



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# Know Your Business Partners in China:

## Case Studies for Classic Pitfalls

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## 01 Overview

Each case's brief introduction

## 02 Case Study

Miscommunication

Flawed Products

Loss of Shipment

Imposter

## 03 Summary

Preliminary Background Check

How to recognize Chinese stamp

Chinese Litigation Run-down

# OVERVIEW OF EACH CASE

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**1**

## *Miscommunication*

- PO trumps E-mails
- Binding documents
- Remedy Measures

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**2**

## *Flawed Products*

- Background check
- Counter-strike measure
- Litigation Cost

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**3**

## *Loss of Shipment*

- Logistics Tracking
- Analysis of Situation
- Negotiation

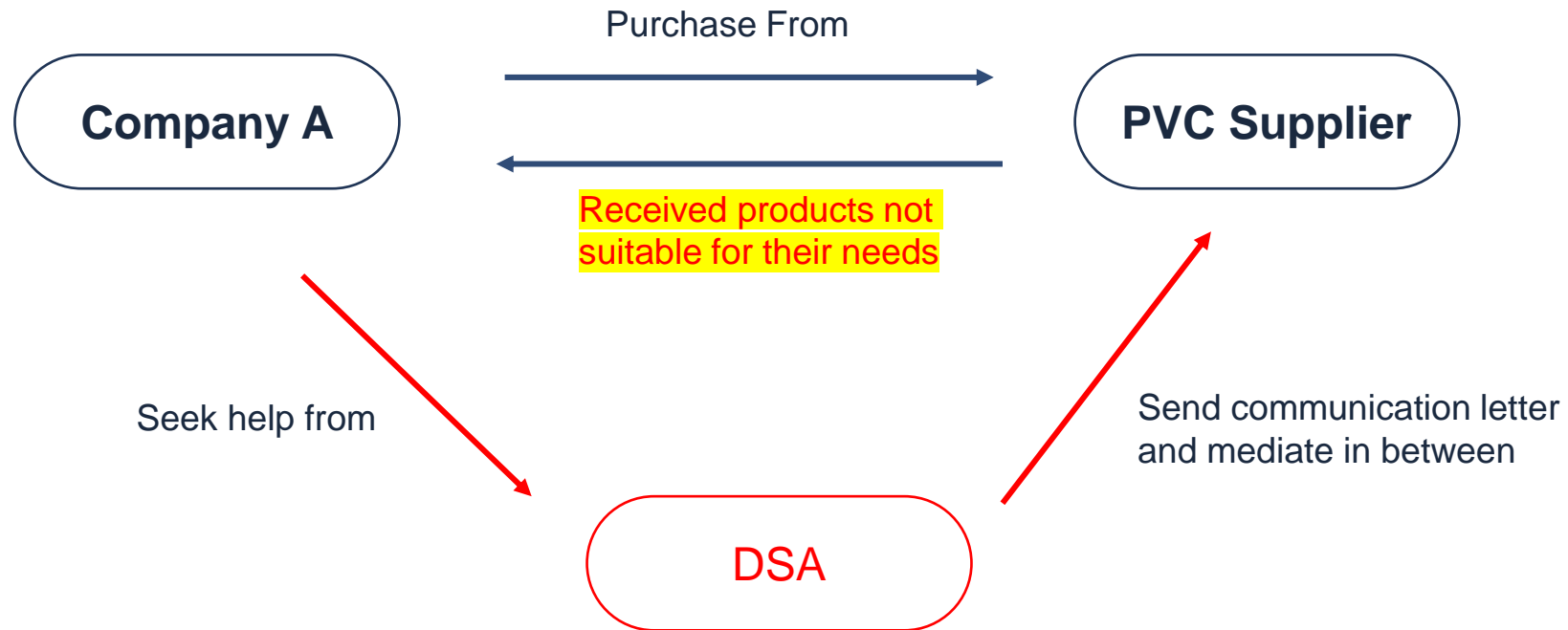
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**4**

## *Imposter*

- Internal Management
  - Proper Reaction
  - Precaution
-

# File#1: Miscommunication



# File#1: Miscommunication



PVC Roll



Mattress Coating



# File#1: Miscommunication



Re-purpose Machine



Powder Machine

# File#1: Miscommunication



If you have need for customization...









