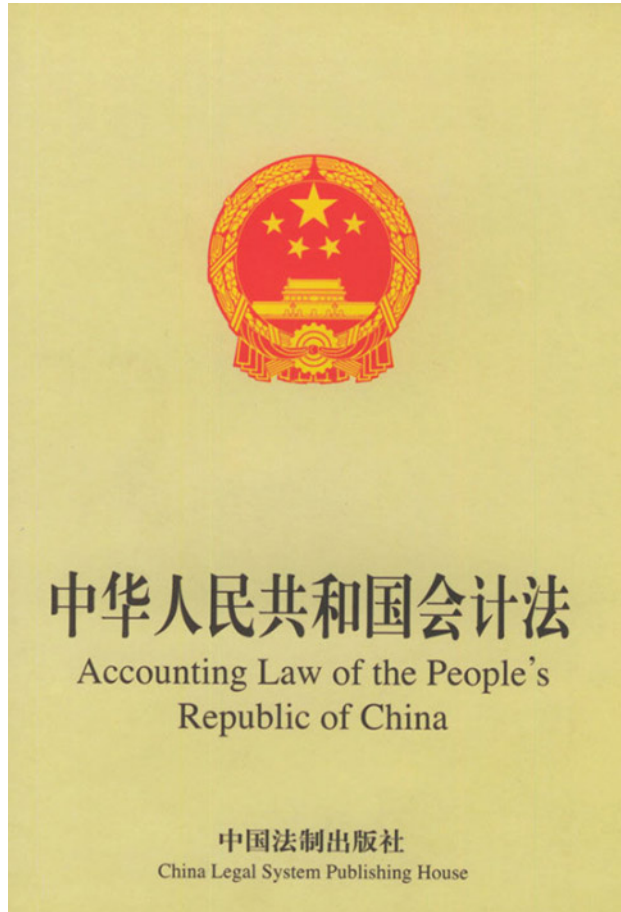


Implementation and Impact of Converged accounting standards

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China accounting standards system



- Passed by NPC
- Article 8 of the Accounting Law:
 - The National Uniform Accounting System is implemented throughout the country.
 - The National Uniform Accounting System is formulated and issued in accordance with this Law by Ministry of Finance (MOF), People's Republic of China.
- China MOF: administrative tasks on accounting work in China.
 - The only accounting standards setter
 - The authority in charge of regulation on accounting and financial reporting

Evolution of China accounting standards system

1978-1992

“Two standards and two systems”

- Two standards: Accounting Standards for Business Enterprises, General Rules on Corporate Finance;
- Two systems: Accounting system for 13 industries, Finance system for 10 industries;



1992-2005

“Specific accounting standards”

- 1997-2003 16 specific accounting standards issued by MOF;
- Oct 31, 1999 Accounting Law of the PRC amended;
- Dec 29, 2000 Accounting System for Business Enterprise issued by MOF;



2005 – present

“Accounting standards converged with IFRS”

- Feb 15, 2006 39 Accounting Standards for Business Enterprise issued by MOF, in convergence with international standards.

Converged accounting standards (CAS – IFRS)

