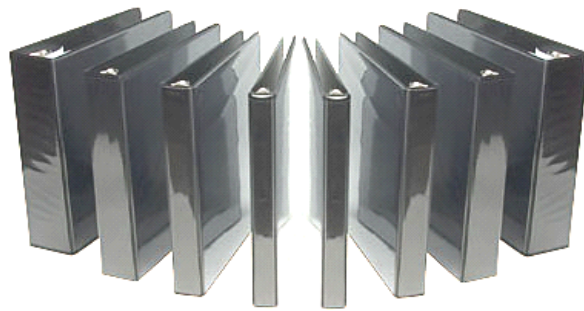


Corporate Compliance Guard™



Asia Base Law & Projects

Corporate Compliance

- a requirement, not a choice!

Corporate compliance with Chinese laws and policies is not a choice; it's a requirement that every foreign enterprise in China must fulfill. Annually, companies in China must use untold days and sometimes weeks to update, process and maintain countless business certificates, permissions, registrations and approvals.

A recent survey of 30 of foreign companies in Greater Shanghai revealed that most companies are having, or have had, significant problems with corporate compliance. The main problems identified in the study were related to missing or outdated approvals, licenses, permissions, certificates, and in some cases lack of IPR protection, insurance coverage or compulsory labor contracts. Some of the surveyed companies experienced interruptions to their operations, while others had to pay fines.

Based on the result of the survey Asia Base Law & Projects decided to offer companies assistance with **establishing and managing a unique compliance management system**.

Corporate Compliance Guard™

– a simple management system

Asia Base Law & Projects offers a unique system to assist your company in achieving good corporate compliance.

With our *Corporate Compliance Guard™* we provide a structured and standardized **document filing and deadline management system** that assists you in ensuring the existence, legality and validity of important legal and official registrations, licenses, permissions and other legal documents.

We first systematically ask relevant questions to your management, then provide a unique, individually adapted, system frame, and assist you in implementation of that system. Finally we perform an audit of the compliance situation and issue a compliance status report.

The *Corporate Compliance Guard™* focuses on establishing systematic management and filing of documents under the following nine categories:

1. Shareholder related documentation
2. Company registration documentation
3. Operation certificates & permissions
4. Facility approvals and permissions
5. Board of Directors file
6. Auditors book
7. IPR documents
8. HR related documents
9. Insurance cover



The concept can be compared to the ISO9000 quality system where the framework is standard, and external parties assist with implementation and compliance audits.

Nine important files:

File #1: Shareholder related documentation

Investor registrations, Power of Attorneys, appointment of board members, Legal Representative, Supervisor, etc.

File #2: Company registration documentation

Company registrations, tax and customs registrations, approvals, licenses, etc.

File #3: Board of Directors file

Board meeting agendas, minutes, resolutions, nominations, etc.

File #4: Operation certificates & permissions

Product registrations, production license, special licenses, approvals specific to industry, products, processes, environmental impact, etc.

File #5: Facility approvals and permissions

Design approval, construction approval, equipment approvals, safety and hygiene approvals, utility approvals, fire approval, etc.

File #6: Auditors book

Assignment contract, communication record, audit reports, etc.

File #7: Insurance cover

Property all risks, 3rd party liability, Employer's liability, vehicle insurance, product liability, etc.

File #8: IPR documents

Patents, trademarks, copyrights, license agreements, software licenses, etc.

File #9: HR related documents

Contracts with employees, social insurance, work permits, residence permits, visas, employee handbook, etc.

Corporate Compliance Guard™

– six important steps to compliance

The *Corporate Compliance Guard™* is a service that is delivered in six unique steps: (1) **understand** your situation; – (2) **analyze** your needs; – (3) provide the **framework** for your company to manage Corporate Compliance; – (4) **assist** your management in organizing and assessing compliance documents; (5) **audit** your compliance documents; and (6) issue a compliance status **report**.



Step 1:

Understanding your company, your business, your management system

An appointed auditor from Asia Base Law & Projects will **interview** your management about your company's particular business model, industry, products, processes, facilities, approvals, permissions, certificates, licenses, ownership, organization, management system, etc.

