

China Accounting Alert

May 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

- ▶ Shanghai Stock Exchange (SSE) releases notice on the *Guidelines No.1 on the Application of Self-regulatory Rules for Bonds - Continuous Disclosure of Corporate Bonds Information (Revised in 2023)*

In order to regulate the information disclosure of corporate bonds and protect the legitimate rights and interests of investors, the SSE promulgates [Guidelines No.1 on the Application of Self-regulatory Rules for Bonds- Continuous Disclosure of Corporate Bonds Information \(Revised in 2023\)](#) (Shang Zheng Fa [2023] No.77). The revisions became effective upon release on 5 May 2023 and the four major amendments are as follows:

- ▶ Optimizing and integrating the previous rules and requirements for information disclosure;
- ▶ Being risk-oriented to optimize disclosure standards;
- ▶ Further strengthening requirements for standardized information disclosure;
- ▶ Establishing clear disclosure requirements for bankruptcy and market-oriented restructuring.

Notice on Issuing Guidelines No.1 on the Application of Self-regulatory Rules for Corporate Bonds - Continuous Disclosure of Corporate Bonds Information (Shang Zheng Fa [2021] No.26) and *Notice on the Preparation of Information Disclosure of Corporate Bonds in 2022* (Shang Zheng Han [2022] No. 77) issued by the SSE have been repealed simultaneously.

► **SSE releases notice on the *Shanghai Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts (REITs) – Review Concerns (for Trial Implementation) (Revised in 2023)***

In order to facilitate the implementation of *Opinion on Further Revitalizing Existing Assets and Expanding Effective Investment* issued by the General Office of the State Council and *Notice on Further Promoting Regular Issuance of Real Estate Investment Trusts (REITs) in the Infrastructure Sector* issued by the China Securities Regulatory Commission (CSRC), the SSE has revised the *Shanghai Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts (REITs) – Review Concerns (for Trial Implementation)*, which became effective upon release on 12 May 2023. Please refer to [the Shanghai Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts \(REITs\) – Review Concerns \(for Trial Implementation\) \(revised in 2023\)](#) (Shang Zheng Fa [2023] No. 81). The revision further refines the review concerns for infrastructure REITs, clarifies the review standards for two types of assets (industrial parks and toll roads), and strengthens the requirements for information disclosure.

Notice on Issuing Shanghai Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts (REITs) – Review Concerns (for Trial Implementation) (Shang Zheng Fa [2021] No.10) issued by the SSE has been repealed simultaneously.

► **Shenzhen Stock Exchange (SZSE) issues two Business Guidelines on information disclosure of corporate bonds**

In order to regulate the information disclosure of periodical/ provisional reports of corporate bonds and effectively protect the legitimate rights and interests of investors, the SZSE has formulated the [Business Guidelines for the Duration Regulation of Corporate Bonds No. 1 – Periodical Reports](#) (Shen Zheng Shang [2023] No. 379, the “Guidelines for Periodical Reports”), and revised the [Business Guidelines for the Duration Regulation of Corporate Bonds No. 2– Provisional Reports](#) (Shen Zheng Shang [2023] No. 380, the “Guidelines for Provisional Reports”), which became effective

upon release on 5 May 2023. The *Guidelines for Periodical Reports* comprehensively and systematically lays out the disclosure requirements for periodical reports for corporate bond issuers to follow, emphasizes the disclosure of the overall operations and risk levels of issuers, and highlights the analysis of material changes. The *Guidelines for Provisional Reports* further strengthens the timely disclosure and warning of major events and optimizes the disclosure arrangements.

The *Guidelines for the Information Disclosure Format of Corporate Bond Provisional Reports* (Shen Zheng Shang [2016] No.941) issued by the SZSE has been repealed simultaneously.

