OPEN ∞ BUSINESS

10-Year Legal Blueprint

China + Cayman + United States · Cross-border IPO Architecture

IPO-Readiness scoring · entity / equity / tax / compliance map
Co-signed by onshore + offshore + US counsel.

OBP — Outbound Business Platform · v1.0 · 2026

I · Why a 10-Year Blueprint Matters

> THE THESIS
> Listing is not the finish line — it's the start of a different compliance reality. A blueprint that survives ten years of audit, lawsuit, and political shift means your prospectus, your tax routing, and your family wealth do not turn back on you in year five.

Across 11 years and 54 deals we have seen seven structural traps that 'bite back' the founder 3-5 years post-IPO: **VIE invalidation · red-chip unwind taxation · locked equity · SEC retroactive review on reverse mergers · offshore non-recognition · transfer-pricing pierce · trust piercing**. This blueprint exists to neutralize all seven from day one.

Three Test Dimensions of a Good Blueprint

1. Structural soundness — recognized under PRC, US, and Cayman law simultaneously
2. Tax efficiency — < 18% effective rate over 10 years pre- and post-IPO
3. Evolvability — new business lines, financings, and geographies can be plugged in without re-architecture

II · Onshore + Offshore + US — The Three-Layer Architecture

2.1 Onshore Layer (China)

Statutes: Company Law · Foreign Investment Law (2020) · Data Security Law (2021) · Personal Information Protection Law (2021).

Typical entities: WFOE (wholly foreign-owned enterprise) / VIE contractual control / domestic equity holding platform.

Architecture Choices

Architecture	When to use	Strengths	Risks
Pure WFOE	Hard-tech / manufacturing / no negative-list exposure	Clean structure · transparent tax · profit repatriation possible	Foreign-investment access limits · cross-border dividend requires ATR
VIE	Internet / education / media (negative-list)	Bypasses access limits · flexible listing venue	2021+ policy risk · enhanced SEC disclosure requirements
Onshore + Export model	Cross-border e-commerce / manufacturing exporters	No VIE needed · controllable cash flow	Requires structural rework before listing

Data Compliance Highlights (2025)

- Personal Information cross-border: > 1M records → CAC security review; 100K-1M → standard contract filing
- Important Data cross-border: must pass CAC security review — no filing-only path
- Under VIE: domestic operating entity must hold ALL data licenses (ICP, EDI, online media, etc.) independently

2.2 Offshore Layer (Cayman / BVI)

Statutes: Cayman Companies Act (2023 Revision) · BVI Business Companies Act (2020 Amended).

Typical entities: Cayman as listed entity + BVI intermediate holdco + founder BVI personal holding + Cayman ESOP entity.

Why Cayman as the Listing Vehicle

- 0% corporate tax · 0% capital gains · 0% stamp duty
- Recognized as a qualifying issuer by NASDAQ, NYSE, HKEX
- Incorporation in 5-7 business days · no minimum capital
- Special Economic Zone enables ESOP / option-pool holding without double taxation

BVI's Role in the Three-Layer Stack

BVI is rarely the listed entity but is the optimal intermediate layer — isolating personal risk, preserving privacy, and enabling clean equity changes:

- Founder personal → BVI personal holdco → Cayman listed entity
- ESOP Trust in BVI, beneficiaries linked to Cayman ESOP entity
- Family-member holdings consolidated in a BVI family company, avoiding visibility on the Cayman cap table

2.3 US Layer (United States)

Statutes: Securities Act of 1933 · Securities Exchange Act of 1934 · Sarbanes-Oxley (2002) · Dodd-Frank (2010) · HFCAA (2020) · CHIPS Act (2022).

Typical entities: Delaware C-Corp (US operating subsidiary) + the Cayman listed entity directly traded on NASDAQ / NYSE — no separate US listed entity required.

Why a Delaware C-Corp

- Operating vehicle for the US market — contracts, employment, payroll
- Stability of Delaware Court of Chancery precedent
- If a future De-SPAC or strategic acquisition happens, valuation is cleaner

HFCAA Compliance

Since 2020, all US-listed Chinese issuers must accept PCAOB inspection. After PCAOB completed Hong Kong audit-paper review in 2023, HFCAA delisting risk eased materially. However: **if PCAOB loses access to audit papers for two consecutive years, the issuer enters a 2-year delisting countdown.**

III · IPO-Readiness Scoring Model

Six dimensions, 0-10 each. Total cap = 60. ≥ 48 = IPO Ready.

