

## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **People’s Republic of China**



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This Profile provides information about the application of IFRS Standards in the People’s Republic of China. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRS Standards around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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Profile last updated: 28 March 2017

#### RELEVANT JURISDICTIONAL AUTHORITY

Organisation Accounting Regulatory Department, Ministry of Finance, People’s Republic of China

**Note added by IFRS Foundation:** As Special Administrative Regions of the People’s Republic of China, both Hong Kong and Macao adopt their own financial reporting standards. Accordingly, there are separate jurisdictional profiles for Hong Kong and Macao.

Role of the organisation The Accounting Regulatory Department of the Ministry of Finance of China is responsible for the setting of accounting standards for business enterprises, among other things, ie it is the official standard-setting body in the People’s Republic of China.

Website <http://www.mof.gov.cn/>

Email contact [chenyu@mof.gov.cn](mailto:chenyu@mof.gov.cn)

#### COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards? Yes.

Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	China has adopted national accounting standards that are substantially converged with IFRS Standards.
Additional comments provided on the adoption status?	<p><u>2005 Joint Statement</u></p> <p>The Chinese Accounting Standards for Business Enterprises (ASBEs) issued in February 2006 were substantially converged with IFRS, which was recognised in the Joint Statement of CASC Secretary-General and IASB Chairman signed in November 2005. Based on the Roadmap for Continuing Convergence of Chinese Accounting Standards for Business Enterprises with International Financial Reporting Standards released by the Ministry of Finance of China in April 2010, the ASBEs will be revised and improved in accordance with the revision and improvement of IFRS, in order to continue convergence of the ASBEs with IFRS.</p> <p>The 2005 Joint Statement is here:</p> <p><a href="http://www.ifrs.org/Alerts/PressRelease/Documents/2015/2005%20Beijing%20Statement.pdf">http://www.ifrs.org/Alerts/PressRelease/Documents/2015/2005%20Beijing%20Statement.pdf</a></p> <p><u>2015 Joint Statement</u></p> <p>On 18 November 2015, The IFRS Foundation and the Chinese Ministry of Finance announced the formation of a joint working group to explore ways and steps to advance the use of IFRS Standards within China, especially for internationally-oriented Chinese companies. The announcement forms part of a comprehensive update to the 2005 Beijing Joint Statement. The 2015 Joint Statement:</p> <ul style="list-style-type: none"> <li>• establishes a joint working group to explore steps and ways to advance the use of IFRS Standards within China, especially for internationally-oriented Chinese companies;</li> <li>• identifies the vision of Chinese Accounting Standards becoming fully converged with IFRS Standards, which is consistent with the G20-endorsed objective of a single set of high quality, global accounting standards; and</li> <li>• encourages continued co-operation between the IASB Board and Chinese stakeholders in the future development of IFRS Standards.</li> </ul> <p>The 2015 Joint Statement may be found here:</p> <p><a href="http://www.ifrs.org/Alerts/PressRelease/Pages/China-to-explore-further-use-of-IFRS.aspx">http://www.ifrs.org/Alerts/PressRelease/Pages/China-to-explore-further-use-of-IFRS.aspx</a></p>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in your jurisdiction.	Not applicable.

## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

No, the use of IFRS Standards is not permitted for domestic companies. All Chinese companies whose securities trade in a public market in China are required to use Chinese Accounting Standards for Business Enterprises (ASBEs) for financial reporting within mainland China.

It should be noted, however, that Chinese companies whose securities trade on the Stock Exchange of Hong Kong may choose among IFRS Standards, Hong Kong Financial Reporting Standards (HKFRS), and Chinese Accounting Standards (ASBEs) for purposes of financial reporting to Hong Kong investors. Those financial reports are in addition to the ASBE financial reports that the Chinese companies issue within mainland China. At 30 June 2014, a total of 296 Chinese companies (known as 'Red Chip' and 'H-Share' companies) trade in Hong Kong. The financial reporting frameworks used by those companies in Hong Kong are as follows:

Which standards?	Number of companies	Per cent of companies	Market capitalisation (US Dollars)	Per cent of market capitalisation
IFRS Standards	90	30%	841,020,300,539	69%
HKFRS	161	54%	319,844,402,277	26%
ASBE	45	15%	57,268,715,905	5%
Total	296	100%	1,218,133,418,721	100%

There are also a number of Chinese companies that use IFRS Standards for the purpose of trading in the United States and in Europe.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Not applicable.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

Not applicable.

Are IFRS also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Not applicable.

For instance, are IFRS required or permitted in separate company financial statements of companies whose securities trade in a public market?

Not applicable.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

Not applicable.

<p>If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?</p>	<p>According to the Accounting Law in China, all the Chinese companies must comply with the accounting standards issued by the Ministry of Finance in China.</p>
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***For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:***

<p>Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?</p>	<p>Foreign companies do not trade currently in Chinese securities markets. Therefore, there is no relevant regulation at present on whether those companies are permitted to use IFRS Standards.</p>
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<p>If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?</p>	<p>Not applicable.</p>
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<p>Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?</p>	<p>Not applicable.</p>
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**IFRS ENDORSEMENT**

<p>Which IFRS Standards are required or permitted for domestic companies?</p>	<p>Not applicable.</p>
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<p>The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:</p>	<p>Chinese Accounting Standards for Business Enterprises.</p>
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<p>Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?</p>	<p>Not applicable.</p>
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<p>Are IFRS Standards incorporated into law or regulations?</p>	<p>Chinese Accounting Standards for Business Enterprises (ASBEs) are a part of law and regulations in China.</p>
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<p>If yes, how does that process work?</p>	<p>Not applicable.</p>
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<p>If no, how do IFRS Standards become a requirement in the jurisdiction?</p>	<p>Not applicable.</p>
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Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place	Not applicable.
If yes, what is the process?	Not applicable.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Not applicable.
If yes, what are the changes?	Not applicable.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

## TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	The bound volume of IFRS Standards was translated into a simplified Chinese version in years 2000, 2002, 2004, 2008 and 2015. Additionally, some individual standards are translated into simplified Chinese. The IFRS for SMEs Standard was also translated into a simplified Chinese version in 2010. These translations were done by the China Accounting Standards Committee of the Ministry of Finance with the permission of the IFRS Foundation.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	The translations follow the process permitted by the IFRS Foundation to ensure the quality of the translation.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No, China has not adopted the IFRS for SMEs Standard.
If no, is the adoption of the IFRS for SMEs Standard under consideration?	No.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.

Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	Not applicable.
Other comments regarding use of the IFRS for SMEs Standard?	<p>The Chinese Accounting Standard for Small Entities was published by the Ministry of Finance in October 2011. China used the IFRS for SMEs Standard as an important reference when developing the Chinese Accounting Standard for Small Entities.</p> <p>The IFRS for SMEs Standard has been translated into simplified Chinese.</p>