中国企业会计准则 CAS	国际财务报告准则 IFRS
CAS 1 存货 CAS 1 Inventory	IAS 2 库存 IAS 2 Inventories
CAS 2 长期股权投资 CAS 2 Long-term Equity Investments	IAS 27 单独财务报表 IAS 27 Separate Financial Statements IAS 28 对联营企业和合营企业的投资 IAS 28 Investments in Associates and Joint Ventures
CAS 3 投资性房地产 CAS 3 Investment Property	IAS 40 投资性房地产 IAS 40 Investment Property
CAS 4 固定资产 CAS 4 Non-current Assets	IAS 16 房产, 厂方和设备 IAS 16 Property, Plant and Equipment
CAS 5 生物资产 CAS 5 Biological Assets	IAS 41 农业 IAS 41 Agriculture
CAS 6 无形资产 CAS 6 Intangible Assets	IAS 38 无形资产 IAS 38 Intangible Assets
CAS 7 非货币性资产交换 CAS 7 Exchange of Non-monetary Assets	IAS 16 房产, 厂方和设备 IAS 16 Property, Plant and Equipment IAS 38 无形资产 IAS 38 Intangible Assets IAS 40 投资性房地产 IAS 40 Investment Property
CAS 8 资产减值 CAS 8 Impairment of Assets	IAS 36 资产减值 IAS 36 Impairment of Assets
CAS 9 职工薪酬 CAS 9 Employee Benefits	IAS 19 职工薪酬 IAS 19 Employee Benefits
CAS 10 企业年金基金 CAS 10 Enterprise Pension Fund	IAS 26 退休收益计划的会计和报告 IAS 26 Accounting and Reporting by Retirement Benefit Plans
CAS 11 股份支付 CAS 11 Share-based Payment	IFRS 2 股份支付 IFRS 2 Share-based Payment
CAS 12 债务重组 CAS 12 Debt Restructuring	IFRS 9 金融工具 IFRS 9 Financial Instruments
CAS 13 或有事项 CAS 13 Contingencies	IAS 37 拨备、或有负债和或有资产 IAS 37 Provisions, Contingent Liabilities and Contingent Assets
CAS 14 收入 CAS 14 Revenue	IFRS 15 收入 IFRS 15 Revenue from Contracts with Customers

中国企业会计准则 CAS	国际财务报告准则 IFRS
CAS 15 建造合同 CAS 15 Construction Contracts	IFRS 15 收入 IFRS 15 Revenue from Contracts with Customers
CAS 16 政府补助 CAS 16 Government Grants	IAS 20 政府补助会计和政府辅助披露 IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
CAS 17 借款费用 CAS 17 Borrowing Costs	IAS 23 借款费用 IAS 23 Borrowing Costs
CAS 18 所得税 CAS 18 Income Taxes	IAS 12 所得税 IAS 12 Income Taxes
CAS 19 外币折算 CAS 19 Foreign Currency Translation	IAS 21 汇率变化的影响 IAS 21 The Effects of Changes in Foreign Exchange Rates IAS 28
CAS 20 企业合并 CAS 20 Business Combination	IFRS 3 企业合并 IFRS 3 Business Combinations
CAS 21 租赁 CAS 21 Leases	IFRS 16 租赁 IFRS 16 Leases
CAS 22 金融工具确认与计量 CAS 22 Financial Instrument Recognition and Measurement	IFRS 9 金融工具 IFRS 9 Financial Instruments
CAS 23 金融资产转移 CAS 23 Transfer of Financial Assets	
CAS 24 套期会计 CAS 24 Hedging Accounting	
CAS 25 原保险合同 CAS 25 Direct Insurance Contracts	IFRS 17 保险合同 IFRS 17 Insurance Contracts
CAS 26 再保险合同 CAS 26 Reinsurance Contracts	
CAS 27 石油天然气开采 CAS 27 Extraction of Petroleum and Natural Gas	IFRS 6 矿产资源的勘探和评价 IFRS 6 Exploration for and Evaluation of Mineral Resources
CAS 28 会计政策、会计估计变更和差错更正 CAS 28 Changes in Accounting Policies and Accounting Estimation, and Correction of Errors	IAS 8 会计政策、会计估计变更和差错更正 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