Step 2:

Analysis of requirements to good corporate compliance standards

Based on the interview in Step 1, an in-house Asia Base Law & Projects lawyer will **analyze** what your particular business model, product, and industry, require in terms of corporate compliance (what kind of approvals, registrations, certifications, and other documentation is needed)

Step 3:

Development of check-lists

Based on the findings in the first two steps, we develop **check-lists** of approvals, registrations, certifications, and other documentation you need to be in compliance. We insert the tailored checklists lists into pre-formatted empty A4 binders, and deliver these binders to your office

Step 4:

Collection and organization of documents

A person from your company, appointed by you, spends 1-2 weeks to **collect and organize** all the relevant documents in the binders

Step 5:

Audit of documents

An Asia Base Law & Projects auditor visits your company and together with your appointed person **reviews the status of all relevant documents**

Step 6:

Report highlighting areas that need attention and action.

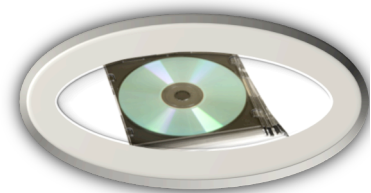
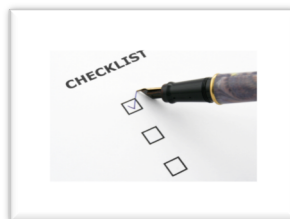
Based on the outcome of the on-site audit Asia Base Law & Projects **issues a compliance status report**

Corporate Compliance Guard™

– the deliverables

The *Corporate Compliance Guard™* provides several important deliverables:

1. The **situational analysis**: Questionnaire and interview
2. The **check-lists** of documents to keep up-to-date and on file
3. Pre-formatted A4 size binders for **systematic filing**
4. **Audit** of relevant documents
5. Summary “**compliance status report**” including **list** of up-coming renewal-deadlines and CD-ROM with **scanned documents**



1. Situational Analysis: The questionnaire and interview guide

The first important step towards Corporate Compliance is to realize where the company stands today. By systematically asking questions related to your company's business, operations, legal standing, and current status, the questionnaire and interview guide provided by Asia Base draws your attention to important issues related to corporate compliance. Already at this first stage our clients often discover areas that may have been overlooked, forgotten or ignored.

2. The Checklists

The checklists provided by Asia Base Law & Projects are important deliverables in the Corporate Compliance Guard™ service package. The checklists provide a detailed overview of documents that must be kept up-to-date at all times in order to secure good Corporate Compliance. The checklists are tailored to each individual Client's unique business situation.

3. The Pre-formatted Binders

The most common problems companies meet in relation to corporate compliance are related to filing and location of important documents. It can be difficult to keep track of renewal deadlines – let alone to find the documents – when they are filed by different departments and people each using their own filing system. Asia Base Law & Projects provides a set of high quality pre-formatted A4 binders for easy systematic filing.

4. On-site Audit

Together with appointed client representative an Asia Base Law & Projects professional will go through the relevant documents one-by one. This activity serves to both train a person appointed by you in judging legality and validity of important documents, and works as an on-site audit of your actual compliance situation.

5. Summary Compliance Report

The final deliverable of the Corporate Compliance Guard™ is a summary "Compliance Status Report" describing the overall compliance situation. Together with the Compliance Status Report, Asia Base Law & Projects provides a list of "upcoming renewal-deadlines" and a CD-ROM with all relevant documents scanned for easy electronic storage and retrieval.

Corporate Compliance Guard™

– for who?

The Corporate Compliance Guard™ is a useful tool for both the investor, management and all employees of any company.

Owners and Board of Directors

- In China – like in most other countries – the Board of Directors and the appointed Legal Representative hold certain legal responsibilities and can be held liable for misconduct. Asia Base Law & Projects suggests that the Corporate Compliance Guard™ is used in addition to the annual financial audit – with the Compliance Status Report submitted for review together with the audited finance report.

General Manager

- The General Manager needs to be updated on Corporate Compliance issues at all times. This is especially relevant in connection with change of General Manager.

