

# China Accounting Alert

July 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

- ▶ **The Shanghai Stock Exchange (the SSE) and the Shenzhen Stock Exchange (the SZSE) issue Guidelines for Government-subsidized Rental Housing REITs**

In order to regulate the work related to the pilot issuance of Infrastructure Real Estate Investment Trusts for government-subsidized rental housing, the SSE and SZSE have issued [Shanghai Stock Exchange - Guideline No.4 for the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts \(REITs\) - Government-Subsidized Rental Housing \(for Trial Implementation\)](#) (Shang Zheng Fa [2022] No.109) and [Shenzhen Stock Exchange - Guideline No.4 for the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts \(REITs\) - Government-Subsidized Rental Housing \(for Trial Implementation\)](#) (Shen Zheng Shang [2022] No.675) respectively. The above guidelines became effective upon release on 15 July 2022.

The above guidelines mainly cover detailed access requirements for business participants and infrastructure projects, clarification on requirements for the use and regulation of recovered funds, and clarification on requirements for operational management and information disclosure.

- ▶ The China Securities Regulatory Commission (the CSRC) issues guidance on prospectus disclosures for companies engaging in pharmaceutical and medical equipment businesses

In order to further enhance the pertinence and effectiveness of information disclosure for companies in the industry, the CSRC has issued the [Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.25 —Guidance on the Contents and Formats of the Prospectus Prepared by Companies Engaging in Pharmaceutical and Medical Equipment Businesses](#) (CSRC Announcement [2022] No.41). The Guidance became effective upon release on 29 July 2022.

The Guidance consists of 18 articles, which clarify the scope of application in related industries, and set out specific requirements focusing on aspects regarding prospectus risk factors, business and technology, and financial and accounting information, etc. In terms of financial and accounting information, issuers are required to focus on the disclosure of information related to revenue recognition, research and development investment and sales expenses according to the characteristics of the related industries.



## IASB news and updates

### ▶ IASB Update for July 2022

The [July 2022](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 18 to 21 July 2022 when the board discussed:

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

- ▶ Post-implementation Review of IFRS 9– Classification and Measurement
- ▶ Dynamic Risk Management
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Rate-regulated Activities
- ▶ Disclosure Initiative–Targeted Standards-level Review of Disclosures
- ▶ Management Commentary
- ▶ Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)
- ▶ Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Post-implementation Review of IFRS 9– Impairment

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

- ▶ Maintenance and consistent application
- ▶ Supplier Finance Arrangements
- ▶ Non-current Liabilities with Covenants (IAS 1): Effective date and due process
- ▶ Negative Low Emission Vehicle Credits (IAS 37): Finalization of agenda decision
- ▶ Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32): Finalization of agenda decision
- ▶ Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17): Finalization of agenda decision
- ▶ *IFRIC Update June 2022*



## EY publications

### ► Applying IFRS: Accounting for SPACs (Updated July 2022)

Acquisition by a special purpose acquisition company (SPAC) offers private companies a way to go public without a traditional initial public offering.

As the volume of SPAC transactions continues to grow, stakeholders, including regulators, continue to expect high quality financial reporting which appropriately addresses relevant accounting and disclosure matters.

We have made important changes to [this edition](#) of *Apply IFRS* since the November 2021 edition to address evolving issues.

### ► IFRS Developments Issue 203: OECD BEPS Pillar Two - Global Anti-Base Erosion Rules: Accounting implications

EY *IFRS Developments* [Issue 203](#) contains a summary of the OECD BEPS 2.0 requirements and the IAS 12 income tax questions it raises.

The implementation of the Global Anti-Base Erosion (GloBE) rules raises a number of accounting questions. In particular, whether these taxes are income taxes in the scope of IAS 12 *Income Tax* and, if so, when and how entities should account for these new taxes.

### ► IFRS Update of standards and interpretations in issue as at 30 June 2022

[This edition](#) of *IFRS Update* is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRIC as at 30 June 2022. It also provides an update on selected active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.



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