中国企业会计准则 CAS	国际财务报告准则 IFRS
CAS 29 资产负债表日后事项 CAS 29 Events Occurring after the Statement of Financial Position	IAS 10 报告期后事项 IAS 10 Events after the Reporting Period
CAS 30 财务报表列报 CAS 30 Presentation of Financial Statements	IAS 1 财务报表列报 IAS 1 Presentation of Financial Statements
CAS 31 现金流量表 CAS 31 Statement of Cash Flows	IAS 7 现金流量表 IAS 7 Statement of Cash Flows
CAS 32 中期财务报表 CAS 32 Interim Financial Reporting	IAS 34 中期财务报表 IAS 34 Interim Financial Reporting
CAS 33 合并财务报表 CAS 33 Consolidated Financial Statements	IFRS 10 合并财务报表 IFRS 10 Consolidated Financial Statements
CAS 34 每股收益 CAS 34 Earning per Share	IAS 33 每股收益 IAS 33 Earnings per Share
CAS 35 分部报告 CAS 35 Segment Reporting	IFRS 8 分部报告 IFRS 8 Operating Segments
CAS 36 关联方披露 CAS 36 Related Party Disclosures	IAS 24 关联方披露 IAS 24 Related Party Disclosures
CAS 37 金融工具列报 CAS 37 Financial Instruments Presentation and Disclosures	IFRS 7 金融工具披露 IFRS 7 Financial Instruments: Disclosures IAS 32 金融工具列报 IAS 32 Financial Instruments: Presentation
CAS 38 首次执行企业会计准则 CAS 38 First-Time Adoption of ASBE	IFRS 1 首次执行国际财务报告准则 IFRS 1 First-time Adoption of International Financial Reporting Standards
CAS 39 公允价值计量 CAS 39 Fair Value Measurement	IFRS 13 公允价值计量 IFRS 13 Fair Value Measurement
CAS 40 合营安排 CAS 40 Joint Arrangements	IFRS 11 联合安排 IFRS 11 Joint Arrangements
CAS 41 在其他主体中权益的披露 CAS 41 Disclosure of Interests in Other Entities	IFRS 12 在其他主体中权益的披露 IFRS 12 Disclosure of Interests in Other Entities
CAS 42 持有待售的非流动资产、处置组、和终止经营 CAS 42 Non-current Assets Held for Sale and Discontinued Operations	IFRS 5 持有待售的非流动资产、处置组、和终止经营 IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Introduction of GreenLand Group