► **SZSE issues notice on *Shenzhen Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts (REITs) – Review Concerns (for Trial Implementation) (Revised in 2023)***

To implement the requirements of the CSRC's *Notice on Further Promoting Regular Issuance of Real Estate Investment Trusts (REITs) in the Infrastructure Sector*, the SZSE has revised the *Shenzhen Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts (REITs) – Review Concerns (for Trial Implementation)*, which became effective upon release on 12 May 2023. Please refer to the [Shenzhen Stock Exchange– Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts \(REITs\)–Review Concerns \(for Trial Implementation\) \(revised in 2023\)](#) (Shen Zheng Shang [2023] No. 404). The revision further refines the review concerns for infrastructure REITs, clarifies the review standards for two types of assets (industrial parks and toll roads), and strengthens the requirements for information disclosure.

Shenzhen Stock Exchange – Guideline No. 1 on the Application of the Rules for the Publicly Offered Infrastructure Real Estate Investment Trusts (REITs) – Review Concerns (for Trial Implementation) issued by the SZSE on 29 January 2021 has been repealed simultaneously.

IASB news and updates

► IASB Update for May 2023

The [May](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 22 to 24 May 2023 when the board discussed:

Work plan overview

- IASB work plan update

Research and standard-setting

- Dynamic Risk Management
- Financial instruments with characteristics of equity
- Post-implementation review of IFRS 15 *Revenue from Contracts with Customers*
- Rate-regulated activities
- Management commentary
- Business combinations - disclosures, goodwill and impairment
- Primary financial statements
- Disclosure initiative - subsidiaries without public accountability: disclosures

Maintenance and consistent application

- Maintenance and consistent application
- Lessee derecognition of lease liabilities (IFRS 9 *Financial Instruments*) - potential annual improvement
- Disclosure of deferred difference between fair value and transaction price (IFRS 7 *Financial Instruments: Disclosures*) - potential annual improvement
- Annual improvements to IFRS Accounting Standards – early application and due process