# File#1: Miscommunication

## Before Anything Happens

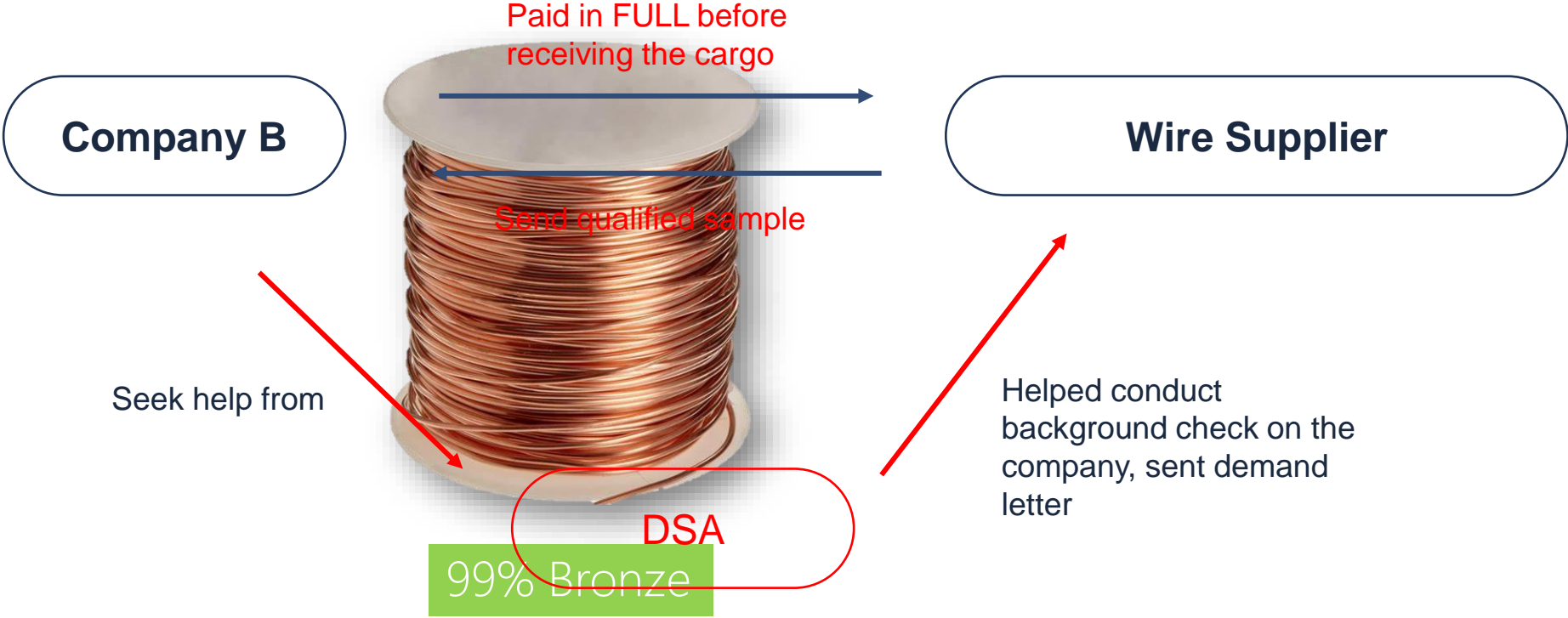
- Include important needs, especially customization need, into black & white documents, like supply contracts, or purchase order
- Regular check on the production status, especially before critical time point

## After Trouble Occurs

- Actively negotiate with your partner, make reasonable demand
- collect evidence, solve problems first, settle dispute later



# File#2: Flawed Products



# File#2: Flawed Products



99% Iron

Company B

Wire Supplier

Paid in FULL before receiving the cargo



Send qualified sample



Seek help from



DSA

Helped conduct background check on the company





# File#2: Flawed Products

## Before Anything Happens

- Engage professionals for background check
- Pay only part before receiving goods (usually 50%)