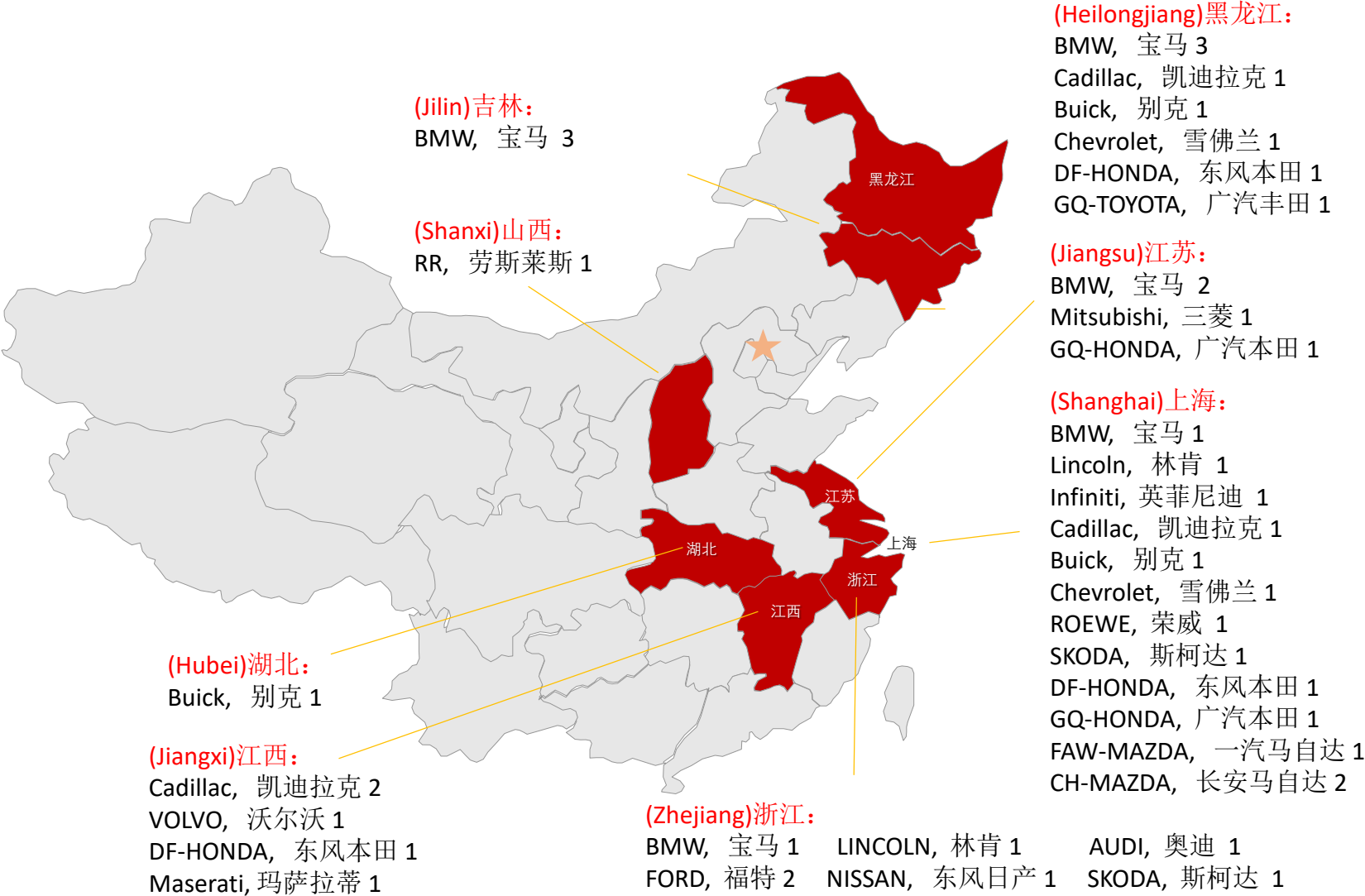


Established on July 18, 1992 with its headquarter in Shanghai China, Greenland Holding Group is a diverse enterprise group with business presence around the world. It is listed in the A-share stock market (600606.SH) in China while holding a cluster of listed companies in Hong Kong.

Over the past 27 years, Greenland has established diverse business models worldwide that focus on the real estate as its main business while simultaneously develops infrastructure, finance, consumption and other rising industries. Under the development strategy of capitalization, publication and internationalization, Greenland has established subsidiaries on a global scale and launched projects in over 30 countries and ranks among the Fortune Global 500 for 7 consecutive years.

RANK	NAME	REVENUES (\$M)	REVENUE PERCENT CHANGE	PROFITS (\$M)
202	Greenland Holding Group	\$52,720.90	22.7%	\$1,719.60

Map of Greenland Auto Service Group



Implementation of Converged accounting standards CAS 14-Rev

◆ Updated *CAS 14 Revenue* released by MOF in July 2017, converged with *IFRS 15 Revenue from Contracts with Customers*

- For ***the enterprises list in overseas or both in overseas and China***, effective from 1st Jan 2018, consistent with the timeline of IFRS 15;
- For ***the enterprises only list in China***, effective from 1st Jan 2020;
- For ***non-public enterprises***, effective from 1st Jan 2021;

Introduction of Converged accounting standards CAS 14-Rev

To recognise revenue under IFRS 15, an entity applies the following five steps:

- identify the contract(s) with a customer.
- identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
- determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
- allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Change in CAS 14-Rev

CAS 14 (2017)	CAS 14 (2006)
<p>* One single revenue recognition model</p> <p>Provide one revenue recognition standard, to judge whether the entity satisfies a performance obligation, <u>over time or at a point in time</u>.</p>	<p>* Two types of revenue recognition methods</p> <p>Revenue from product sales and construction contract uses different recognition methods, e.g. the risk and reward transfer method, and percentage-of-completion method</p>
<p>An asset is transferred when (or as) the customer <u>obtains control</u> of that asset.</p>	<p>Emphasize the risk and reward transfer</p>
<p>* A performance obligation is satisfied over time if one of the following criteria is met:</p> <ul style="list-style-type: none"> - the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; - the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. 	