ISSB news and updates

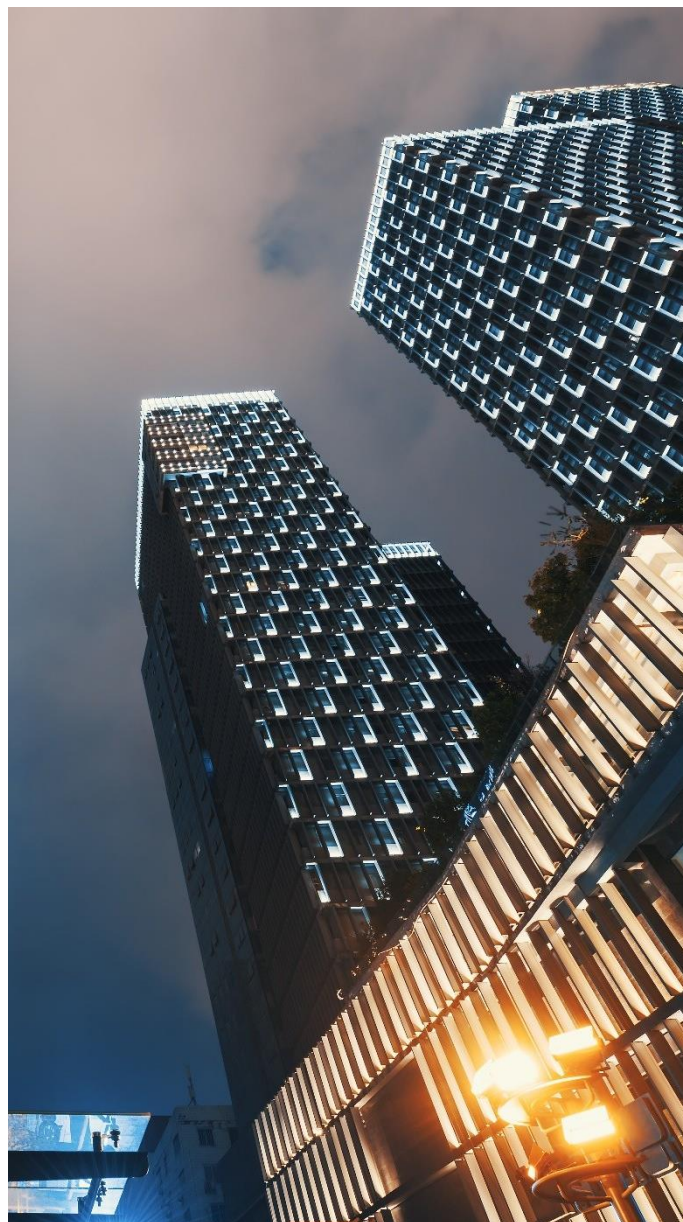
► ISSB Update for May 2023

The [May](#) issue of the *ISSB Update* contains the ISSB staff summary of the ISSB meeting held on 18 May 2023 when the board discussed:

Research and standard - setting

- Maintenance of the Sustainability Accounting Standards Board's (SASB) Standard

For further details about the meeting, please refer to EY WeChat: ISSB Update (May 2023) - [ISSB ratify amendments to the climate-related SASB Standards.](#)



EY publications

► IFRS Developments Issue 215: Hyperinflationary economies

This [edition](#) sets out a summary of the inflation data of countries that are considered to be hyperinflationary for IFRS purposes as at 30 June 2023, as well as economies that are not currently hyperinflationary for IFRS purposes but should be monitored.

► IFRS Developments Issue 216: IFRS Interpretations Committee Agenda Decision: Definition of a Lease – Substitution Rights (IFRS 16 Leases)

In April 2023, the IASB published IFRS Interpretations Committee Agenda Decision: Definition of a Lease – Substitution Rights. The IFRS Interpretations Committee Agenda Decision considers the definition of a lease and, in particular, how to determine whether there is an identified asset when an arrangement contains a substitution right. Learn more in EY *IFRS Developments* [Issue 216](#).

► IFRS Developments Issue 217: Supplier finance arrangements new disclosure requirements

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. With the amendments, the IASB has introduced new disclosure requirements in IFRS Standards to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. Learn more in EY *IFRS Developments* [Issue 217](#).

► IFRS Developments Issue 218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules

In January 2023, the IASB issued an Exposure Draft ED/2023/1 International Tax Reform–Pillar Two Model Rules, which proposed a mandatory temporary exception from accounting for deferred taxes in respect of Pillar Two income taxes and proposed certain additional disclosure requirements. Entities that need to prepare IFRS annual or interim financial statements before the

IAS 12 amendments are published (or endorsed in their jurisdiction), will need to develop an accounting policy to account for Pillar Two income taxes. Learn more in EY *IFRS Developments* [Issue 218](#).

► Applying IFRS: IAS 34 interim reporting in 2023 – disclosures on IFRS 17 and IFRS 9

Insurers publishing interim financial statements in accordance with IAS 34 *Interim Financial Reporting* will prepare their first financial statements in compliance with IFRS 17 *Insurance Contracts* and, for many of them, IFRS 9 *Financial Instruments* during 2023. This [edition](#) provides considerations for applying judgement in determining the appropriate disclosure.

► IFRS Sustainability Developments Issue 3: ISSB publishes Request for Information on its agenda priorities

On 4 May 2023, the ISSB published its first Request for Information on its agenda priorities.

The four projects that have been identified by the ISSB as potential projects to be prioritized are: biodiversity, ecosystems and ecosystem services; human capital; human rights; and integration in reporting. The final outcome of the agenda consultation will be an ISSB work plan, and activities associated with that plan, for a period of two years. Learn more in EY *IFRS Sustainability Developments* [Issue 3](#).

► IFRS Sustainability Developments Issue 4: ISSB proposes to improve international applicability of SASB Standards

ISSB is seeking public comment on the proposed methodology contained in the Exposure Draft, published on 11 May 2023, to enhance the international applicability of non-climate related metrics in the SASB Standards by removing jurisdiction-specific content from those Standards. Learn more in EY *IFRS Sustainability Developments* [Issue 4](#).

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