

China Accounting Alert

April 2024

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

Mainland news and updates

- Opinions of the state council on strengthening the supervision, forestalling risks and promoting the high-quality development of the capital market

On 12 April 2024, the State Council issued [Opinions on Strengthening the Supervision, Forestalling Risks and Promoting the High-quality Development of the Capital Market](#) (Guo Fa [2024] No. 10, hereinafter referred to as the "New Nine Policies of the State Council"). The "New Nine Policies of the State Council" proposes to strictly enforce the admission criteria for issuance and listing, raise the listing standards of the Main Board and the ChiNext Board, and improve the evaluation standards for the STAR attributes. It also demands to expand the coverage of on-site inspections, strengthen the responsibilities of all relevant parties in the entire issuance and listing process, increase the supervision on issuance and underwriting, and investigate illegal activities such as fraudulent issuance.

► **China Securities Regulatory Commission (CSRC) issues the *Opinions on the Strict Implementation of the Delisting System***

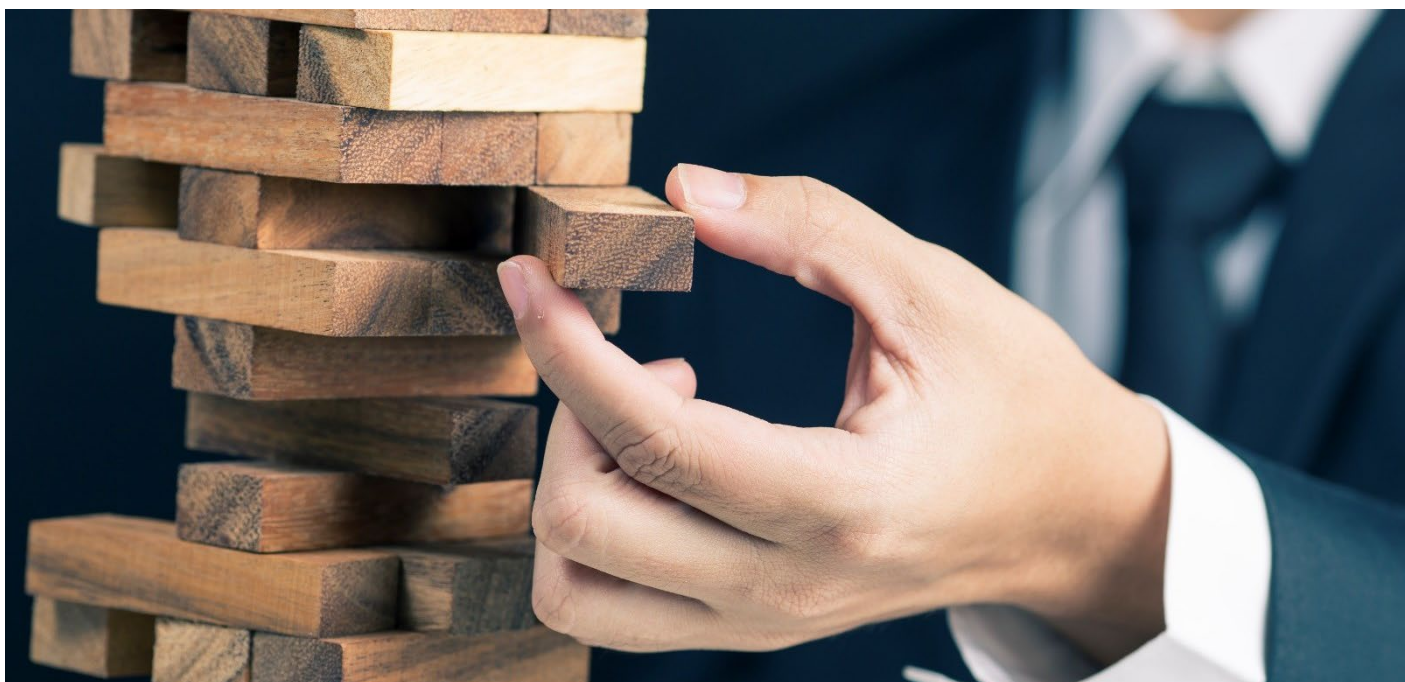
In order to thoroughly implement the guidelines of the Central Financial Work Conference as well as the principles outlined in the *Opinions of the State Council on Strengthening the Supervision, Forestalling Risks and Promoting the High-quality Development of the Capital Market*, the CSRC formulated the [Opinions on the Strict Implementation of the Delisting System](#) (hereinafter referred to as the *Opinions on Delisting*) on 12 April 2024, which includes the following measures:

