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China Accounting Alert

February 2023

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

Mainland news and updates

- ▶ **China Securities Regulatory Commission (CSRC) issues new regulations for full implementation of the registration-based IPO system**

On 17 February 2023, the CSRC issued [new regulations for full implementation of the registration-based IPO system](#), which became effective upon release. Supporting regulations from domestic stock exchanges, the National Equities Exchange and Quotations (NEEQ), the China Securities Depository and Clearing Corporation Limited (CSDC), the China Securities Finance Corporation Limited (CSF) and the Securities Association of China (SAC) were issued and implemented simultaneously.

A total of 165 sets of new regulations were issued this time, covering areas such as IPO criteria, registration procedures, sponsorship and underwriting, and major asset restructuring, of which 57 were issued by the CSRC and the other 108 were issued by stock exchanges, NEEQ, CSDC, etc. The main contents include:

- ▶ Simplification and optimization of offering and listing criteria
- ▶ Improvement of the review and registration procedures
- ▶ Optimization of issuance and underwriting system
- ▶ Improvements in the major asset restructuring system of listed companies
- ▶ Enhancements in supervision and enforcement, and protection for investors

The CSRC has previously issued to issuers and sponsors the [Notice on Transitional Arrangements for Relevant Administrative Licensing Matters Before and After the Full Implementation of the Registration-based IPO System](#) on 1 February 2023. It specifies the arrangements for the transition of administrative licensing matters before and after the implementation of the new rule such as the initial public offering on the main boards, refinancing, mergers and acquisitions, and public transfer of equities on the NEEQ, as well as the update of filing procedures for enterprises under IPO review according to the pilot of the registration-based IPO system. The Notice became effective upon release.

► **CSRC Issues Guideline for the Application of Regulatory Rules – Accounting No. 3**

In order to further improve the regulatory ruling system of the capital market, enhance regulatory transparency and promote the quality of information disclosure by entities, the CSRC has clarified controversial accounting issues that have been reflected in the market recently and issued [Guideline for the Application of Regulatory Rules – Accounting No.3](#) (the Accounting No.3) on 3 February 2023.

The Accounting No.3 covers 11 specific issues, including long-term equity investments, financial instruments, leases, share-based payments. For further details about the Accounting No.3, please refer to EY WeChat: [CSRC Newly Releases Guideline for the Application of Regulatory Rules – Accounting No.3](#).

► **CSRC issues new regulations for filing-based administration of overseas offering and listing**

On 17 February 2023, the CSRC issued [new regulations for the filing-based administration of overseas offering and listing](#), including the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies* (CSRC Announcement [2023] No.43) (the Trial Administrative Measures) and five supporting guidelines. The regulations will come into effect on 31 March 2023.

Composed of 35 articles in six chapters, the *Trial Administrative Measures* mainly covers the following contents: refining the regulatory system, providing clarity on the filing process, strengthening regulatory synergy, defining legal liabilities and strengthening institutional inclusiveness. The supporting guidelines cover topics such as application of regulations, content and format of filing documents, reporting requirement, communications around filing, and filing by overseas securities companies, providing further clarity and detail on filing procedures. The *Notice on the Implementation of Essential Clauses in Articles of Association of Companies Listed Overseas* will be repealed simultaneously.



► **The Shanghai Stock Exchange (SSE) issues supporting business rules for full implementation of the registration-based IPO system**

