

# Knowing your partners in China

*Are you ready for China? - Report 4*

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## **1. The importance of finding the right partner in China**

When pondering whether to do business with China, you, as an EU SME, have many choices. You may choose to simply export from Europe, use a distributor in China, establish your own office/manufacturing base in China or a combination of these. However, no matter what you do, you are likely to be confronted at some time or another with the option of working with a local partner.

Working with a local partner has a variety of advantages and, if not careful, possibly disadvantages. It is important to stress that the vast majority of companies in China are honest and willing to develop sustainable business. However, just as important as the question of whether to partner or not, is the question: How to find, and assess, the right partner?

This report will help answer this question.

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## 1.1. What and why due diligence?

The best way to make the right choice for your business is through **due diligence**. Due diligence, in its simplest form, is the act of evaluating a prospective business decision by getting information about the financial, legal, operational and reputational state of a third party.

Well-researched and conducted due diligence on a potential partner can help you avoid a number of common China partnership pitfalls, such as:

### Fake companies

- A potential partner may not exist at all.

### Paper tigers

- A potential partner may promote itself as a leading company in its industry but is in fact an imposter or does not really exist.

### Shell companies

- A potential partner may possess all the required registration information but no significant assets or active business records.

### Parasite companies

- A potential partner may rely too heavily on its relationship with local government officials. This may mean the company is operating in a legal gray area and vulnerable to changes in government personnel.

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## 1.2. Types of due diligence

There are a number of different types of due diligence to be undertaken when selecting a business partner in China. Each is equally as important as the other and must be completed effectively in order to be certain that your China market entry won't yield any unwanted surprises.

The due diligence to be undertaken is:

1. Checking a company's administrative and legal standing.
2. Checking a company's financial standing.
3. Checking a company's operations.

Sections 2, 3, and 4 of this report will look at these three categories of due diligence. Beforehand, however, this report presents the **seven rules of due diligence** that should always be on a company's mind.

## 1.3. Seven rules of due diligence

### **Rule 1: Assess how Chinese companies treat the partner company**

- It is harder for Chinese companies to mislead other Chinese companies, and there is less incentive to do so.
- So, try to understand how other Chinese companies treat, and are treated by, your potential partner company.

### **Rule 2: Do not take company introductions at face value**

- It is better to make introductions through your own trusted networks and advisors than through your potential partner company.
- Any suppliers, competitors, employees or customers engaged through the partner company may have an agenda benefitting the partner company.

### **Rule 3: Always ask yourself "Is this too good to be true?"**

- Throughout your due diligence you should remain vigilant.

### **Rule 4: Scrutinise the company operations**

- Some of the partner company's paperwork you will receive may be inaccurate at best and fraudulent at worst.
- The best way to know their true identity is through assessing their business operations (due diligence stage 3).

### **Rule 5: Scrutinise the company's paperwork**

- Always be on the lookout for mistakes such as names of banks, locations, customers, suppliers, logistics, and production amounts (due diligence stage 1 and 2).
- A mistake may seem honest, but it may also be a crucial clue to the company's legitimacy.

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**Rule 6: Speak to other stakeholders**

- A multi-level check – have competitors, suppliers, regulators, expected customers, and industry media even heard of the company in the first place and, if so, what is the company's reputation?

**Rule 7: Do not delegate**

- Business subordinates may have reason to conspire with the potential partner company, much like the reasons in rule two.
- Make sure your decisions are based on your own conclusions reached by consulting different independent sources.

## 2. Verifying a company's administrative and legal standing

The questions you must first ask before partnering with a business in China are:

- Is the company duly incorporated?
- Is the person I am negotiating with authorised to represent the company?
- Has the company obtained all permits and licences required for the business it performs and are those permits valid?
- Is the company entitled to use the premises or land it occupies?
- Does the company legally own the intellectual property rights - trademarks and patents - it claims?

This chapter will tell you how to find the answers to these initial questions.

### 2.1. The business licence

Every company legally incorporated in China possesses a **business licence**. It is an official document issued by the **State Administration of Industry and Commerce (SAIC)** and acts as the company's identification.

#### 2.1.1. Checking the business licence

A company's business licence can be checked on the SAIC or local AIC (where the company is registered) websites, but more importantly at the local AIC branch itself. The information from websites can only serve as preliminary information; it has to be accompanied by other verification.

The search tool on the website of the Hebei AIC (<http://222.223.188.7/wsgs/ywztcx/query.asp>) looks like this:



The screenshot shows the '河北省工商行政管理局 电子政务大厅' (Hebei Provincial Administration of Industry and Commerce Electronic Government Service Hall) website. The page is titled '企业基本信息查询' (Enterprise Basic Information Query). It features a search form with two input fields: '注册号' (Registration Number) and '企业名称' (Enterprise Name). Below the fields are '查询' (Search) and '清空' (Clear) buttons. A提示 (提示) box at the bottom states: '提示: 请您在“企业名称”栏或“注册号”栏输入您要查询的企业名称或注册号!' (提示: Please enter the enterprise name or registration number you want to query in the 'Enterprise Name' or 'Registration Number' field!).