- Standardizing the criteria for mandatory delisting
- Developing diverse exit channels for delisting
- Reducing the value of "shell" resources
- Stricter supervision on delisting
- Ensuring the provision of remedial compensation for investors in the case of delisting

► **Stock exchanges issue sustainability report guidelines**

To promote the high-quality development of listed companies, enhance their investment value, and regulate the disclosure of their sustainability-related information, the stock exchanges issued guidelines for sustainability reports on 12 April 2024, with details as follows:

- The Shanghai Stock Exchange (SSE) issued the [Guidelines No. 14 for Self-Supervision of Listed Companies on the Shanghai Stock Exchange - Sustainable Development Report \(Trial\)](#) (Shang Zheng Fa [2024] No. 33), which are applicable to companies listed on the Main Board and the STAR market, and will be effective on 1 May 2024, with a transition arrangement.
- The Shenzhen Stock Exchange (SZSE) issued the [Guidelines No. 17 for Self-Supervision of Companies Listed on the Shenzhen Stock Exchange - Sustainable Development Report \(For Trial Implementation\)](#) (Shen Zheng Shang [2024] No. 284), which are applicable to companies listed on the Main Board and the ChiNext Board, and will be effective on 1 May 2024, with a transition arrangement.
- The Beijing Stock Exchange (BSE) issued the [Guidelines No. 11 for Continuous Supervision of Companies Listed on the Beijing Stock Exchange - Sustainable Development Report \(Trial\)](#) (BSE Announcement [2024] No. 14), which are applicable to companies listed on the BSE, and will be effective on 1 May 2024.



► **SSE releases rules on asset-backed securities business and guidelines on continuous information disclosure**

Recently, the SSE issued the [*Rules of the Shanghai Stock Exchange for the Asset-Backed Securities Business*](#) (Shang Zheng Fa No. [2024] 29, hereinafter referred to as the "ABS Business Rules") and the [*Guidelines No. 5 of the Shanghai Stock Exchange on the Application of Self-regulatory Rules for Bonds - Continuous Information Disclosure for Asset-backed Securities*](#) (Shang Zheng Fa [2024] No. 30, hereinafter referred to as the "Guidelines on Continuous Information Disclosure"). Among which:

- The ABS Business Rules are the basic rules for the asset securitization business of the SSE, covering the whole life cycle of asset-backed securities. The rules address the listing conditions and confirmation procedures, issuance and transfer by listing, information disclosure, protection of holders' rights and interests, suspension, resumption and termination of listing, and self-supervision and other parts and areas.
- The Guidelines on Continuous Information Disclosure further specify the disclosure requirements for periodic and interim reports of asset-backed securities and clarify disclosure related matters such as the general requirements on information disclosure, annual asset management reports, annual custodian reports, interim reports of the managers, reports of holders' meetings and credit rating.

The above documents were effective upon release on 29 March 2024, and the *Guidelines of the Shanghai Stock Exchange on Asset Securitization Business* (Shang Zheng Fa [2014] No. 80), *Guidelines of the Shanghai Stock Exchange on Confirmation of Listing Conditions of Asset-Backed Securities* (Shang Zheng Fa [2017] No. 28), *Guidelines of the Shanghai Stock Exchange on Contents and Formats of Periodic Reports of Asset-backed Securities* (Shang Zheng Fa [2018] No. 29), and *Guidelines of the Shanghai Stock Exchange on Disclosure of Information in Interim Reports of Asset-Backed Securities* (Shang Zheng Fa [2019] No. 105) have been repealed simultaneously.