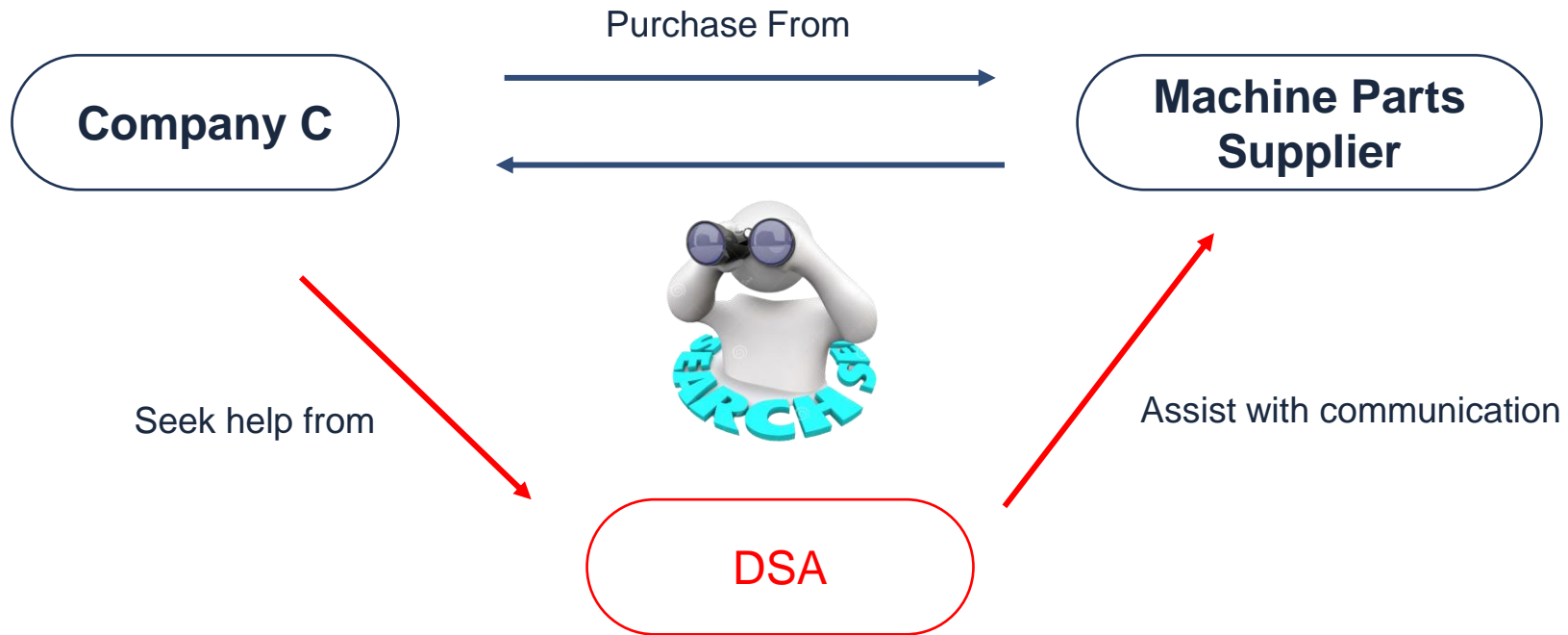
## After Trouble Occurs

- Send communication letter/power of attorney
- Gather evidence and resort to litigation

# File#3: Loss of Shipment



# File#3: Loss of Shipment



# File#3: Loss of Shipment



No Chinese Entity



No Effective Tracking



Extra Ad-hoc Expenses

# File#3: Loss of Shipment

## Before Anything Happens

- Find local firm to supervise the logistics
- Establish vendor list to choose from when necessary