Management

- Management of different departments – from Finance and Administration to production and R&D – need to be assured that the company is in compliance with required regulations at all times.

Workers and Staff

- The Corporate Compliance Guard™ does not only provide assurance and insight to owners and management. It also helps ensure that all employees have valid labor contracts and social insurances paid.

The Corporate Compliance Guard™ as “legal due diligence”

- The Corporate Compliance Guard™ can be use as a preliminary legal due-diligence in relation to M&A negotiations.

Corporate Compliance – for everyone

Different types of companies have different needs in relation to management of documents related to corporate compliance:

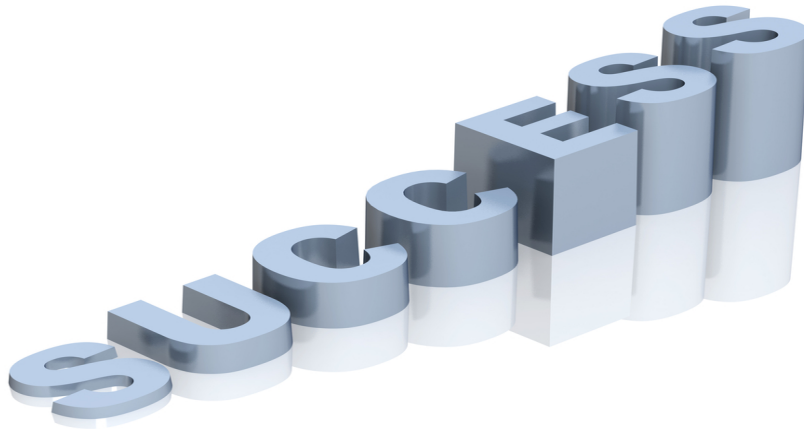
<i>Types of company</i>	MFG CO	FICE	SERVICE	BRANCH	REP. OFF
Related Binders					
<i>Shareholder's Register File</i>	•	•	•		
<i>Company Registrations File</i>	•	•	•	•	•
<i>Board of Directors' File</i>	•	•	•		
<i>Auditors File</i>	•	•	•	•	•
<i>Facilities Approvals File</i>	•	•	•	•	•
<i>Operation Certificates File</i>	•	(•)		(•)	
<i>Insurance Policies File</i>	•	•	•	•	•
<i>IPR and IT Licenses File</i>	•	•	•	•	•
<i>HR Registrations File</i>	•	•	•	•	•
Project Procedures					
<i>Interview / questionnaire survey of target company</i>	•	•	•	•	•
<i>Pre-assessment of needs and drafting of checklists</i>	•	•	•	•	•
<i>Provision of pre-formatted A4 binders</i>	•	•	•	•	•
<i>Guiding collection and filing of documents and certificates</i>	•	•	•	•	•
<i>On-site audit of documents and certificates</i>	•	•	•	•	•
<i>Issuance of compliance report</i>	•	•	•	•	•
<i>Scanning documents and certificates (DVD-ROM)</i>	•	•	•	•	•
Annual Follow-up Audit					
<i>On-site audit of documents and certificates</i>	•	•	•	•	•
<i>Issuance of compliance report</i>	•	•	•	•	•