► **SZSE issues business rules and three supporting guidelines for asset-backed securities**

Recently, the SZSE issued the [*Rules of the Shenzhen Stock Exchange for Asset-backed Securities Business*](#) (Shen Zheng Shang [2024] No. 240, hereinafter referred to as the "ABS Business Rules"), as well as three supporting business guidelines, namely, the [*Guidelines No. 1 for Supervision over Asset-backed Securities within the Duration - Periodic Reports*](#) (Shen Zheng Shang [2024] No. 241), [*Guidelines No. 2 for Supervision over Asset-backed Securities within the Duration - Interim Reports*](#) (Shen Zheng Shang [2024] No. 242), and [*Guidelines No. 3 for Supervision over Asset-backed Securities within the Duration - Credit Risk Management*](#) (Shen Zheng Shang [2024] No. 243) (hereinafter referred to as the "Guidelines for Periodic Reports", "Guidelines for Interim Reports" and "Guidelines for Credit Risk Management", respectively). Among which:

- The ABS Business Rules have sorted out and integrated the existing business guidelines and business guides, as well as the basic business rules for ABS established in regulatory practices in recent years and systematically regulated all phases of business. This includes confirmation of the listing requirements, issuance, transfer by listing and management of the duration.
- The Guidelines for Periodic Reports and the Guidelines for Interim Reports further enhance the timeliness, standardization and effectiveness of information disclosure in the ABS business.
- The Guidelines for Credit Risk Management further enhances the effectiveness, predictability and focus of the credit risk management system of the ABS business, which were initially introduced in the *Guidelines for Credit Risk Management of Asset-Backed Securities within the Duration (Trial)* issued in 2018.

The above rules and guidelines were effective upon release on 29 March 2024, and the *Guidelines of the Shenzhen Stock Exchange on the Asset Securitization Business* (Shen Zheng Hui [2014] No. 130), *Guidelines of the Shenzhen Stock Exchange on Contents and Formats of Periodic Reports on Asset-backed Securities* (Shen Zheng Shang [2018] No. 200), *Guidelines of the Shenzhen Stock Exchange on Information Disclosure of Interim Reports on Asset-Backed Securities* (Shen Zheng Shang [2019] No. 685), and *Guidelines of the Shenzhen Stock Exchange for Credit Risk Management of Asset-Backed Securities within the Duration (Trial)* (Shen Zheng Shang [2018] No. 200) have been repealed simultaneously.

IASB news and updates

- ▶ International Accounting Standards Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements*

IASB issued IFRS 18 [Presentation and Disclosure in Financial Statements](#) (IFRS 18) on 9 April 2024.

IFRS 18 introduces significant improvements of presentation and disclosure in financial statements, especially on introducing new requirements for the structure in the statement of profit or loss. IFRS 18 replaces IAS 1 *Presentation of Financial Statements*, which will give investors more transparent and comparable information about companies' financial performance, thereby enabling better investment decisions. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. It will affect all companies using IFRS Accounting Standards.

For further details, please refer to the following EY WeChat article: [IFRS weathervane- Structure changes coming to the statement of profit or loss](#).

- ▶ *IASB Update March 2024*

The [March](#) issue of the *IASB Update* highlights preliminary decisions of the IASB meeting held from 18 to 21 March 2024. The board discussed the following:

Work plan overview

- ▶ IASB work plan update

Research and standard-setting

- ▶ Post-implementation review of IFRS 15 *Revenue from Contracts with Customers*
- ▶ Rate-regulated activities
- ▶ Equity method
- ▶ Climate-related and other uncertainties in the financial statements
- ▶ Management commentary
- ▶ Post-implementation review of IFRS 9 *Financial Instruments* – Impairment
- ▶ Second comprehensive review of the IFRS for small and medium enterprises' accounting standard
- ▶ Updating the subsidiaries without public accountability: Disclosures standard

Maintenance and consistent application

- ▶ Power purchase agreements
- ▶ Use of a hyperinflationary presentation currency by a non-hyperinflationary entity (IAS 21 *The Effects of Changes in Foreign Exchange Rates*)



EY publications

- ▶ **IFRS Developments Issue 223: IASB issues IFRS 18 *Presentation and Disclosure in Financial Statements***

This [edition](#) summarizes the key requirements of IFRS 18 *Presentation and Disclosure in Financial Statements*, which was issued on 9 April 2024 and becomes effective for reporting periods beginning on or after 1 January 2027.