Dimension	0 (Critical)	5 (Average)	10 (Excellent)
Tax Efficiency	High-tax jurisdiction holding · effective rate > 30%	Neutral structure · effective rate 18-25%	Cayman + Singapore ATR · effective rate < 12%
Compliance Hygiene	VIE not aligned with onshore licenses · no data review	VIE signed · data filed	Pure WFOE · all licenses independent · CAC reviewed
Equity Liquidity	Major shareholder locked 5+ years	Standard 6-12 month lock-up	RSU / Cayman ESOP · structured liquidity
Audit Standard	Domestic GAAP · unaudited	PCAOB · 1 year only	Big 4 PCAOB ≥ 2 years · IFRS dual-track
Reverse-Merger Drag	Prior reverse merger · seller still on cap table	No history · complex cap table	Clean cap table · no merger history
Founder Compliance	Single passport · no ID plan · no trust	Second residency in place	Second passport + cross-border trust + family office

Total Score Reading

Score	Verdict	Action
48-60	IPO Ready	Begin prospectus drafting immediately
36-47	6-12 months of repair	Fix lowest-scoring dimensions first; re-score in 6 months
24-35	12-24 months to rebuild	Run OBP Step 02 architecture from scratch
0-23	Not yet	Hold core business; revisit when structure is stable

IV · Seven Traps That Bite the Founder Within 10 Years

Trap 1 · VIE Invalidation

Scenario: Post-2021 SEC disclosure requirements for VIEs are dramatically tighter. If the VIE contractual chain is not aligned with the onshore licenses, data compliance, and related-party transactions, year-2 post-IPO often triggers “unenforceable agreement” litigation.

> OBP COUNTER
>
> Counter: at design time, the three-party VIE agreements must be vetted by onshore + offshore + US counsel together. Annual compliance review thereafter.

Trap 2 · Red-Chip Unwind Taxation

Scenario: If you ever want to unwind the red-chip and re-list on a domestic exchange but did not pre-plan, the unwind is taxed as a full disposal — up to 25% corporate + 20% individual income tax.

> OBP COUNTER
>
> Counter: above the Cayman listed entity, retain a defensive BVI layer enabling future unwind via share-swap, not liquidation.

Trap 3 · Equity Lock Without Pre-Negotiated Release

Scenario: Founder Cayman holdings without explicit prospectus-disclosed release schedules default to 5-year lock. Subsequent legal/banker re-papering can cost > USD 500K.

> OBP COUNTER
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> Counter: 18 months pre-IPO, design ESOP / founder release schedules into the Cayman articles.

Trap 4 · Reverse-Merger Retroactive Review

Scenario: Founders or core shareholders with any reverse merger or SPAC participation in the prior 7 years trigger SEC retroactive disclosure. 12 China issuers have been delayed 12-24 months by this.

> **OBP COUNTER**
> Counter: pre-architecture, the CEO and partners each commission a 7-year compliance background scrub.

Trap 5 · Offshore Non-Recognition

Scenario: BVI entities lacking demonstrable Economic Substance (per the 2019 ES regime) are deemed shells and lose tax benefits, triggering pierce.

> **OBP COUNTER**
> Counter: BVI personal holdco files annual ES return (~ USD 5K/yr) and maintains evidence of substantive activity.

Trap 6 · Transfer-Pricing Pierce

Scenario: Service fees paid by an offshore entity to an onshore entity, if not arm's-length, are recharacterized as profit shifting — clawback plus 50% penalty.

> **OBP COUNTER**
> Counter: every cross-border related-party transaction must have OECD-compliant transfer pricing documentation (Master / Local / CbCR files).

Trap 7 · Trust Piercing

Scenario: Family trusts established in mainland China where assets remain onshore or beneficiaries are PRC residents are deemed "non-genuine," voiding trust protection.

> **OBP COUNTER**
> Counter: cross-border trusts must be Singapore / Cayman / Jersey-based, beneficiaries with overseas residency, assets held within offshore holding companies.

V · Tri-Jurisdiction Co-Signature Mechanism

OBP does not write the legal opinion for you — what we do is run the workflow that makes three counsel simultaneously sign on every key document, so any cross-border challenge is already pre-answered.

Counsel Role	OBP Partner Firms (representative)	Sign-Off Scope
Onshore (PRC)	King & Wood Mallesons, Junhe, Zhong Lun, Haiwen, Tian Yuan	Onshore entities · VIE agreements · data compliance · related-party transactions
Offshore (OFC)	Maples · Conyers · Walkers · Mourant	Cayman incorporation · BVI holdings · listed-entity articles
United States	Skadden · Latham · Cleary · Davis Polk	F-1 / 20-F prospectus · SEC inquiries · post-IPO compliance
Tri-Party Co-Signature	OBP coordinates the three jointly	10-Year Legal Blueprint · cross-border investment agreements · IPO key milestones

THE OBP DIFFERENCE

Most advisors connect you to one counsel — leaving you to play translator and project manager. OBP's 11-year network puts the three counsel at the same table from day one, saving 6-12 months of email cycles.

VI · Next Step — Build Your Bespoke Blueprint

This whitepaper is the framework. Each company's circumstances — business, ownership, geography, listing target — produce a unique blueprint.

OBP delivery flow:

4. Kickoff (week 1) — CEO + CFO + Legal align with OBP partner
5. Discovery (weeks 2-4) — OBP team + tri-counsel + tax full diligence
6. Draft blueprint (weeks 4-8) — first version with IPO-readiness score
7. Polish + co-sign (weeks 4-8) — formal joint legal opinion
8. Delivery + annual review (year 1+) — annual compliance checks ensure the blueprint still holds at year 10

> **FREE**
> 30-minute readiness call · led by a partner · zero sales pitch · we'll tell you which path fits.

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