



“VIRTUAL CFO” SOLUTIONS

How ICS TRUST operates as your “Chief Financial Officer”
for your Hong Kong and China operations

“VIRTUAL CFO” SO



SOLUTIONS

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ICS TRUST “VIRTUAL

In today's global economy, the opportunity and necessity to do business in China is a major challenge for every global business. The potential for gain is considerable, while the possible risks are legion. China does not yet have a developed banking and financial industry, with looser controls and reporting standards than those of the West. Furthermore, many businesses head into China with limited knowledge of their partners, and indeed, their own employees' backgrounds. It is therefore imperative to reduce the risk of financial mismanagement and non-compliance.

Hong Kong, sitting on the doorstep to China, offers a sophisticated legal system as well as a transparent and liquid banking and financial industry which can effectively support your China operations. ICS TRUST, based in Hong Kong, offers you the ultimate reporting and compliance tool, the Virtual CFO solution.

The Virtual CFO solution provides companies, which have structured their China entity through a Hong Kong Limited company, with financial control systems and reports to head



CFO” SOLUTIONS

office, treasury functions and regulatory compliance measures to ensure that uncertainties or risks prevalent in the Chinese business environment are managed and controlled by ICS TRUST. This allows you to focus on your core business growth with added peace of mind from afar.

The ICS TRUST Virtual CFO solution can be broken down into three distinct categories:

- **Financial Control and Reports**
- **Treasury**
- **Regulatory Compliance**

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AN OVERVIEW OF THE VIRTUAL CFO SOLUTION



Our Virtual CFO solution alleviates the frustration of managing an Asian based operation in an unfamiliar regulatory environment by providing you with a Virtual CFO on the ground in Asia who will report to you and interpret information on your terms and in your language. ICS TRUST will provide the same standard of financial control in Asia that you insist on at head office.

Financial control is an indispensable function in the operations of any successful business no matter where you do business. ICS TRUST can act as your "Virtual CFO" helping to ensure the successful growth of your business in both Hong Kong and China.

Working from our Hong Kong headquarters, we leverage the reliable platform of superior tax benefits, an established banking system, as well as a well-understood legal system providing comprehensive services that effectively manage financial controls, treasury and regulatory compliance.



Every Hong Kong limited company is required to:

- Prepare financial management accounts and have these audited (the first period is 18 months and thereafter it reverts to a 12 months period)
- File annual tax returns

In preparing the monthly management accounts, we will ensure that such accounts give a true and fair view and are prepared in accordance with the Companies Ordinance and Hong Kong Accepted Accounting Standards.

The task is more challenging in China. Firstly, many international investors are not familiar with the culture, mentality or even behaviour of local employees. Procedures and policies in China are unique. For example, the use of seals (chops) as opposed to signatures, numbered government contracts, and even legal documents being completed in black ink pen only! There can be a number of difficulties coordinating overseas operations with the head office such as all documents being in Chinese, differing reporting standards, and the vast number of government departments that are involved in the financial reporting process. Furthermore, the standard financial statements prepared by many Chinese enterprises or external CPA firms in China are not very useful for management decision making and financial control purposes. Much of this



is due to the short-history of the capital economy in China and consequently a lack of experience in modern accounting practices. As well it may not be cost effective for senior management to be involved in checking every financial transaction especially, when faced with 12 hour time differences, and language challenges. The question then arises: how can you best manage this financial risk and ensure adequate financial control and reporting?

The “Virtual CFO” solution is an indispensable service which responds to your professional standards and business needs and provides a suite of integrated CFO solutions, which include the following tailored services:



FINANCIAL CONTROL

The challenge of proper financial control in China, at a standard to which Western investors are familiar, is immense.

English language reports are not officially recognised for reporting; international GAAP standards are rarely adhered to; reporting periods differ hugely; staff and domestic CPA firms lack experience of international accounting practices; and worse, many firms are contracting new employees to manage their finances in China without understanding the difference in mentality or culture of these staff when compared to that of head office.

Imagine therefore trying to run a Chinese operation remotely with immeasurable time, language, cultural and training differences. What a challenge!