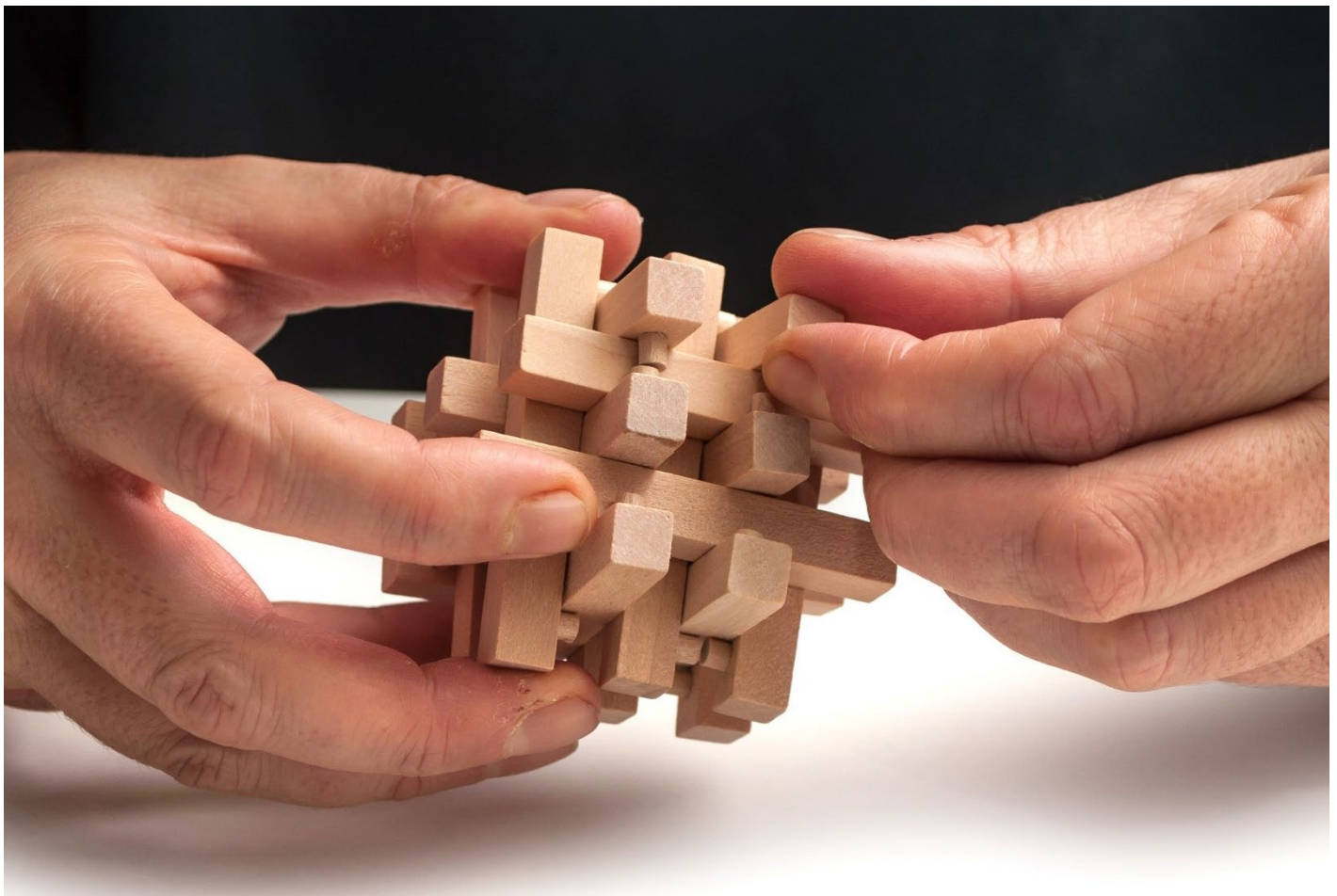
IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified “roles” of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards.

- ▶ **IFRS Developments Issue 224: IASB ends project on business combinations under common control**

In April 2024, the IASB issued a summary for its project on business combinations under common control (BCUCC) that marks the project’s end. The project summary explains the research findings and the reasons behind the IASB’s decision not to develop reporting requirements for BCUCC transactions. Learn more about EY *IFRS Developments* Issue [224](#).

- ▶ **IFRS Core Tool: IFRS update of standards and interpretations in issue at 31 March 2024**

This [edition](#) provides an overview of the upcoming changes in standards and interpretations (pronouncements). 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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