Websites of other local AIC branches can be found using the search tool in the bottom left-hand corner of the SAIC website ([www.saic.gov.cn](http://www.saic.gov.cn), only in Chinese).

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When checking the business licence, it is important to look and compare the following information:

### **1. Company name**

- The name on the business licence must be the same as the potential partner company.
- Every document you will be presented with during the due diligence process must have the same name as the business licence.

### **2. Company address**

- The address must correspond to a real place of business.
- An unannounced/undercover visit to the premises is recommended.

### **3. Legal representative**

- Ask for the details of the person authorised to represent the company to third parties (e.g. sign contracts on behalf of the company and affix the official company stamp).

### **4. Registered and paid-up capital**

- The registered capital is a limit of the liability of the shareholders.
- The paid-up capital is the amount which has already been contributed by the shareholders.
- This is not evidence, however, that the money is still in the company's account.

### **5. Form of incorporation**

- E.g. limited liability company.

### **6. Business scope**

- Make sure the business sector and activity in which you are going to cooperate is included.
- This can help identify the permits and licences required, and those needing to be applied for.

### **7. Shareholder**

- It is worth checking the business licences of the potential partner's shareholders too.

### **8. Term of business and date of establishment**

- Note the term of business/business licence expiration date.

### **9. Find and verify the official AIC stamp**

- The stamp certifies that the company passed annual inspection.
- Not being granted AIC approval or missing the AIC stamp may mean that the company has encountered some problems in the past year.



Below is a business licence from China:

Registration number

Company name

Address

Legal representative

Registered capital

Paid-up capital

Business type

Business scope

Shareholders (sponsor)

Registration date

Term of operation

Registration authority

## 2.2. The company stamp

To be considered official, any document in China needs to be affixed with a **company stamp**, also known as a “**chop**”. The company stamp is the “official signature” of the company which must be affixed on every important document you receive. The importance and use of the company stamp in China is the same as the signature of the CEO or general manager in Europe. Without it, the document can be easily questioned as not being official.

Two important questions need to be asked about the company stamp when finding a business partner in China:

- Is the company stamp genuine?
- Has it been used by the authorised company representative?

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### 2.2.1. Confirming the validity of a company stamp

**1. Go to AIC and the Public Security Bureau in the town where the company is located**

**2. Ask whether the company stamp is registered**

- Registration of a company stamp at the Public Security Bureau is mandatory.

**3. Inspect various documents filed with local authorities**

- Ensure that the same stamp has been used on all documents.

**4. Only if the stamp is registered and/or it is used on all filed documents can you be sure it is valid**

Confirming the validity of a company stamp is vital to ensuring that your potential partner is a legitimate business; but it can only be undertaken effectively by local Chinese lawyers.

### 2.2.2. Confirming authorised use of the company stamp

**1. Visit the company HQ**

**2. Ask: "Is the person who stamped this document employed by your company?"**

**3. Ask: "Is that employee authorised to undertake this particular business?"**

**4. If both questions are answered affirmatively then the company stamp's use was authorised**

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### 2.2.3. How the stamp should look

When looking at stamped company documents, ensure that the stamp printed on the document is:

- Circular;
- In red ink;
- The company name in Chinese characters only; and
- Completely legible.



### 2.2.4. Researching the company at SAIC and its branches

Accessing a potential partner company's records through SAIC and its local branches is not easy but it will provide you with a lot more information, that is reliable and accurate, than would be provided by basic company search firms.

To successfully obtain a company's records from SAIC:

#### 1. Hire a Chinese lawyer

- SAIC has been known to only open up records to licenced Chinese lawyers.

#### 2. Lawyer should visit the SAIC office in person

#### 3. Review the company file and make copies at the SAIC office

- All documents will be in Chinese. Hiring a translation service, usually through the hired law firm, is advised.

SAIC usually releases the file upon request, however, your partner is likely to know that you are investigating their file. There is a chance that an SAIC office may block research on a file of a powerful partner company.

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## 2.3. Permits and licences

Certain business activities require **special permits** issued by different state authorities, usually responsible for supervising the related industry.

By looking at the business scope on the business licence, you will get a better understanding of the permits you should ask for from your potential partner. Study them with the same attention to detail (e.g. company name, date, stamp) as you did the business licence. Be aware that for an investment into certain industries/businesses, there is an obligation to establish a joint venture (JV) with a Chinese partner with a prescribed limit of foreign investment.

Permits needed may include:

- For an **importer**: Import licence.
- For a **supplier**: Special permit for manufacturing the product; or a report from the Quarantine and Commodity Inspection Bureau when exporting from China.
- For a **distributor**: Distribution permit (for certain products a special distribution permit is needed, e.g., food).
- For a **service provider**: Permit to provide the specific service.

For further information or specific enquiries on permits and licences please contact the EU SME Centre at [enquiries@eusmecentre.com.cn](mailto:enquiries@eusmecentre.com.cn).