Example of Rev(Real Estate)

Revenue from an apartment sales should be recognized over time or at a point in time?

How to make the judgment?

The entity is building a residential tower including 50 apartments, each apartment is unique(e.g. the position in the tower).The entity signs irrevocable sales contract with customer for each of the apartment.	
Scenario 1	Scenario 2
The customer pay deposit when signs the sales contract, and the deposit only can be refund when the entity can not finish the construction in accordance with the contract;	The customer pay irrevocable deposit when signs the sales contract, and need to pay consideration during the construction work, based on the progress of the work;
The customer will pay the rest of consideration when the entity finish construction work and handover the apartment to the customer;	The sales contract does not allow the entity to transfer the apartment to another customer;
the entity does not have an enforceable right to payment for performance completed to date.	the entity does have an enforceable right to payment for performance completed to date.

Implementation and Impact of Converged accounting standards CAS 14-Rev(Real Estate)

◆ How to implement?

- Management need to review the key terms of the sales contracts.
- To evaluate the progress payment enforceable right.
- To obtain the opinion from legal department.
- To recognize the revenue and cost over time for the ones met the criteria.

◆ What is the impact?

- Finance perspective: revenue, cost, inventory, debt ratio
- Operation perspective: sale contracts, sales strategy

Example for Rev(Motor sales + service)

<p>Vehicle sales together with 3 to 5 years warranty and maintenance service in one sales contract.</p>	
CAS 14 (2017)	Before
<p>The transaction price need to be separated by vehicle and service, based on the proportion of stand alone price of each obligation in the sales contract.</p>	<p>The total consideration on the sales contract received will be recognized as revenue when the vehicle transferred to the customer.</p>
<p>The revenue can be recognized when transfer the vehicle is only the consideration allocated to the vehicle. The consideration allocated to the service received will be recorded as liability.</p>	<p>The vehicle cost and average estimated service cost will be accrued as total cost of sales. The accrued service cost of sold vehicles build up serice provision pool.</p>
<p>the entity does not have an enforceable right to payment for performance completed to date.</p>	<p>When the customer return to have the service, no revenue and cost of sales will be recognized, the cost of the service will be deducted from the service provision pool.</p>

Implementation and Impact of Converged accounting standards CAS 14 – Rev(Motor sales + service)

◆ How to implement?

- Management need to review the key terms of the sales contracts.
- To determine the stand-alone selling price for each obligation in the sales contract.
- To allocate the total transaction price to each obligation.
- To recognize the revenue and cost over time for the ones met the criteria.

◆ What is the impact?

- Finance perspective: revenue, cost, inventory, debt ratio, defer tax

Implementation of Converged accounting standards

CAS 21 - Lease

◆ Updated *CAS 21 Lease* released by MOF in Dec 2018, converged with *IFRS 16 Lease*

- For ***the enterprises list in overseas or both in overseas and China***, effective from 1st Jan 2019 consistent with the timeline of IFRS 16;
- For ***the rest enterprises***, effective from 1st Jan 2021;

Change in CAS 21-Lease

CAS 21 (2018)	CAS 21 (2006)
<p>* Combine operating lease and finance lease</p> <p>Under operating lease, it is required to recognize right-of-use asset and lease liability in the statement of financial position.</p>	<p>* Operating lease and finance lease</p> <p>Under finance lease, the entity will record the lease asset and liability;</p>
<p>Under operating lease, the entity will record the depreciation of the right-of use asset and finance cost of the liability.</p>	<p>Under operating lease, the entity will only record lease expense during the lease period.</p>

Implementation and Impact of Converged accounting standards

CAS 21 - Lease

◆ How to implement?

- Management need to classify lease contract by materiality and lease period
- To estimate the discount factor, to calculate the present value of the right-of-use asset
- In each accounting period, the depreciation expense and financial cost of the lease asset need to be recorded.

◆ What is the impact?

- Finance perspective: Debt ratio, operating cashflow, ebit
- Operation perspective: lease contract terms design

Thank you!

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