As your international partner in Asia, ICS TRUST is uniquely placed to provide a full virtual financial control and management model for your company in China which will be administered from our central base in the heart of Hong Kong's financial district.

1. FINANCIAL REPORTS

In addition to reviewing all contracts and agreements (such as lease agreements, employment contracts, and commercial agreements), ICS TRUST can setup a specified array of financial reports to serve as valuable financial tools for your management decision-making processes and financial control. In each case, ICS TRUST reports back to your global headquarters completely independently.



LS AND REPORTS

We can:

- Compile specific financial statements for management review
- Undertake cash flow management and analysis
- Report on a specific customised list of financial performance indicators

2. ON-GOING MONITORING

- Ensure that all financial reports to Chinese government agencies and to head office are completed and submitted in a timely manner to avoid penalties
- Ensure that statements and indicators are inline with quarterly or annual forecasts
- Analyse financial reports on a monthly or biweekly basis and provide recommendations or consultation when required

3. FINANCIAL BUDGETING

- Implement and administer a budgeting system in accordance with specified forecasts and business plans
- Monitor the entity's fiscal performance against budget to report and evaluate the reasons for possible discrepancies
- Review and revise budgets as required
- Administer capital budgets for estimating the feasibility of acquiring major assets and equipment



4. INTERNAL CONTROLS

- Safe guard the company and finance seals (“chops”) to ensure control over contracts / agreements / purchase orders and compliant execution. This is critical as the holder of the company and financial seals can commit the company to any financial transaction or legally binding agreement without signed approval from head office
- Review internal control procedures, contract execution processes and advise on areas requiring improvement
- Conduct periodic onsite visits (every 2-3 months or as specified) to report on observations made and ensure proper procedures are kept

5. PAYMENT PROCESSING

- Develop the company manual re processing of payments and petty cash procedures
- By holding the company and finance seals, ICS TRUST can process payments on your behalf thereby controlling cash. All payments will only be processed with your approval and in accordance with your corporate policy and procedures
- Compile a weekly cash book and report to you
- Monitor and reconcile petty cash on a weekly or replenishment basis

6. ACCOUNTING SERVICES

- Setup a compliant, transparent and comprehensive accounting system in China (to mirror that of the headquarters where feasible)



- Advise on the use of accounting software approved by the local and provincial tax authorities
- Preparation of financial accounts in accordance with Chinese GAAP
- Translation of financial accounts prepared in Chinese and according to GAAP standards into English and into your accounting standards

7. PAYROLL SERVICES

Labour law in China is convoluted and non-ubiquitous. Each province has differing standards and practices. For the unfamiliar, this is a hugely confusing and potentially hazardous process. Employment contracts must be in Chinese and compliant with Chinese law for both foreign and local employees. Employees must be registered with a series of government departments and contributions to social welfare and insurance (which differ from city to city,

province to province) must be managed tightly. Failure to comply at any point can result in employees exercising a ‘whistleblower’ regulation that can see the foreign entity incur large penalties imposed by the Chinese authorities.

ICS TRUST can:

- Prepare and execute employment contracts for both expatriate and local employees
- Register new employees with the relevant government authorities
- Manage monthly payroll including calculating individual tax and making social insurance payments
- Ensure compliance with local and provincial labour laws

8. TRAINING

- Provide training to ensure your staff adheres to your policies and procedures



TREASURY



China has strict foreign exchange controls which relate specifically to the movement of funds from capital account to current account transactions. In addition, as China's currency, the Renminbi (RMB) or Chinese Yuan (CNY), is not freely convertible, international investors must pay attention to the problems that such restrictions may place on their domestic and international operations and cash flow. Without knowing how to navigate such controls or manage the movement of funds, feeding your funds into China or repatriation of profits and dividends from your Chinese company can be extremely difficult.

To compound concerns, the current banking system is not yet equipped to entirely provide for the fast-paced demands of global business. Many transactions, especially those that involve foreign currency transfers still require time consuming approvals before a bank will execute any transaction.