## 2.4. Premises and land

The following questions need to be answered in relation to a potential partner company's premises:

- Do they have the right to use the land?
- What rights do they have over the land?
- What can the land be used for?

### 2.4.1. Land use rights

Land related rights and its use can be checked at the **local land bureau**. However, state-owned enterprises (SOEs) do not possess land use rights certificates, they must be asked to obtain one and then show it to you.

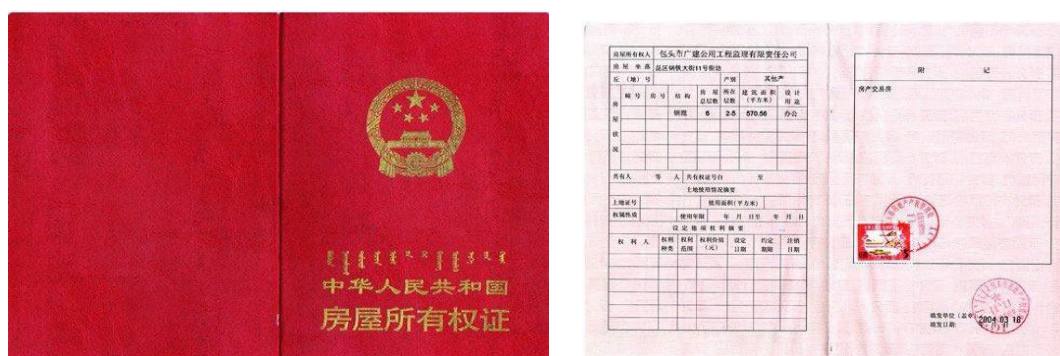
Two types of land use rights exist in China:

- **Allocated rights:** this is only the right to use the land for a period of years. This means that any structures or additions to the land will not benefit the user, but the landlord. Also, if the lease is solely between the Chinese partner and the landlord it is worth having agreements in place, such as letters of intent, that ensure you can stay on the land if the Chinese partner defaults on rent.



State-owned land use right certificate

- **Granted rights:** this is title to the land for a limited timeframe. This is the more secure of the two rights, especially if you are making a significant investment in the land. Granted rights can be used to raise a loan from a Chinese bank and a profit can be made on their eventual sale.



Property ownership certificate

## 2.4.2. Premises

You need to ask for the valid **lease contract** (check at least the specification of premises and clause about the term of lease), **property purchase contract**, the **ownership certificate** and the certification that gives him the **right to use** the land. Ensure that the designated use of the land is in line with what you plan to use it for, e.g., commercial or industrial.

## 2.5. Intellectual property rights

Your potential partner company may have trademarks, patents and/or copyrights. The exact nature of these rights should be checked, ensuring that they are properly protected and legitimately owned or licenced by asking for the company's **intellectual property rights ownership certificates**.

For further information or specific enquiries on intellectual property in China please contact the IPR SME Helpdesk at [www.china-iprhelpdesk.eu](http://www.china-iprhelpdesk.eu).



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### 3. Verifying a company's financial status

Inaccurate financial reporting is very common in China to the extent that many companies possess two or even three sets of books: one for the tax bureau, one for investors and one for senior executives. This is mainly to avoid tax, but the practice can cast shadows over the true financial health of a potential partner company. It is therefore tricky, yet vital, to find the accurate financial position of the potential partner.

Two important questions to ask are:

- Is the partner company's capital/liability sufficient?
- What is their current financial situation?

#### 3.1. Company capital and liability

Company liability is set by the amount of registered capital set out on the business licence. It is important that you are satisfied with the limit of liability and that it adequately covers your business operations.

Registered capital is not necessarily paid up on issuance of a business licence in China. To confirm the paid-up capital, ask for a **capital verification report**. However, as said previously, this confirmation will not mean that the capital is still in the company.

#### 3.2. Financial statements and audit reports

A standard request to verify a potential partner's financial standing is to ask for a **creditworthiness letter** issued by the bank of your partner. It will give you a picture of the company's current financial situation. However, your potential partner will also have to consent and sign relevant bank documents before the bank releases such information. If your partner is serious though, they should understand and expect you to be making such requests.

Obtaining creditworthiness letters on behalf of the company's shareholders is also recommended.

**Audit reports** and **financial statements** are documents seldom shared at the initial stages but can be asked for when the situation allows it or can be obtained directly through the local AIC. If those documents cannot be obtained officially from the AIC and the company has not been audited, be cautious as the company may not present its true financial situation.

A potential partner company's **credit history** can be obtained from the **People's Bank of China's Credit Reference Centre** upon application by the partner company.

It is very important to ensure that the bank account the partner company provides you with is a company account, not a personal one.

It is advisable to hire a professional accounting practice with experience in China. Please refer to the service provider database available on the EU SME Centre's website at [www.eusmecentre.org.cn/node/195](http://www.eusmecentre.org.cn/node/195).

