requirements in four aspects: issuers, requirements for the use of raised funds, information disclosure and verification requirements for professional agencies, and supporting measures.

## IASB news and updates

### ▶ IASB Update for May 2022

The [May 2022](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 23 to 27 May 2022 when the board discussed:

#### **Work plan overview**

- ▶ IASB work plan update

#### **Research and standard-setting**

- ▶ Post-implementation Review of IFRS 9 - Classification and Measurement
- ▶ Dynamic Risk Management
- ▶ Rate-regulated Activities
- ▶ Disclosure Initiative–Targeted Standards-level Review of Disclosures
- ▶ Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard
- ▶ Disclosure Initiative–Subsidiaries without Public Accountability: Disclosures

#### **Maintenance and consistent application**

- ▶ Maintenance and consistent application

## EY publications

### ▶ Applying IFRS: Accounting for climate change (Updated May 2022)

[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 IFRS. Significant judgement may be required to identify the accounting considerations that are relevant to the entity's specific facts and circumstances. The May 2022 updates include a new chapter on financial instruments.



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