

Chapter 1 General Provisions

Article 1 This Standard is formulated in accordance with the Enterprise Accounting Standard – Basic Standard to prescribe the disclosure of information about related parties and their transactions.

Article 2 An enterprise shall disclose all information about related party relationships and transactions in its financial statements. For consolidated financial statements provided to external users, transactions between enterprises included in the consolidation scope need not be disclosed, but relationships and transactions with related parties outside the consolidation scope shall be disclosed.

Chapter 2 Related Parties

Article 3 A related party relationship arises when one party controls, jointly controls, or significantly influences another party, or when two or more parties are subject to control, joint control, or significant influence from the same party. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control over an economic activity, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of an enterprise but not the power to control or jointly control those policies.

Article 4 The following parties are related parties of an enterprise:

- (1) The parent of the enterprise.
- (2) A subsidiary of the enterprise.
- (3) Another enterprise controlled by the same parent as the enterprise.
- (4) An investor that jointly controls the enterprise.
- (5) An investor that significantly influences the enterprise.
- (6) A joint venture of the enterprise.
- (7) An associate of the enterprise.
- (8) The principal individual investors of the enterprise and their close family members. A principal individual investor is an individual investor who controls, jointly controls, or significantly influences the enterprise.
- (9) Key management personnel of the enterprise or its parent and their close family members. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the enterprise. Close family members of a principal individual investor or key management personnel are those family members who may influence, or be influenced by, that person in their dealings with the enterprise.
- (10) Another enterprise that is controlled, jointly controlled, or significantly influenced by a principal individual investor, key management personnel, or their close family members.

Article 5 The following parties are not necessarily related parties of an enterprise merely by virtue of the following relationships:

- (1) Providers of finance, public utilities, government departments, and agencies that have dealings with the enterprise in the ordinary course of business.
- (2) A single customer, supplier, franchisor, distributor, or agent with whom the enterprise transacts a significant volume of business and on whom it is economically dependent.
- (3) A joint venturer that jointly controls a joint venture with the enterprise.

Article 6 Enterprises that are subject to control by the state but have no other related party relationship are not related parties.

Chapter 3 Related Party Transactions

Article 7 A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Article 8 Types of related party transactions typically include the following:

- (1) Purchases or sales of goods.
- (2) Purchases or sales of assets other than goods.
- (3) Rendering or receiving of services.
- (4) Leasing arrangements.
- (5) Transfers of research and development projects.
- (6) License agreements.
- (7) Finance (including loans and equity contributions).
- (8) Guarantees and collateral.
- (9) Settlement of liabilities on behalf of the enterprise or by the enterprise on behalf of another party.
- (10) Compensation of key management personnel.

Chapter 4 Disclosure

Article 9 An enterprise shall disclose the following information about its relationships with parents and subsidiaries in the notes, regardless of whether any related party transactions have occurred:

- (1) The names of the parent and subsidiaries.

If the parent is not the ultimate controlling party, the name of the ultimate controlling party shall also be disclosed.

If neither the parent nor the ultimate controlling party produces financial statements for public use, the name of the next most senior parent that does produce such financial statements shall also be disclosed.

- (2) The nature of business, place of registration, registered capital (or paid-in capital, share capital) and changes therein for the parent and subsidiaries.
- (3) The proportion of ownership interest and voting rights held by the parent in the enterprise or by the enterprise in its subsidiaries.

Article 10 If an enterprise enters into transactions with related parties, it shall disclose the nature of the related party relationship, the type of transaction, and the elements of the transaction in the notes. The elements of the transaction shall include at least:

- (1) The amount of the transaction.
- (2) The amount, terms, and conditions of outstanding items, and information about guarantees provided or obtained.
- (3) The amount of bad debt provisions for outstanding receivables.
- (4) The pricing policy.

Article 11 Related party transactions shall be disclosed separately by related party and by type of transaction. Similar types of transactions may be disclosed in aggregate if doing so does not impair the ability of users of the financial statements to understand the impact of related party transactions on the financial statements.

Article 12 An enterprise may disclose that a related party transaction was made on terms equivalent to those that prevail in arm's length transactions only if it can substantiate such a claim.

Release Date: March 9, 2006