Our clients engage ICS TRUST to take a leading management role in the operation of their Asian entity's treasury function, facilitating trade transactions in and out of the Chinese business. From our many years of experience in dealing with Chinese business it has been



proven time and time again that holding the bulk of funds in Hong Kong is the most effective way to mitigate possible financial exposure. Having a Hong Kong holding structure (a limited liability company) and using Hong Kong as a financial base will allow you to transfer funds in and out of China easily and effectively given Hong Kong's age old and reliable relationship with China as a Special Administrative Region (SAR).

In executing the treasury function, ICS TRUST can:

1. MANAGE TRANSFERS OF FUNDS INTO CHINA – Monitor the expenditures in China and ensure that funds are transferred to the Chinese operation only when requested and properly authorised. This minimises cash balances kept in China.

2. MANAGE TRANSFERS OF FUNDS OUT OF CHINA – Monitor and facilitate foreign exchange transactions out of China via Hong Kong. Hong Kong has a beneficial tax treaty with China which reduces the withholding tax on dividends paid from China. Combined with the exemption of dividends from tax in Hong Kong, this maximises the after tax profit on repatriations.



3. MANAGE TRANSFERS ACROSS JURISDICTIONS – Payment of pre-approved loans to overseas affiliates of the Chinese operation and reimburse approved costs and expenses of those affiliates via the Hong Kong banking system.

China's currency is not freely convertible so international investors must pay attention to the problems that such restrictions may place on their domestic and international operations and cash flow.

REGULATORY COMPLIANCE



Establishing operations, putting in place financial controls, and executing responsible treasury functions are essential for any business to be successful. However, in China, the business environment is being revolutionised at such a rapid pace that ensuring regulatory compliance is maintained is a challenge for international businesses.

In many Western nations, such regulations are transparent, easily accessible, and of a national standard. In China, regulations differ from province to province, and even from city to city. Information on updated regulatory requirements is hard to come by and almost impossible to access in any language other than Chinese. For many companies, the logistics and costs of trying to manage ongoing regulatory compliance in a constantly changing business environment are defeating.

Our clients engage ICS TRUST to specifically help by:

1. Maintaining Proper Bookkeeping Procedures

- Setup accounting books within 15 days of a business licence being issued
- Ensure that proper bookkeeping procedures are maintained in accordance with Chinese government regulations and GAAP standards to avoid penalties
- Maintain account books in Chinese (as account books are officially required to be kept in Chinese) and ensuring the English language translations are accurate and relevant

2. Manage Tax Compliance

- Registration of Chinese operations with the state and local tax authorities
- File monthly, quarterly and annual tax filings as required
- Ensure the renewal of tax certificates



on an annual basis to avoid heavy financial penalties and possible deregistration

- Conduct annual statutory and tax audits
- Ensure the operation is registered as a VAT general tax payer in China

3. Maintain Current Business Licences

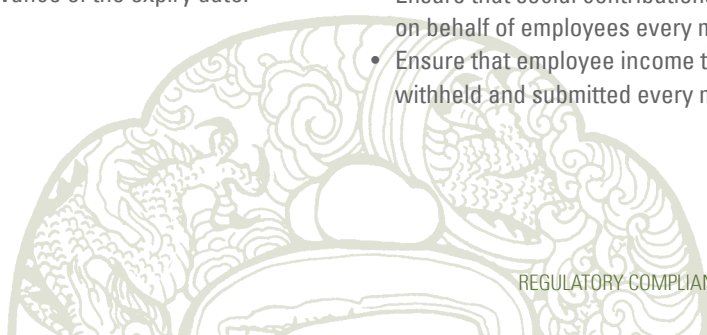
ICS TRUST can facilitate all business licence renewal procedures, as businesses operating in China are periodically (and sporadically) required to submit business licences and documentation to authorities for review and renewal to avoid possible deregistration. These procedures are more complicated than in most Western countries and applications must be filed well in advance of the expiry date.