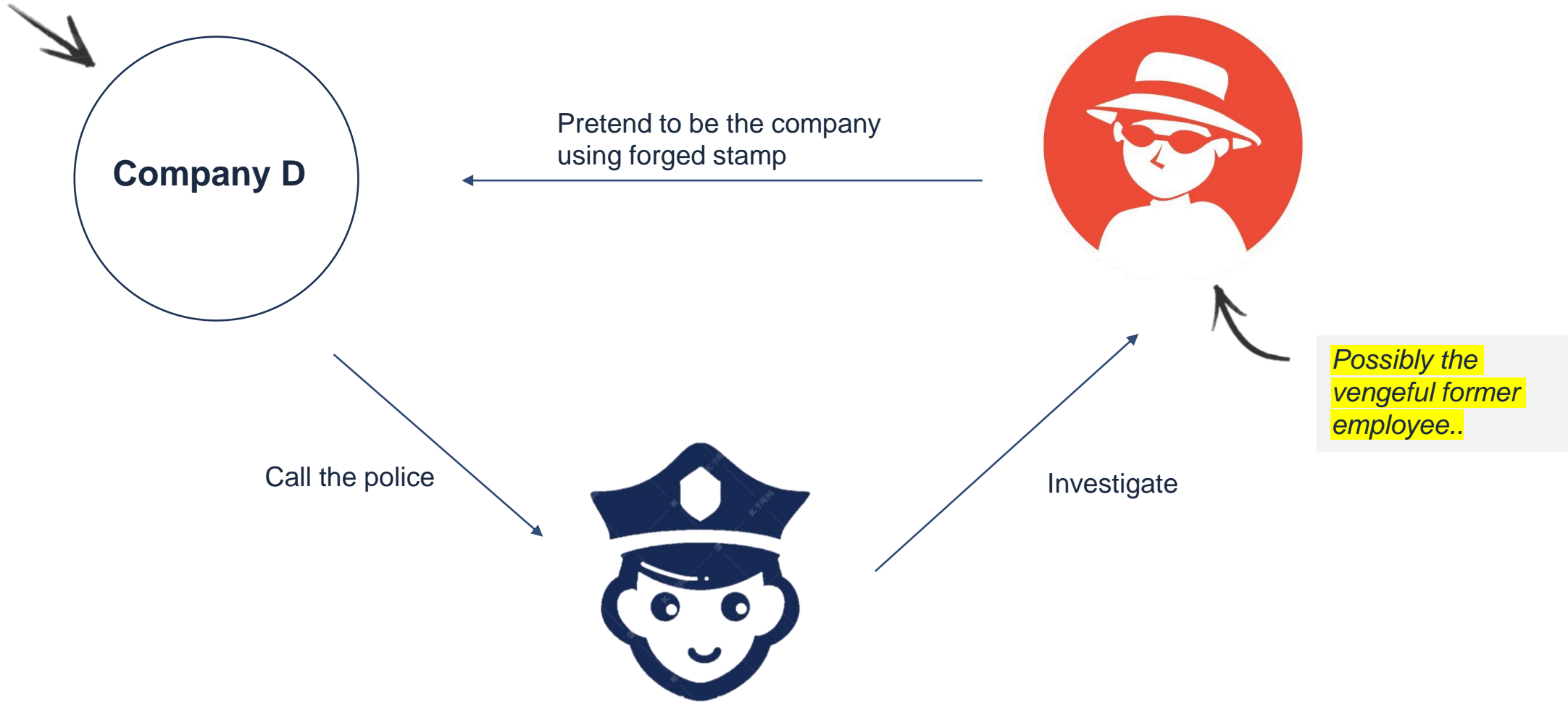
## After Trouble Occurs

- Get local agent involved to negotiate and avoid misunderstanding
- Consider alternate option when abnormal sign shows up



Well-known local  
chemical  
manufacturer...

# File#4: Imposter



# File#4: Imposter

## Before Anything Happens

- Establish risk management system regarding the use of stamp
- Pay attention of employees that have feud with company

## After Trouble Occurs

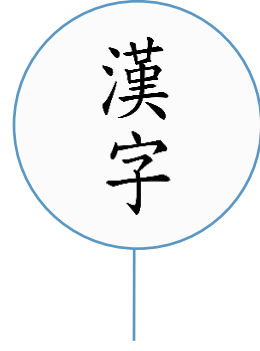
- Approach law firm or consulting firm to determine the nature of the incident
- Report to police soon after getting professional opinion

