



# China Accounting Alert

January 2023

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

## Mainland news and updates

### ► Accounting Regulatory Department of the MOF releases Application Examples on Revenue Standard

In January 2023, the Accounting Regulatory Department of the MOF issued [Application Examples on Revenue Standard - Point in Time of Revenue Recognition for Standardized Software Products](#), which explains Point in Time of Revenue Recognition for Standardized Software Products by way of example.

- ▶ Accounting Regulatory Department of the MOF releases three Q&As on Implementing Accounting Standards for Business Enterprises

In January 2023, the Accounting Regulatory Department of the MOF has released Q&As on Implementing Accounting Standards for Business Enterprises, covering inventory and long-term equity investments, which include:

- ▶ [Accounting treatment of second-hand vehicles purchased and used for sales by automobile sales enterprises in their daily activities](#)
- ▶ [When a listed company issues additional restricted stock units in a non-public way, whether long-term equity investments in listed companies by their associates should be accounted for as passive equity dilution](#)
- ▶ [Unrealized internal transaction gains and losses arising from the investments in or sale of assets \(except those that constitute business\) between the investor and its associates or joint ventures shall be offset by the investor when preparing consolidated financial statements](#)

- ▶ Shanghai Stock Exchange (SSE) issues *Notice on Improving the Information Disclosure of 2022 Annual Reports of Companies at Delisting Risk* and simultaneously revises related format of announcements

In order to further alert the delisting risk and clarify the information disclosure requirements related to delisting risk matters, the SSE issued the [Notice on Improving the Information Disclosure of 2022 Annual Reports of Companies at Delisting Risk](#) (Shang Zheng Fa [2023] No. 5), which covers four main aspects:

- ▶ Encourage companies and accounting firms to pay more attention to delisting risks and prepare their annual reports in accordance with regulations
- ▶ Strengthen requirements of information disclosure for companies at delisting risk and increase the timing of disclosure and frequency of risk warnings
- ▶ Summarize the key points of the four major categories and clarify regulatory requirements
- ▶ Clarify the requirements for directors, supervisors and accounting firms to perform their duties and urge related parties to fulfill their responsibilities

At the same time, the SSE also revised the format of the announcement on the risk of termination of listing in [Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements \(Revised in January 2023\)](#) (Shang Zheng Han [2023] No.99) and [Shanghai Stock Exchange Guideline No.5 on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board - Information Disclosure about Delisting \(Revised in January 2023\)](#) (Shang Zheng Han [2023] No. 101), which became effective upon release on 13 January 2023. *Shanghai Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Formats of Announcements* (Shang Zheng Han [2022] No. 1300) and *Shanghai Stock Exchange Guideline No.5 on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board - Information Disclosure about Delisting* (Shang Zheng Han [2022] No.4) have been repealed simultaneously. The [Catalogue of General Business rules on Continuous Regulation of Listed Companies on the Sci-Tech Innovation Board](#) (Shang Zheng Fa [2023] No. 7) has been updated simultaneously.



- ▶ **Notice of the SSE on the issuance of *Shanghai Stock Exchange Guideline No.5 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions (Revised in January 2023)***

In order to provide genuine, accurate, complete and timely disclosure of information related to futures and derivatives transactions, the SSE has revised the [Shanghai Stock Exchange Guideline No.5 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions \(Revised in January 2023\)](#) (Shang Zheng Fa [2023] No.6, the “Guideline”), which is applicable to companies listed on the Main Board and the Sci-Tech Innovation Board. The Guideline became effective upon release on 13 January 2023. *Shanghai Stock Exchange Guideline No.5 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions* (Shang Zheng Fa [2022] No.6) has been repealed simultaneously. The [Catalogue of General Business rules on Continuous Regulation of Listed Companies on the Sci-Tech Innovation Board](#) (Shang Zheng Fa [2023] No. 7) has been updated simultaneously.

- ▶ **Notice of the SSE on the issuance of *Shanghai Stock Exchange Guideline No.3 on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board - Routine Information Disclosure (Revised in January 2023)***

In order to regulate the relevant information disclosure of listed companies on the Sci-Tech Innovation Board engaging in securities investment, entrusted asset management, futures and derivatives transactions, the SSE has revised [Shanghai Stock Exchange Guideline No.3 on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board - Routine Information Disclosure \(Revised in January 2023\)](#) (Shang Zheng Han [2023] No.100, the “Guideline”) in accordance with the relevant provisions of *Shanghai Stock Exchange Guideline No.5 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions (Revised in January 2023)* (Shang Zheng Fa [2023] No.6). The Guideline became effective upon release on 13 January 2023. *Shanghai Stock Exchange Guideline No.3 on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board - Routine Information Disclosure* (Shang Zheng Han [2022] No.4) has been repealed simultaneously.