4. Execute Foreign Currency Control

- Ensure that all registered capital requirements are satisfied and capital verification takes place through an authorised party to ensure funds transmitted are recognised as actual registered capital
- Ensure that the foreign currency control policy is compliant
- Conduct annual foreign exchange audit and report to authorised government departments
- Ensure that tax paid certificates and certificates of tax exemption are obtained where necessary

5. Employee Compliance

- Ensure that labour laws are met and complied with in ongoing operations
- Ensure that social contributions are made on behalf of employees every month
- Ensure that employee income tax is withheld and submitted every month





WHY ICS TRUST?

Since our first foray in 1980 into the Chinese markets on behalf of clients, experience has shown that the compliance and management issues for each client doing business in China are unique and challenging. Many CPAs in China concentrate on statutory audits for local and foreign companies but have little experience with financial control.

ICS TRUST is dedicated to helping ensure the successful growth of your business in China, and is in a unique position to provide broad and integrated services

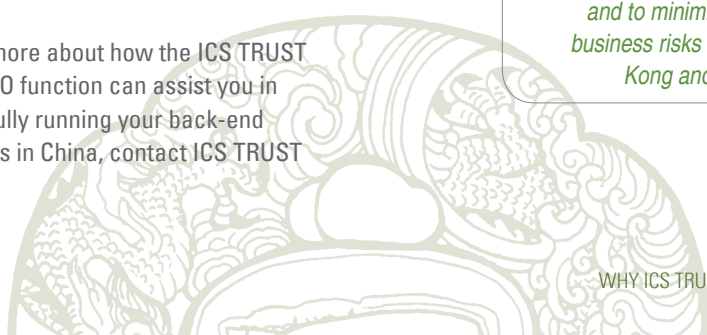
to deal with financial issues and to minimise your business risks in Hong Kong and China. Our aim is not to just file a Chinese tax return, but to provide a comprehensive virtual “CFO” financial package that effectively manages the compliance and financial matters of any China-based foreign entity with comprehensive reports to your CFO who then has the information on hand to review and analyse. Importantly, this is done without the necessity of you going to the immense expense of expatriating your own staff, travelling long hours to



China or running the risk of engaging a new member of the senior team. We will manage all of the administration, compliance, tax and financial matters while leaving the senior management of the home office and Chinese operations to concentrate on the core business strategy and growth.

To learn more about how the ICS TRUST Virtual CFO function can assist you in successfully running your back-end operations in China, contact ICS TRUST today.....

ICS TRUST is dedicated to helping ensure the successful growth of your business in Hong Kong and China, and is in the unique position to provide broad and integrated services to deal with financial issues and to minimise your business risks in Hong Kong and China.





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OTHER PUBLICATIONS BY ICS TRUST



DIRECT IMPORT PROGRAMS

From buying textiles in China or Vietnam for sale to North American retailers to moving bulk volumes of semi-finished products from India to Europe, buyers today expect importers to be highly proactive, to take a greater share of the risk and to offer more flexibility in how goods are sold. ICS TRUST's customised Direct Import Programs (DIPs) are perfectly suited for corporate clients who source products in Asia and sell direct to large third party buyers. Our DIPs are the ideal tool for providing clients with the flexibility of selling on a freight-on-board (FOB) Asia basis while maintaining full control of the process. If you don't have an ICS TRUST Direct Import Program, it's most likely costing you money.



DOING BUSINESS IN CHINA

Whether looking to expand local sales or competitiveness in domestic markets, or seeking to build foreign export sales, no business today can afford not to have a China strategy. ICS TRUST's Doing Business in China guide offers an integrated solution to China market entry, designed to help companies establish and do businesses in the PRC in an efficient and effective manner by ensuring investors overcome challenges faced by foreign customers.



ICS TRUST COUNTRY INFORMATION GUIDES

At ICS TRUST we recognise the need for concise, practical and informative data on key countries where clients seek to do business. Packed with critical information on subjects such as the tax system, company structuring, banking facilities and more, ICS TRUST Country Information Guides are the ideal primer for businesspeople who need to quickly familiarise themselves with a new market. Country Information Guides are available on Hong Kong, China, India, Vietnam and many more.

Contact us today at +852 2854 4544 or email us at ics@icstrust.com to receive complimentary copies of the above publications.



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