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China Accounting Alert

November 2023

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

Mainland news and updates

- ▶ The Ministry of Finance (MOF) releases *Accounting Standards for Business Enterprises Interpretation No.17*

The MOF has released [Accounting Standards for Business Enterprises Interpretation No.17](#) (Cai Kuai [2023] No.21, "Interpretation No.17") to clarify matters relating to the classification of liabilities as current or non-current, disclosures of supplier finance arrangements and the accounting for sale and leaseback transactions. Interpretation No.17 will become effective on 1 January 2024.

For further details about the Interpretation, please refer to EY WeChat: [The Ministry of Finance \(MOF\) releases Accounting Standards for Business Enterprises Interpretation No.17](#).

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

The Accounting Regulatory Department of the MOF has released [Application Examples on Revenue Standard – Recognition of Revenue arising from Pre-sold Commodity Housing](#), which specifies Recognition of Revenue arising from Pre-sold Commodity Housing by issuance of the illustrative example.



▶ China Securities Regulatory Commission (CSRC) issues *Guidelines on Application of Regulatory Rules – Issuance No.9: Research and Development Department (R&D) Personnel and R&D Investment*

In order to standardize the disclosure of information on R&D personnel and R&D investment as well as the verification of intermediaries, and improve the transparency of the review, the CSRC has issued the [Guidelines on Application of Regulatory Rules – Issuance No.9: R&D Personnel and R&D Investment](#) (hereinafter referred to as the *Guidelines*), which became effective upon release on 24 November 2023. The *Guidelines* mainly consist of five sections:

- ▶ Section I: Identification of R&D personnel, which specifies the definition and main scope of R&D personnel, identification of part-time R&D personnel, employment form of R&D personnel, etc.;
- ▶ Section II: Identification of R&D investment, which specifies the calculation criteria of R&D investment, as well as the requirements for expenditures such as R&D employee benefits, shared resource costs, state-funded R&D project expenditures, and entrusted R&D expenditures to be qualified as R&D investment;
- ▶ Section III: Related internal control requirements, which specifies that issuers should develop and strictly implement R&D related internal control systems;
- ▶ Section IV: Verification requirements, which specifies the verification requirements of intermediaries in terms of issuers' R&D activities and R&D personnel identification, R&D investment calculation criteria, R&D investment pooling, and R&D related internal control systems; and
- ▶ Section V: Information disclosure, which specifies the disclosure should be made by issuers in the prospectus.

- ▶ CSRC releases *Decisions on the Amendment of Standard for Contents and Formats of Information Disclosure of Companies Offering Securities to the Public No.26 - Major Asset Restructuring of Listed Companies*

To further enhance efficiency in market restructuring and facilitate listed companies in their restructuring work for continued growth through improvement in quality and efficiency, the CSRC has released [Decisions on the Amendment of Standard for Contents and Formats of Information Disclosure of Companies Offering Securities to the Public No.26 - Major Asset Restructuring of Listed Companies](#) (CSRC Order [2023], No.57), which became effective upon release on 27 October 2023.

The amendment addresses Article 69 under *Standard for Contents and Formats of Information Disclosure of Companies Offering Securities to the Public No.26 - Major Asset Restructuring of Listed Companies* in the following aspects:

- ▶ Firstly, it specifies that the effective period of the financial information of a stock issuance restructuring project can be appropriately extended on the six-month basis under special circumstances, and the extension period is adjusted from no more than one month to no more than three months.
- ▶ Secondly, it clarifies relevant supporting measures. For circumstances where the period between the due date of the audited financial report of the underlying transaction and the date of disclosure of the restructuring report submitted to the CSRC for registration exceeds seven months, measures shall be taken to 1) ensure the fulfillment of responsibilities of listed companies, requiring listed companies to provide supplementary disclosure of the financial report and review report of the underlying transaction of at least six months after the due date, as well as disclosure of changes of the financial information and performance of the underlying transaction in the restructuring report; and 2) strengthen the responsibilities of intermediaries as the "gatekeeper", requiring independent financial consultants to express opinions on whether there are significant adverse changes to the subsequent financial position and operating results of the underlying transaction after the reporting period and impact on this transaction.