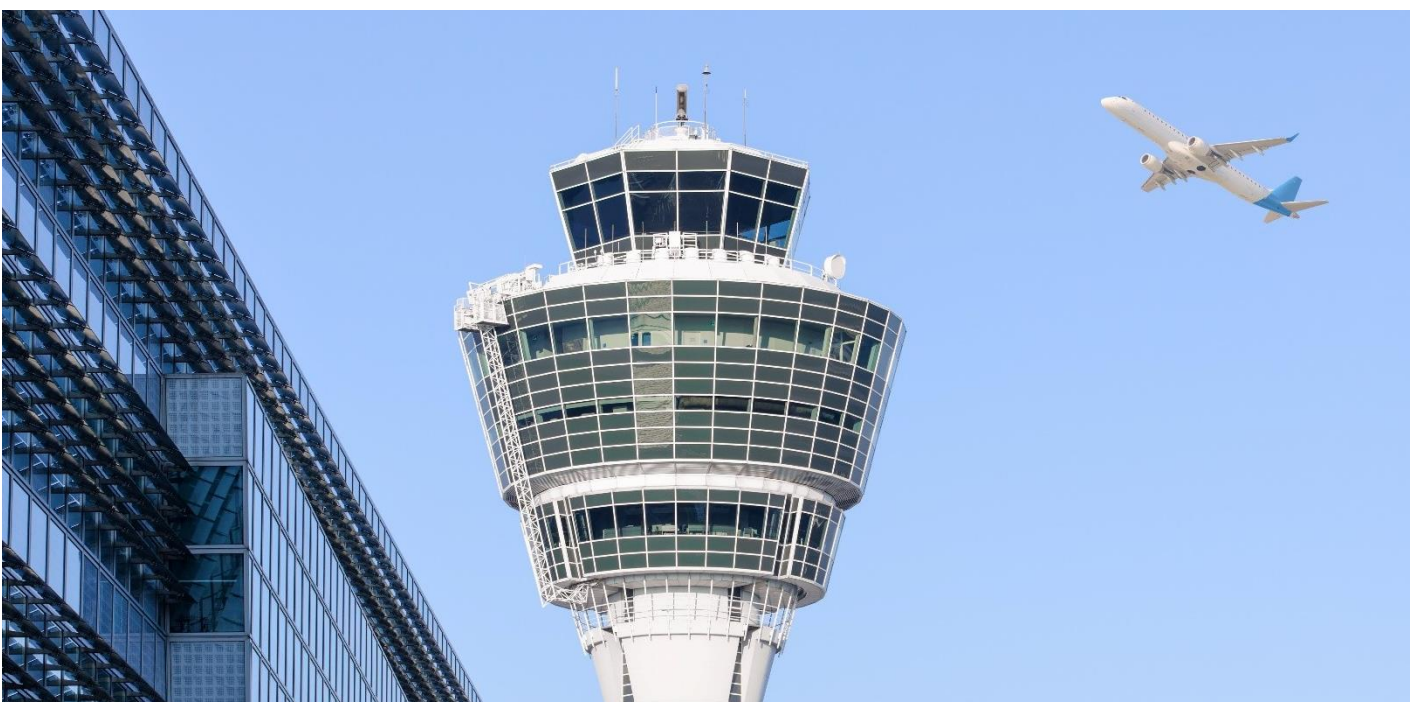
Under the instruction of the CSRC, the SSE has formulated or revised the [supporting business rules for full implementation of the registration-based IPO system](#), and issued 26 business rules, including nine major business rules and 17 supporting business rules, guidelines and business handbooks. These 26 business rules cover the main institutional arrangements for full implementation of the registration system in offering and listing review, issuance and underwriting, continuous supervision, trading organisation management, and protection for investors. In addition to the above supporting business rules, the SSE has issued the [Shanghai Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Business Matters](#) (Shang Zheng Han [2023] No.519) and [Shanghai Stock Exchange Guideline on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board](#) (Shang Zheng Han [2023] No.520) on 24 February 2023.

Previously, the SSE has issued the [Notice on the Transition Arrangements for the Review Work Related to the Full Implementation of the Registration-Based IPO System](#) (Shang Zheng Han [2023] No.263) on 1 February 2023, with immediate effect upon release, in accordance with the requirements of the [Notice on Transitional Arrangements for Relevant Administrative Licensing Matters Before and After the Full Implementation of the Registration-Based IPO System](#) by the CSRC.

► **SSE issues Notice on the Preparation of Disclosure of 2022 Annual Reports**

In order to better prepare for the disclosure of 2022 annual reports of listed companies, the SSE has issued *Notice on the Preparation of Disclosure of 2022 Annual Reports of Listed Companies on the Main Board* (the Notice). The Notice highlights the requirements on matters like the authenticity of financial information and validity of business information, occupation of funds and illegal guarantees, delisting, corporate governance and internal control, fund-raising management, ongoing information disclosure of mergers, acquisitions and restructuring, implementation of accounting standards and rules for financial information disclosure, audit-related matters, and performance briefings.