Corporate Compliance Guard™

– *Implementation timeline*

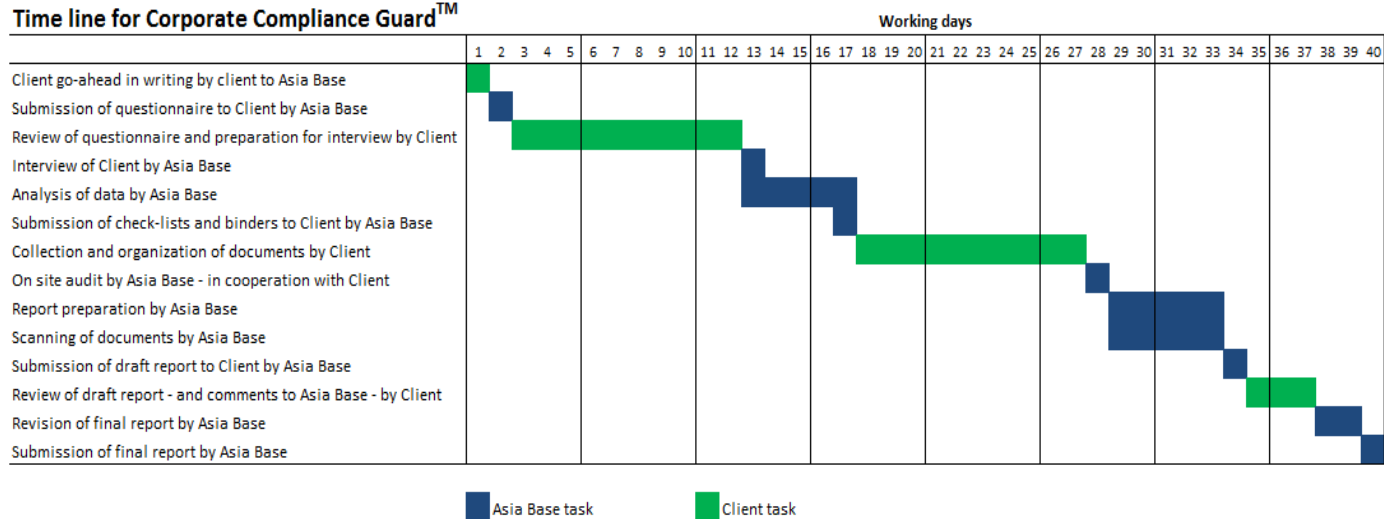
Asia Base Law & Projects puts a lot of work into providing every individual client with the Corporate Compliance Guard™ service.

The typical timeline from project launch to hand-over of the final deliverables is around 8 weeks. In the process there will be times where Asia Base Law & Projects is active, while the client is waiting and vice-versa. In order to achieve the greatest efficiency, it is therefore important that both the Client team and the Asia Base Law & Projects team can work unhindered and effectively.



Eight weeks to corporate compliance

Time line for Corporate Compliance Guard™



Corporate Compliance Guard™

– annual follow-up audits

The Corporate Compliance Guard™ can be offered as a subscription service where **Asia Base Law & Projects** performs an annual audit of relevant files and the implementation of the system.



Asia Base is a major consulting firm specializing in research and legal consulting services for international companies wishing to develop business or establish operations in China through M&A or Greenfield investment. Our services cover:

- Market Research and Strategy
- Incorporation and Corporate Compliance
- M&A facilitation and support

Since 1994 Asia Base has conducted over 500 major industrial market research projects and has played a major role in the establishment and acquisition of over 175 foreign companies in China.

Disclaimer:

The Asia Base Corporate Compliance Guard™ service provides verification of the existence, legality, and validity, of relevant documents related to company registration in China. The Corporate Compliance Guard™ does not provide opinion on commercial, technical, or practical relevance or quality of such documents, and does also not cover commercial contracts, and other documents related to daily operation of an enterprise.

The Corporate Compliance Guard™ is partly based on input from the Client and third parties. It requires some degree of subjective evaluation and therefore the final outputs reflect the situation, as the Asia Base team perceives it. The issue of corporate compliance in China is rather complex, and the unique business and legal environment sometimes defies even expert analysis. Therefore, Asia Base cannot be held liable for any direct or indirect losses related to action or non-action resulting from the outcome of the Corporate Compliance Guard™ services.

Asia Base Law and Projects is registered as a consulting firm, not a foreign law firm, in China. As such, information provided under the Corporate Compliance Guard™ services should not be considered analysis of the law or legal system in China, or an official Legal Opinion, but rather a information related to Business Registration



Asia Base Law & Projects

Asia Base Law & Projects (Suzhou) Co Ltd
#8, Suzhou Ave. W., 10F Sovereign Bldg.,
215021 SIP, Suzhou, China
Tel.: +86 512 6285 8300
Fax: +86 512 6285 8399
www.asiabelaw.com
mail@asiabelaw.com



Member of Larive Group