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## 4. Verifying a company's operational status

You will not know whether the company you want to partner with is truly who it says it is and is able to provide you with what you need unless you investigate how they operate.

The important questions to ask are:

- Are the premises and equipment appropriate for the business the company performs?
- What do the company's suppliers, competitors and customers say?
- What is the company's organisational structure?
- What is the number of employees and management and what are their qualifications?

### 4.1. Visiting the partner's premises

It is very important to visit every one of your potential partner's business premises, including factories, offices and warehouses, a number of times, both announced and unannounced, to analyse the company's daily business processes.

This will help ensure that the partner company:

- Is legitimate.
- Matches the business scope on their business licence.
- Can fulfil your business requirements.

#### 4.1.1. Premises visit checklist

When visiting a partner company's premises, bear the following in mind:

##### 1. Organisation

- Understand the entire workflow.
- Does it make sense? Can they do what they say they do?
- Are there any bottlenecks?
- Ask questions. If answers are not forthcoming, it is a warning.

##### 2. Quality control

- Number and location of checkpoints.
- How are rejections handled?
- Can you understand why rejections are selected?

### 3. Cleanliness

- This will tell you a great deal about the partner company's attitude to quality, reputation and business relations.

### 4. Employee conditions

- If employees are treated fairly and with respect it is more likely their business partners will be too.
- This is also a guide to the quality of business operations.

### 5. Machinery

- Ask detailed questions such as what each machine does, where they are from and how old they are.

### 6. Location

- Are the premises close to suppliers, warehouses, distributors?
- Is it near a port, logistics infrastructure?
- Utility quotas on electricity may affect production.

#### 4.1.2. Talk to stakeholders

Just before, during and after your visit it is important to talk to the potential partner company's:

- **Employees** – of all levels, including entry level staff, mid-level managers etc.
- **Neighbours** – they may have spotted suspicious activity or know about the partner company's history.
- **Competitors** – they will have inside knowledge on how the partner company operates. They may not even have heard of the company, in which case something is wrong. Although, do not take any information from a competitor at face value.
- **Suppliers** – they will know about the partner company's supply chain and any inefficiencies.
- **Customers** – paying customers will give you one of the best ideas of how the company's products and/or services are truly perceived.
- **Regulators** – checks at the local environmental bureau, AIC and related government organisations may provide additional information.
- **Industry and trade associations** – may be able to provide information on the status of the company within the community/industry.
- **Media** – reviews of media coverage of the company and discussions with journalists may also provide insightful information.



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While you may not have time to conduct checks with all of these stakeholders, there are professional service providers that can do this for you.

## 4.2. Verifying the company's organisational structure

To get a true picture of the operational success of your potential partner company a clear understanding of its organisational structure is needed.

To verify the company's organisational structure, it is suggested to check:

### **All investors and shareholders are mandated**

#### **The company's external organisational structure**

- Domestic and overseas subsidiaries, representative offices, branches, distribution centres, research operations and other associated enterprises.
- Appropriate documents evidencing proper establishment and operations.

#### **The company's internal organisational structure**

- Full names, age and contract details (if possible) of members of any supervisory board, board of directors, senior management and other key personnel.

### **Company manuals, rules and policies**

#### **Details of meetings**

- Minutes of meetings by board of directors, general shareholders, any supervisory board and any committees in the last three years.

#### **Constitutional documents**

- Shareholder agreements, JV contracts, articles of association, government approvals and registration documents.

## 5. Practical due diligence tips

### Do not engage if:

- The company wants you to move too fast.
- The company's offering is considerably cheaper than market average.

### Bank account

- Check details several times from different sources before wiring payment.
- Is the name the same as in the contract?
- Is the account number the same in all invoices?

### Contact details

- Website: ensure it is in Chinese and English. Are contact details consistent?
- The company email address should not be a public one – e.g., Yahoo, 163.com.
- Try calling the fixed phone line a few times.

### Communication style

- Is it changing?
- Do they sound distracted or defensive?
- If all correspondence is related to an action that you must complete, it's a warning.

### Contact person

- Is it changing?
- Are they helpful or obstructive?

### Business discussion

- Do they understand their business?
- Are their claims consistent?

## 5.1. Case study

### Santé: A case study on partner due diligence

Santé, a French pharmaceutical company, was considering a JV with Henhao, a Chinese pharmaceutical company in Wuhan, to manufacture and market its goods in China. Henhao claimed to be one of China's leading pharmaceutical companies.

Santé, with the help of a professional service provider, investigated Henhao's claims by researching their administration, finances, and operations as well as their general reputation. Santé took the following steps:

- Primary research: direct contact and interviews with Henhao stakeholders (see chapter 4).
- Secondary research: company documents, media reports, government documents and regulations, company websites and industry reports (see chapters 2 and 3).