In order to better prepare for the disclosure of 2022 annual reports of STAR-listed companies, the SSE has issued *Notice on the Preparation of Disclosure of 2022 Annual Reports of Listed Companies on the STAR Market* (the STAR Notice). The STAR Notice mainly includes requirements regarding financial authenticity, occupation of funds and guarantees, STAR attributes, fund-raising management, changes and risks in operating performance, corporate governance and internal control, ESG information, delisting and implementation of accounting standards for business enterprises.



► **Shenzhen Stock Exchange (SZSE) issues supporting business rules for full implementation of the registration-based IPO system**

In accordance with the unified deployment of CSRC, the SZSE has issued [supporting rules and guidelines for full implementation of the registration-based IPO system](#) on 17 February 2023. A total of 27 business rules and three business guidelines were issued, which cover the offering and listing review, offering and underwriting, continuous supervision, trading, and other main institutional arrangements. In addition to the above supporting business rules, the SZSE has issued the [Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies Business Matters](#) (Shen Zheng Shang [2023] No.134) and [Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies on the ChiNext Board - Business Matters](#) (Shen Zheng Shang [2023] No.135) on 24 February 2023.

The SZSE has previously issued [Notice on the Transition Arrangements for the Review Work Related to the Full Implementation of the Registration-Based IPO System](#) (Shen Zheng Shang [2023] No.52) on 1 February 2023, which was effective upon issuance, according to the requirements of [Notice on Transitional Arrangements for Relevant Administrative Licensing Matters Before and After the Full Implementation of the Registration-Based IPO System](#) issued by the CSRC.

► **The SZSE revises *Guideline No.3 on Self-Monitoring for Listed Companies - Industry Information Disclosure* and *Guideline No.4 on Self-Monitoring for Listed Companies - ChiNext Board Industry Information Disclosure***

In order to further improve the system of information disclosure rules and promote the pertinence and effectiveness of industry information disclosure, the SZSE has issued the newly revised [Guideline No.3 on Self-Monitoring for Listed Companies - Industry Information Disclosure](#) (Shen Zheng Shang [2023] No.78) and [Guideline No.4 on Self-Monitoring for Listed Companies - ChiNext Board Industry Information Disclosure](#) ([2023] No.79) on 10 February 2023, which were effective upon issuance. These revisions are adaptability adjustments to the industry information disclosure guidelines, mainly covering the following areas:

- Responding to market concerns and optimising requirements for operating information disclosure
- Emphasising industry characteristics and highlighting ESG information disclosure requirements
- Strengthening the synergy of rules and adjusting non-industry information disclosure requirements

Notice on Issuing Guideline No.3 on Self-Monitoring for Listed Companies - Industry Information Disclosure (Shen Zheng Shang [2022] No.15) and *Notice on Issuing Guideline No.4 on Self-Monitoring for Listed Companies - ChiNext Board Industry Information Disclosure* (Shen Zheng Shang [2022] No.16) issued by the SZSE on 7 January 2022 have been repealed simultaneously.

► **Beijing Stock Exchange (BSE) issues and implements supporting business rules for full implementation of the registration-based IPO system**

Based on the instructions of the CSRC, the BSE has issued and implemented [supporting business rules for full implementation of the registration-based IPO system](#) on 17 February 2023, including three business rules and 15 detailed business rules, guidelines and handbooks, which cover topics including offering and listing, refinancing, mergers, acquisitions and restructuring, Industry Advisory Committee, etc. The above rules became effective upon release.

► **NEEQ issues and implements supporting business rules for full implementation of the registration-based IPO system**

The NEEQ, with the direction of CSRC, has issued and implemented [supporting business rules for full implementation of the registration-based IPO system](#) on 17 February 2023, comprising two business rules and 21 detailed supporting business rules, guidelines and handbooks, which became effective upon release.