# Simple Background Check Names



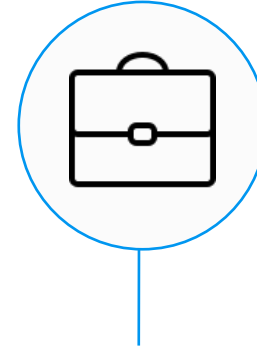
## Administrative Region

- Specifically the city' s name;
- Can also be after the Business Name



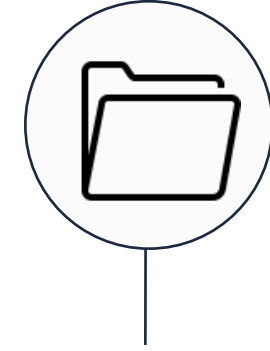
## Business Name

- Must use Chinese Character;
- Cannot use phrase or sentence



## Industry Description

- Refer to the Industrial Classification for National Economic Activities;
- For example, consulting, trading, technology, etc.



## Organization Form

- Co., Ltd or Limited by shares;

# Simple Background Check Corporate Information

1. Tianyancha 天眼查: [www.tianyancha.com](http://www.tianyancha.com)

2. Qichacha 企查查: <https://www.qcc.com>

3. Aiqicha 爱企查: [aiqicha.baidu.com](http://aiqicha.baidu.com)

工商信息		历史工商信息 >		发生变动时通知我		导出数据	
法定代表人	 <b>CHRISTOPHER DEV...</b> 任职 1 家企业, 分布如下 广东 (共 1 家) 协力管理咨询 (深圳...)	经营状态	存续	成立日期	2004-04-08	天眼评分	
统一社会信用代码	914403007576409583	注册资本	225万港元	实缴资本	225万港元	工商注册号	440301503340718
营业期限	2004-04-08 至 2024-04-08	纳税人识别号	914403007576409583	组织机构代码	757640958	核准日期	2021-01-21
企业类型	有限责任公司(台港澳法人独资)	纳税人资质	-	行业	商务服务业	人员规模	-
参保人数	0	登记机关	福田局	英文名称	-		
曾用名	-						
注册地址	深圳市福田区金田路与福华路交汇处现代商务大厦2503、2504 <a href="#">附近公司</a>						
经营范围	一般经营项目是: 从事企业管理咨询、财务咨询、税务咨询, 商业策划和经济信息咨询, 电子产品信息技术咨询; 代理记账、代理报税; 物业管理和翻译服务; 以承接服务外包方式从事系统应用维护、信息技术支持管理、软件开发、数据处理信息技术和业务流程外包服务; 计算机硬件、软件以及相关辅助设施的销售和上门维护, 技术开发、技术转让和技术服务; 知识产权代理(专利代理除外)。(以上项目不涉及外商投资准入特别管理措施), 许可经营项目是: 出版物销售; 劳务派遣; 人才中介服务, 人力资源服务, 人才供求信息的收集、整理、储存、发布和咨询服务, 人才推荐, 人才招聘(包括但不限于开展网络招聘), 人力资源开发与管理咨询; 人才测评。						