Through this examination, Santé amassed a wealth of information about Henhao. From this, Santé learnt that:

- Henhao's business licence was valid and the company's address, business scope and legal representative were consistent. Santé had also met the legal representative previously.
- Henhao's stated revenues were probably 30% higher than reality: a review of both local media publications and a check with the local AIC showed clear discrepancies.
- Henhao's production capacity was overstated by about three times: an undercover guest, familiar with the pharmaceutical industry, visited the factory. He noticed that much of the machinery was not in use and the factory was understaffed. Undisclosed conversations with Henhao employees also confirmed capacity was smaller than stated.
- Many employees did not have labour contracts and frequently worked over-time. However, they were complimentary about the leadership team and felt the company was successful. They also applauded the company for building a school staff could send their children to and for paying salaries promptly.
- All members of the board were well connected within the local community and had received numerous awards.
- China's national pharmaceutical industry association felt Henhao was not a significant player in the market and only gathered attention due to its eccentric CEO.
- Henhao's products were extensively available in provincial hospitals and pharmacies in Hubei. However, their pharmaceuticals were not available in some of the major hospitals in Beijing and Shanghai.
- Henhao had only one environmental compliance violation in the last five years.
- Henhao had a 20 year lease on its property which was to expire in 2022.

After a thorough investigation, Santé concluded that Henhao was a legitimate business with good local success despite questionable practices and claims. It was impressed with the ambition of the CEO, his local connections, and Henhao's commercial prospects. Santé decided not to pursue a JV with Henhao immediately but signed a distribution agreement with the company for regional sales in China.

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## 6. Frequent scams and mistakes

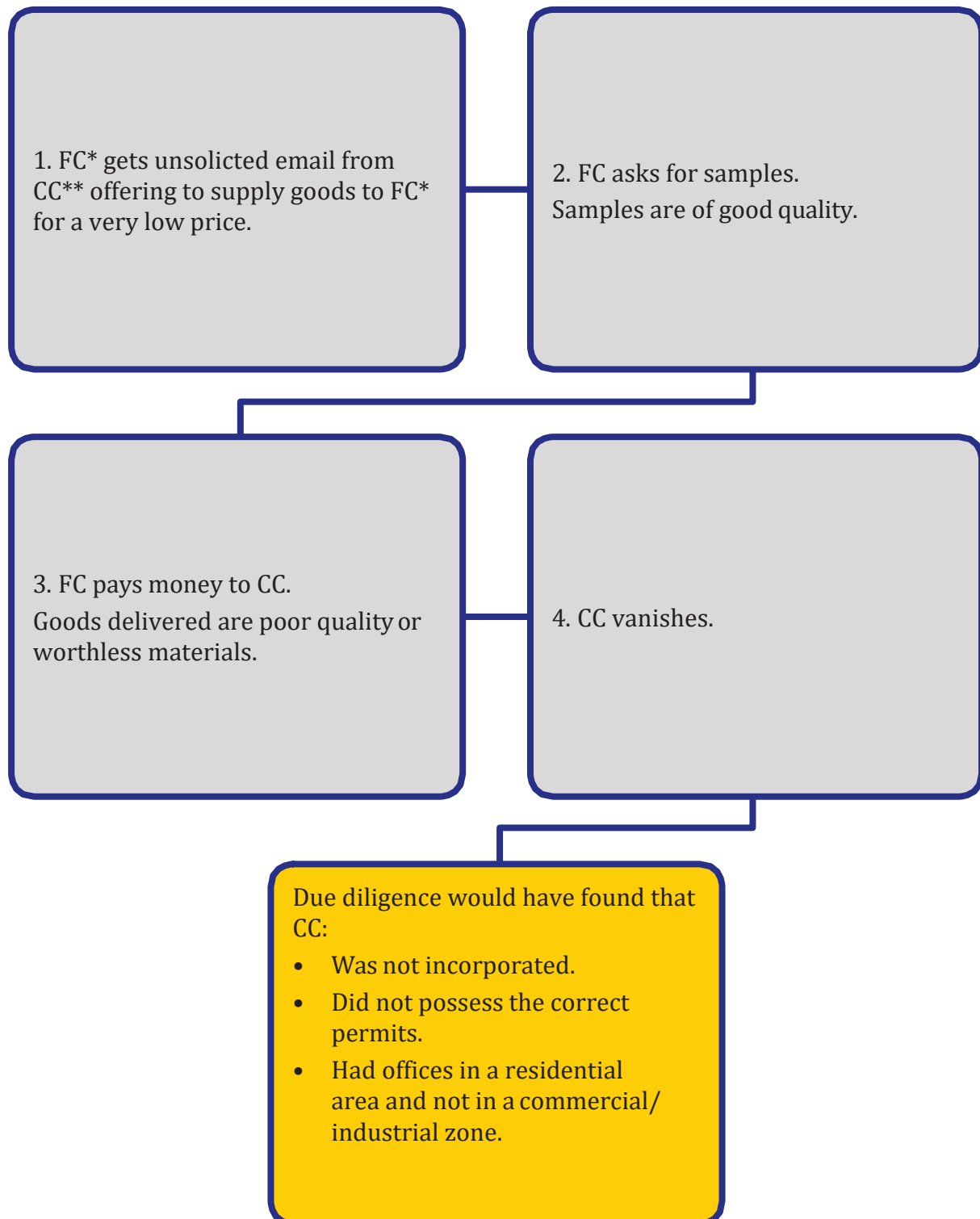
Scams are not unique to China, but its distance from your home country, the impenetrable language and vastly different culture combine to make even the shrewdest businessperson liable to losing money through fraud.