Before the above-mentioned issuance, the NEEQ office has issued [Notice of the NEEQ on the Transition Arrangement of Relevant Review Before and After the Full Implementation of the Registration-Based IPO system](#) (Gu Zhuan Ban Fa [2023] No.6) on 1 February 2023.

IASB news and updates

► IASB Update for February 2023

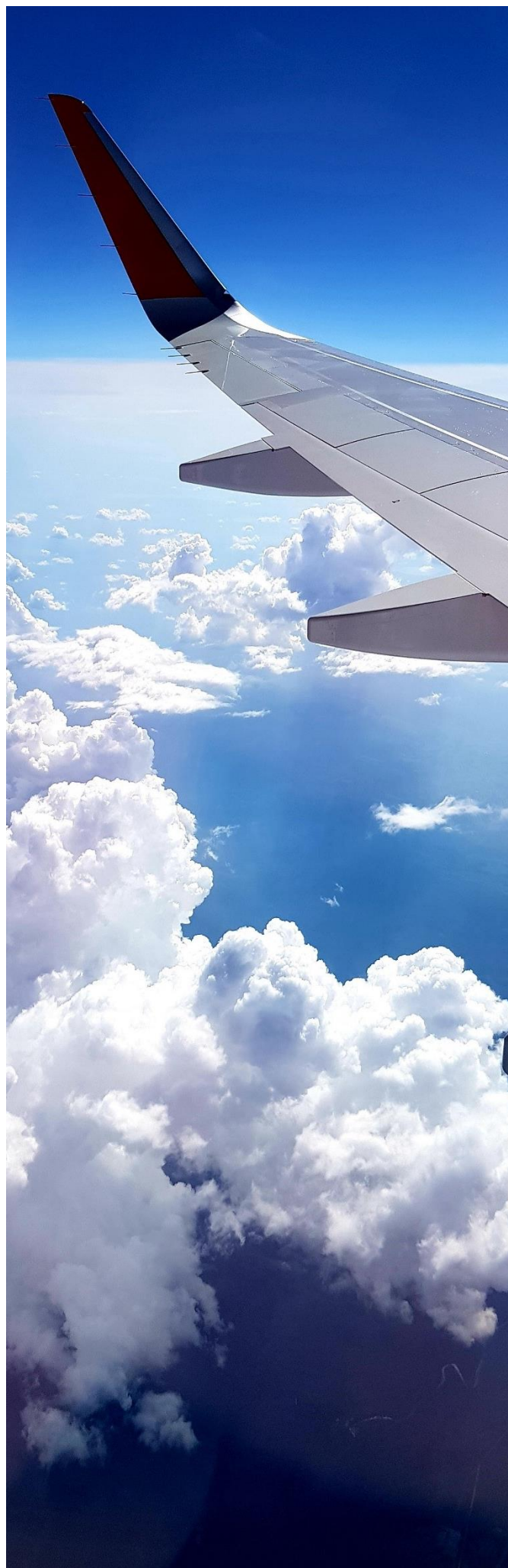
The [February](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 20 to 23 February 2023 when the board discussed:

Research and standard-setting

- Dynamic Risk Management
- Financial Instruments with Characteristics of Equity
- Rate-regulated Activities
- Business Combinations–Disclosures, Goodwill and Impairment
- Post-implementation Review of IFRS 9 *Financial Instruments*–Impairment

Maintenance and consistent application

- Maintenance and consistent application
- Supplier Finance Arrangements: Transition, effective date and due process
- Lack of Exchangeability (Proposed Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*)–Due process, effective date and other matters
- Hedge accounting by a first-time adopter (IFRS 1 *First-time Adoption of International Financial Reporting Standards*)–Potential annual improvement
- Determination of a ‘de facto agent’ (IFRS 10 *Consolidated Financial Statements*)–Potential annual improvement
- Transaction price (IFRS 9 *Financial Instruments*)–Potential annual improvement
- Cost method (IAS 7 *Statement of Cash Flows*)–Potential annual improvement
- Gain or loss on derecognition (IFRS 7 *Financial Instruments: Disclosures*)–Potential annual improvement
- Credit risk disclosures–Potential annual improvement



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