- ▶ Notices of Shanghai Stock Exchange (SSE) on the issuance of *Shanghai Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Business Matters (Revised in November 2023)* and *Shanghai Stock Exchange Guidelines on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board (Revised in November 2023)*

In order to effectively protect the interests of investors, the SSE has issued the [Shanghai Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Business Matters \(Revised in November 2023\)](#) (Shang Zheng Han [2023] No.3233) and the [Shanghai Stock Exchange Guidelines on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board \(Revised in November 2023\)](#) (Shang Zheng Han [2023] No.3234), which became effective upon release on 8 November 2023.

The *Shanghai Stock Exchange Guideline No.2 on Self-Regulation of Listed Companies - Business Matters (Revised in August 2023)* (Shang Zheng Han [2023] No.2238) and the *Shanghai Stock Exchange Guidelines on Self-Regulation of Listed Companies on the Sci-Tech Innovation Board (Revised in August 2023)* (Shang Zheng Han [2023] No.2239) issued by the SSE on 4 August 2023 have been repealed simultaneously.

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

In order to effectively protect the interests of investors, the SZSE has issued the [Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Business Matters \(Revised in November 2023\)](#) (Shen Zheng Han [2023] No.1035) and the [Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies on the ChiNext Board - Business Matters \(Revised in November 2023\)](#) (Shen Zheng Han [2023] No.1036), which became effective upon release on 8 November 2023.

The *Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies - Business Matters (Revised in August 2023)* (Shen Zheng Han [2023] No.705) and the *Shenzhen Stock Exchange Guideline No.1 on Self-Regulation of Listed Companies on the ChiNext Board - Business Matters (Revised in August 2023)* (Shen Zheng Han [2023] No.706) issued by the SZSE on 4 August 2023 have been repealed simultaneously.

- ▶ Announcement of the National Association of Financial Market Institutional Investors (NAFMII) on Issuing the *Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (2023)*

To promote high-quality development of the panda bond market and the high-level opening of the bond market, the NAFMII has revised certain formulations in the *Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (2020)*, which became effective upon release on 19 October 2023. Learn more details in [Announcement on Issuing the Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises \(2023\)](#) (NAFMII Announcement [2023] No.17).

IASB news and updates

▶ IASB Update for November 2023

The [November](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 13 to 15 November 2023 when the board discussed:

Research and standard-setting

- ▶ Equity method
- ▶ Primary financial statements
- ▶ Business combinations under common control : The IASB decided to discontinue its project on Business combinations under common control
- ▶ Post-implementation review of IFRS 9 *Financial instruments – Impairment*
- ▶ Second comprehensive review of the IFRS for SMEs accounting standard

Maintenance and consistent application

- ▶ Amendments to the classification and measurement of financial instruments
- ▶ Provisions – Targeted improvements
- ▶ Updating the subsidiaries without public accountability: Disclosures standard

▶ IASB Update for October 2023

The [October](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 25 to 27 October 2023 when the board discussed:

Research and standard-setting

- ▶ Dynamic risk management
- ▶ Rate-regulated activities
- ▶ Equity method
- ▶ Amendments to the classification and measurement of financial instruments
- ▶ Primary financial statements
- ▶ Second comprehensive review of the IFRS for SMEs accounting standard
- ▶ Disclosure initiative–Subsidiaries without public accountability

Maintenance and consistent application

- ▶ Maintenance and consistent application
- ▶ Premiums Receivable from an Intermediary (IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*) – Finalisation of agenda decision
- ▶ Homes and Home Loans Provided to Employees–Finalisation of agenda decision
- ▶ Guarantee over a Derivative Contract (IFRS 9 *Financial Instruments*) –Finalisation of agenda decision
- ▶ IFRIC Update September 2023

ISSB news and updates

▶ *ISSB Update* for November 2023

The [November](#) issue of the *ISSB Update* contains the ISSB staff summary of the ISSB meeting held from 15 to 16 November 2023 when the board discussed:

Taxonomy

- ▶ IFRS Sustainability Disclosure Taxonomy

Strategy and governance

- ▶ ISSB Consultation on Agenda Priorities

▶ *ISSB Update* for October 2023

The [October](#) issue of the *ISSB Update* contains the ISSB staff summary of the ISSB meeting held from 24 to 25 October 2023 when the board discussed:

Maintenance and consistent application

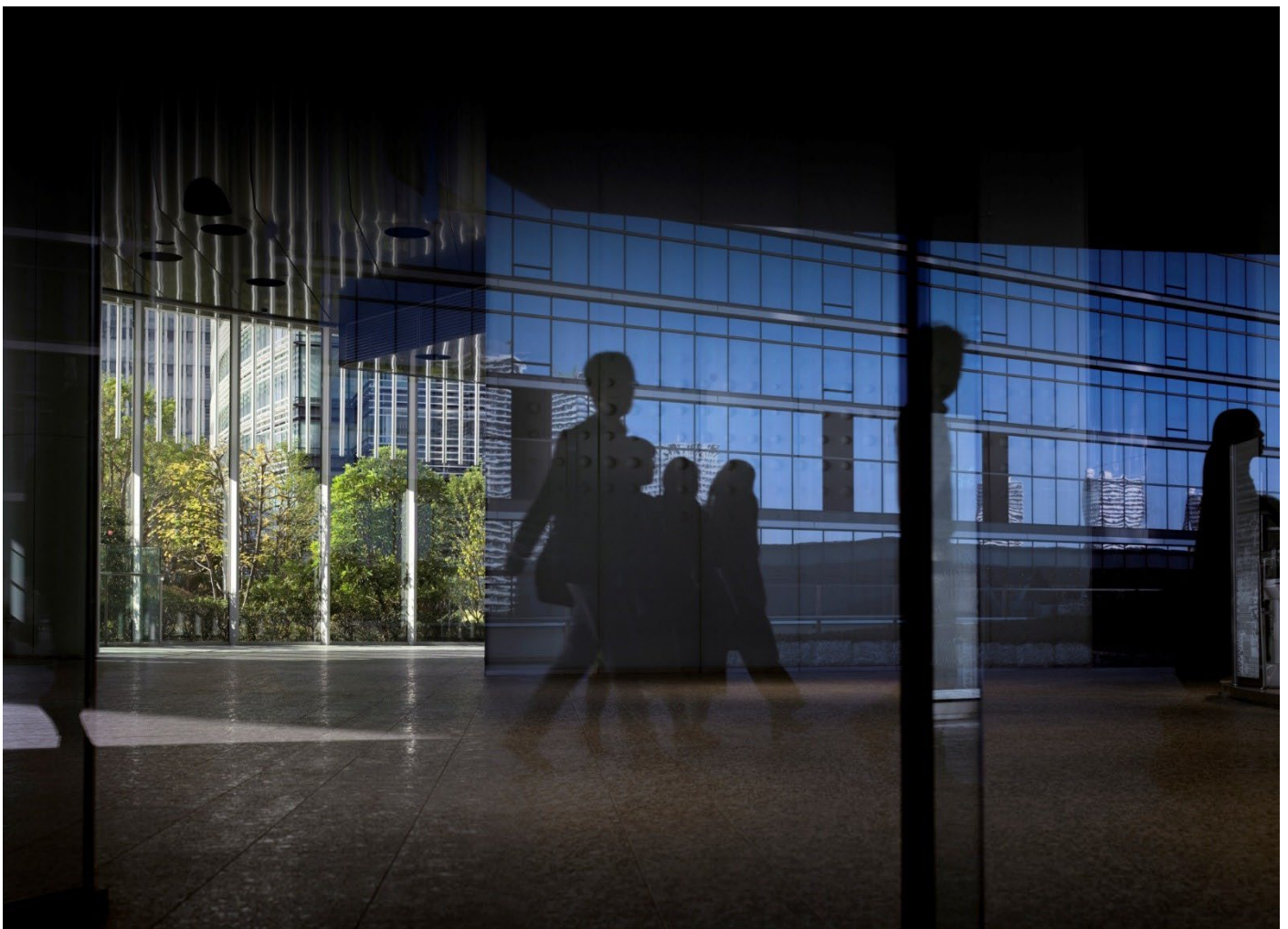
- ▶ International Applicability of the Sustainability Accounting Standards Board's (SASB) Standards

Applying standards

- ▶ Supporting the implementation of IFRS S1 and IFRS S2

Global Sustainability Standards Board work program update

- ▶ Work program update



EY publications

- ▶ **Good Group (International) Limited Alternative Format - (December 2023)**

An [alternative format](#) for the illustrative consolidated financial statements of Good Group (International) Limited for the year ending 31 December 2023. These illustrative financial statements are prepared in accordance with IFRS issued as at 30 June 2023 and effective for annual periods beginning on 1 January 2023.

- ▶ **IFRS Developments Issue 221: Hyperinflationary economies (Updated October 2023)**

This [edition](#) is a summary of countries that are hyperinflationary for IFRS purposes as of 31 December 2023 and countries that should be monitored. The inflation data is based on the International Monetary Fund (IMF) World Economic Outlook (WEO) that was published in October 2023.

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