The main scam warning signs are:

- An unsolicited request.
- Goods being sold far below market value.
- Payment into an unknown bank account.
- Payment of facilitation fees, unknown taxes, gifts etc.

On the following pages we introduce a number of common scams businesses have faced in China.

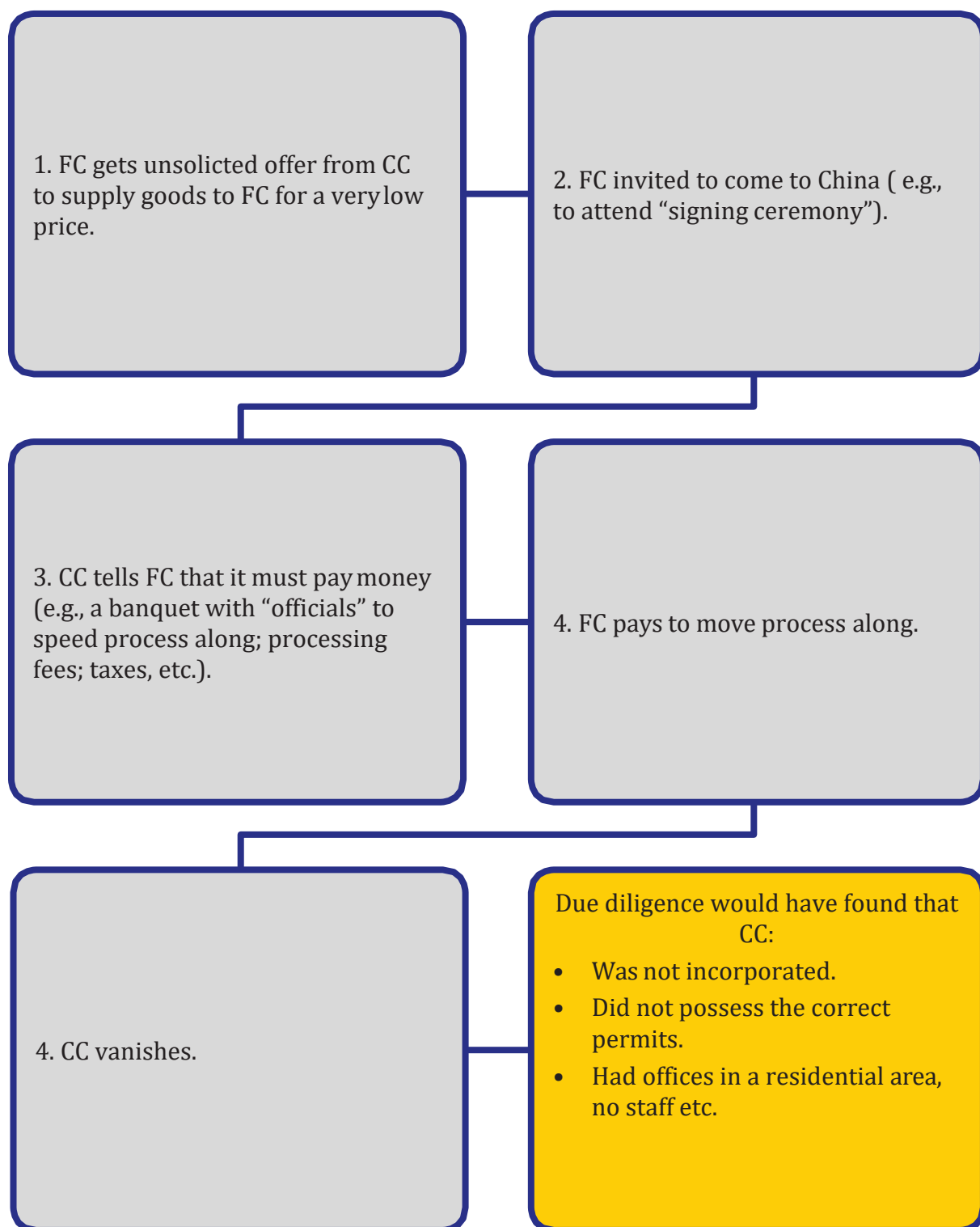
## 6.1. The imposter



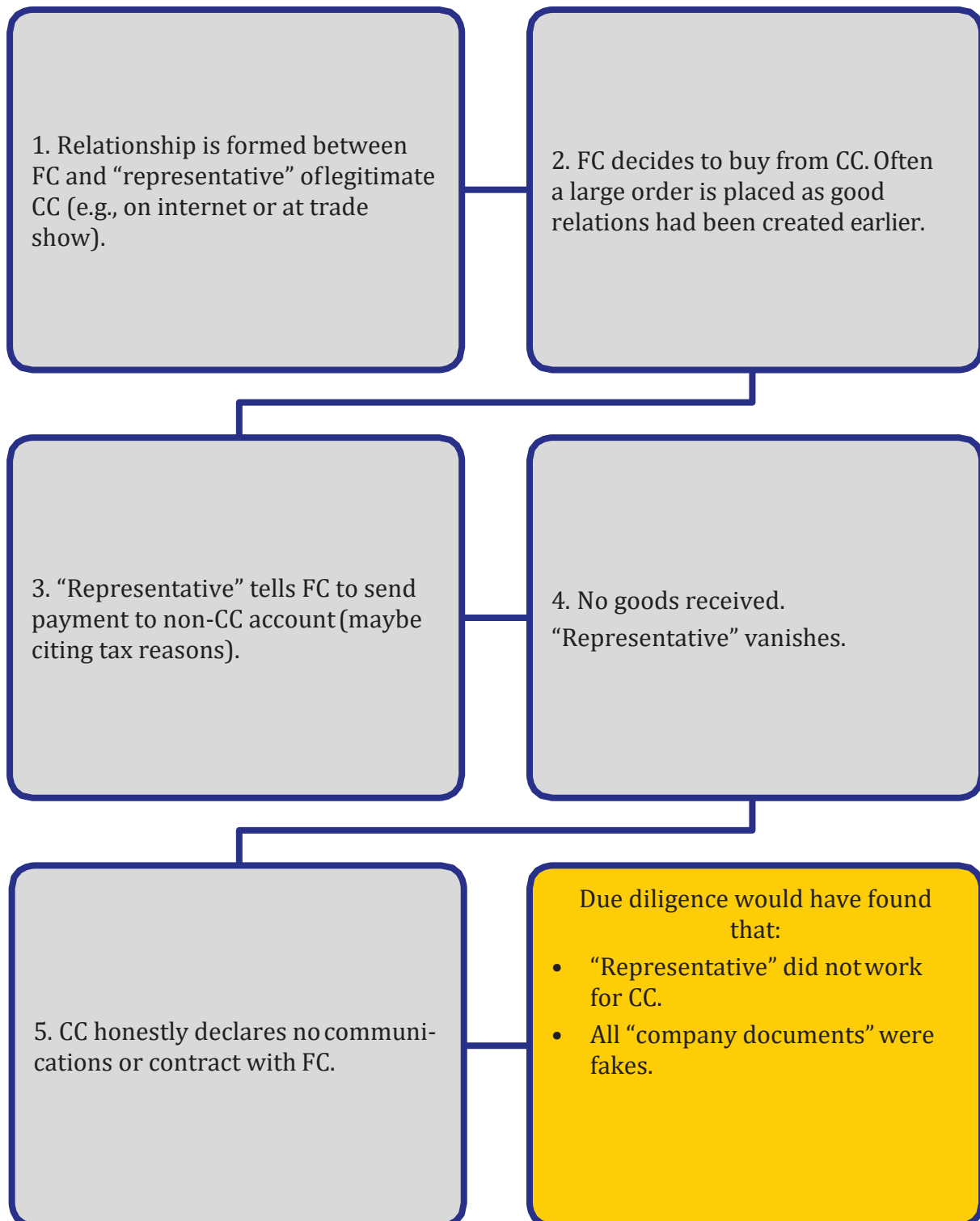
\*FC: Foreign company

\*\*CC: Chinese company

## 6.2. The fixer



### 6.3. The bank account



## 7. Due diligence best practices

### Not everything might be as it seems

- Assumptions can put your business at risk.
- At the very least due diligence can uproot information that will help in negotiations and strategy.

### Post-due diligence

- Conducting due diligence throughout your time in China is recommended.
- Maintain ongoing due diligence as a natural instinct within your business: today's honest partner may be tomorrow's lawsuit.

### Unprofessional website and email

- Chinese business people and even government officials sometimes use public domain emails (e.g., sina.com, 163.com) rather than a company email address.
- This is not an immediate deal breaker, but it is worth gaining deeper insight.
- An English-only website is also a warning.

### Pay now, be secure later

- The complexity of the China market and labyrinthian nature of information gathering means paying for a professional service provider to conduct due diligence is a small, but highly sensible, cost when compared to the potential losses of not doing so.

### Quality control and quality assurance

- Are the premises close to suppliers, warehouses, distributors?
- Is it near a port, logistics infrastructure?
- Utility quotas on electricity may affect production.



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## 8. Public authorities

There are several public authorities outlined in this report that can assist in your due diligence research. The European Chamber of Commerce in China also provides a comprehensive list of Chinese authorities, European chambers and other international organisations that may be helpful in identifying potential partners: [www.europeanchamber.com.cn/en/useful-links](http://www.europeanchamber.com.cn/en/useful-links).