- ▶ **Shenzhen Stock Exchange (SZSE) issues *Notice on Improving the Information Disclosure of 2022 Annual Reports of Companies at Delisting Risk* and simultaneously revises related formats of announcements**

In order to strictly implement the delisting system and normalize the delisting procedures, the SZSE has issued the [Notice on Improving the Information Disclosure of 2022 Annual Reports of Companies at Delisting Risk](#) (Shen Zheng Shang [2023] No.20), which sets out regulatory requirements for the 2022 annual results forecasts, the preparation of annual reports, and related information disclosure of listed companies whose stocks have been subject to financial delisting risk alerts.

The SZSE has revised [Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements \(Revised in 2023\)](#) (Shen Zheng Shang [2023] No.23) and [Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies on the ChiNext Board - Formats of Announcements \(Revised in 2023\)](#) (Shen Zheng Shang [2023] No.25) simultaneously, which became effective upon release on 13 January 2023. *Shenzhen Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Formats of Announcements* (Shen Zheng Shang [2022] No.727) 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.729) have been repealed simultaneously.

- ▶ **Notice of the SZSE on the issuance of *Shenzhen Stock Exchange Guideline No.7 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions (Revised in 2023)***

In order to regulate the orderly conduct of transactions of futures and derivatives by listed companies and further support the use of hedging by listed companies for risk management, the SZSE has revised [Shenzhen Stock Exchange Guideline No.7 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions](#) (Shen Zheng Shang [2023] No.21), which became effective upon release on 13 January 2023. *Shenzhen Stock Exchange Guideline No.7 on Self-Regulation of Listed Companies - Transactions and Related Party Transactions* (Shen Zheng Shang [2022] No.19) has been repealed simultaneously.

- ▶ Notice of the SZSE on the issuance of *Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies on the ChiNext Board - Business Matters* (Revised in 2023) and *Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Business Matters* (Revised in 2023)

In order to regulate the information disclosure of business related to securities investment, futures and derivatives investment and to improve the quality of information disclosure of listed companies, the SZSE has revised [Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Business Matters \(Revised in 2023\)](#) (Shen Zheng Shang [2023] No.22) and [Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies on the ChiNext Board - Business Matters \(Revised in 2023\)](#) (Shen Zheng Shang [2023] No.24), which became effective upon release on 13 January 2023.

*Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Business Matters* (Shen Zheng Shang [2022] No.726) and *Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies on the ChiNext Board - Business Matters* (Shen Zheng Shang [2022] No.728) have been repealed simultaneously.

## IASB news and updates

- ▶ IASB Update for January 2023

The [January](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 24 to 26 January 2023 when the board discussed:

### Research and standard-setting

- ▶ Equity Method
- ▶ Business Combinations - Disclosures, Goodwill and Impairment
- ▶ Primary Financial Statements
- ▶ Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures

### Maintenance and consistent application

- ▶ Maintenance and consistent application
- ▶ Supplier Finance Arrangements: Transition, effective date and due process
- ▶ IFRIC Update November 2022

### Taxonomy

- ▶ IFRS Accounting Taxonomy Update - Amendments to IFRS 16 Leases and IAS 1 *Presentation of Financial Statements*



## EY publications

### ► IFRS Update – Standards and interpretations in issue as at 31 December 2022

The [edition](#) of *Applying IFRS* is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRS IC as at 31 December 2022 and also provides an update on several ongoing 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.

### ► International GAAP® 2023 –The global perspective on IFRS

The [edition](#) is a detailed guide to the interpretation and implementation of International Financial Reporting Standards (IFRS). By setting IFRS in a relevant business context, International GAAP® 2023 provides insights into how complex practical issues should be resolved in the real world of global financial reporting.

### ► IFRS Developments Issue 211: International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12

In January 2023, the IASB issued an Exposure Draft proposing to amend IAS 12 *Income Taxes* to introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development's Pillar Two Model Rules, which would require an entity to apply retrospectively the proposed temporary exception immediately upon issuance of the amendments. Learn more in EY *IFRS Developments* [Issue 211](#).



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