Below is a short introduction to the main organisations listed in this report and additional bodies that are a good source of information:

### **State Administration of Industry and Commerce (SAIC)**

SAIC is a central level government body responsible for brand protection, enforcing anti-monopoly competition affairs and for general administrative affairs including company registration (including foreign invested enterprises (FIEs)) and issuance of business names and licences. The **Foreign-Invested Enterprises Registration Bureau** drafts measures for FIE registration procedures and processes the registration of foreign-invested enterprises and representative offices of foreign companies.

### **Ministry of Commerce (MOFCOM)**

MOFCOM is a centrally administered ministry overseeing domestic and foreign trade, regulating and promoting foreign investment and utilisation, and supporting Chinese companies that expand overseas. It examines and approves foreign investment activities in China and develops trade policies; administers import/export licences; sets quota systems; and formulates foreign investment catalogues and catalogues for imported/exported products and technologies.

### **China Council for the Promotion of International Trade (CCPIT)**

CCPIT aims to operate and promote foreign trade, to use foreign investment, to introduce advanced foreign technologies, to conduct activities of Sino-foreign economic and technological cooperation in various forms, to promote the development of economic and trade relations between China and other countries and regions around the world, and to promote the mutual understanding and friendship between China and peoples and economic and trade circles of all nations around the world, in line with law and government policies of the People's Republic of China.

### **Member State Embassy**

Each member state offers a variety of commercial services to companies from its country. Companies are advised to inform their embassy's commercial section in its respected country.

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## 9. Appendices

### 9.1. China due diligence checklist

#### Administrative and legal standing (chapter 2)

- ❑ Check the **business licence** (chapter 2.1.)
  - ❑ Company name
  - ❑ Company address
  - ❑ Legal representative
  - ❑ Registered capital
  - ❑ Paid-up capital
  - ❑ Form of incorporation
  - ❑ Business scope
  - ❑ Shareholder
  - ❑ Term of business/date of establishment
  - ❑ Find and verify official AIC stamp
- ❑ Confirm validity of **company stamp** (chapter 2.2.)
  - ❑ Visit Public Security Bureau and AIC where company is located
  - ❑ Ask whether stamp is registered
  - ❑ Inspect various documents filed with local authorities
  - ❑ Is stamp used on all documents?
- ❑ Confirm authorised use of company stamp (chapter 2.2.2.)
  - ❑ Visit company HQ
  - ❑ Is person who stamped the document employed by the company?
  - ❑ Is that employee authorised to undertake that particular business?
- ❑ Research the company at AIC (chapter 2.2.4.)
  - ❑ Hire a Chinese lawyer
  - ❑ Lawyer visits AIC office
  - ❑ Review company file and make copies at AIC office
- ❑ Confirm company possesses all required permits and licences (chapter 2.3.)
- ❑ Confirm company has satisfactory property ownership and land usage rights (chapter 2.4.)
  - ❑ Lease contract
  - ❑ Property purchase contract
  - ❑ Ownership certificate
  - ❑ Certificate of right to use
- ❑ Confirm nature of company's intellectual property rights (chapter 2.5.)

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## Financial status (chapter 3)

- ❑ Verify the company's **financial status** (chapter 3)
  - ❑ Capital verification report
  - ❑ Creditworthiness letter
  - ❑ Audit reports
  - ❑ Financial statement
  - ❑ Credit history

## Operational status (chapter 4)

- ❑ Verify the company's **operational status** (chapter 4)
  - ❑ Visit company's premises (chapter 4.1.1.)
    - ❑ Organisation
    - ❑ Quality control
    - ❑ Cleanliness
    - ❑ Employee conditions
    - ❑ Machinery
    - ❑ Location
  - ❑ Talk to stakeholders (chapter 4.1.2.)
    - ❑ Employees
    - ❑ Neighbours
    - ❑ Competitors
    - ❑ Suppliers
  - ❑ Check company's organisational structure (chapter 4.2.)
    - ❑ All investors and shareholders mandated
    - ❑ External structure
    - ❑ Internal structure
    - ❑ Company manuals, rules and policies
    - ❑ Details of all meetings
    - ❑ Constitutional documents

## 9.2. Sample questions from the online quiz *Gauging your readiness*

The online quiz *Gauging your readiness*, which accompanies the four reports of the EU SME Centre's diagnostic kit, will help you gauge your knowledge of the Chinese business environment. Here are some sample questions:

- Do you have any evidence that there is a growing demand of your product in China?
- How much do you know about your competitors in China?
- Do you know in which cities you should be selling your product?
- Do you know which distribution channels to use?

- Do you know your customers?
- Have you confirmed that your product can be sold in China?
- Do you know how to find the legal/technical requirements for your product?
- Have you already decided what would be the best way to access the Chinese market?
- How much are you ready to invest upfront?
- Do you understand the possible legal structures in China?
- What do you know about the availability of your required human resources in China?
- Have you found a Chinese partner to distribute your products?
- Do you know how to perform preliminary due diligence in China?
- What are your expectations in terms of time to achieve your goals?
- Do you have previous experience in accessing other markets?
- What is your strategy to protect your intellectual property in China?