# Simple Background Check Stamps



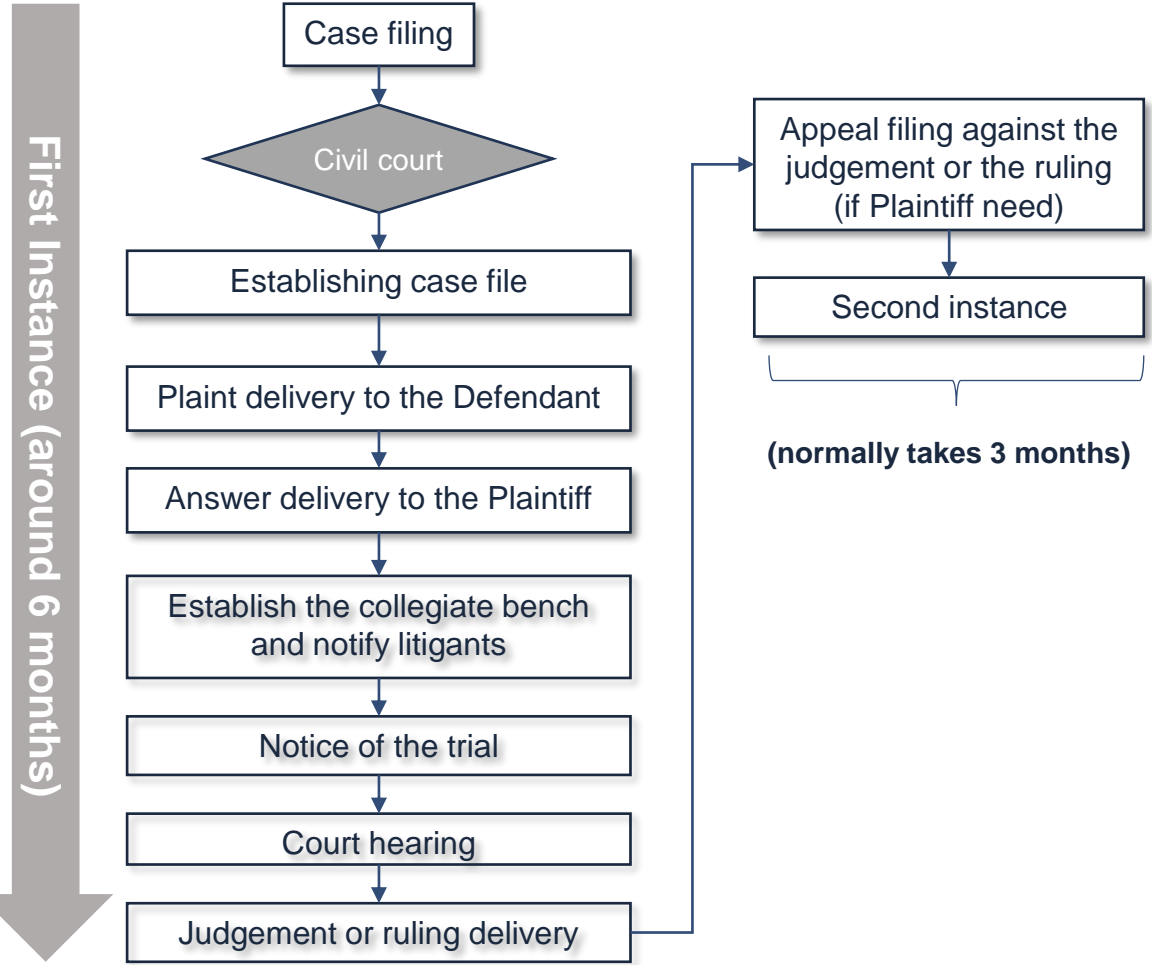
*For and on behalf of*  
SHENZHEN ~~GUOLIN~~ STAMP CO., LTD.  
深圳 ~~古林~~ 印章有限公司

.....  
*Authorized Signature(s)*

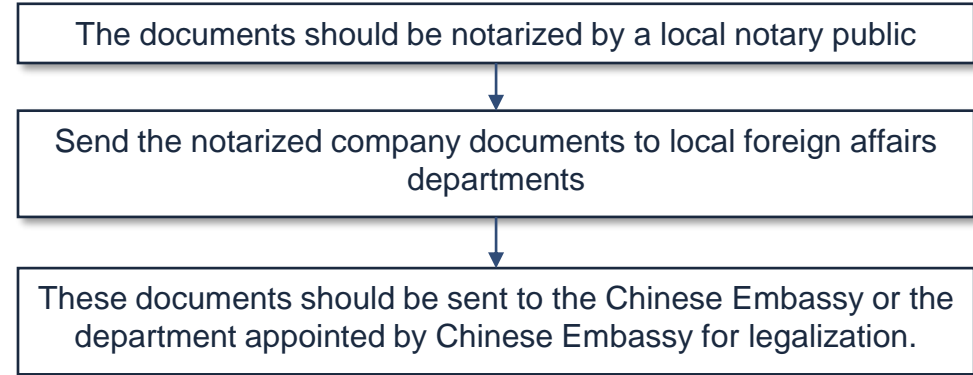




# Litigation Process in China



## Notarization and Legalization Procedures



**\*Notes:** These are just the general procedures, specific procedures and name of the authorities could be various from countries to countries. You could always check such procedures from the local Chinese Embassy and Consulate website.



# THANK YOU!

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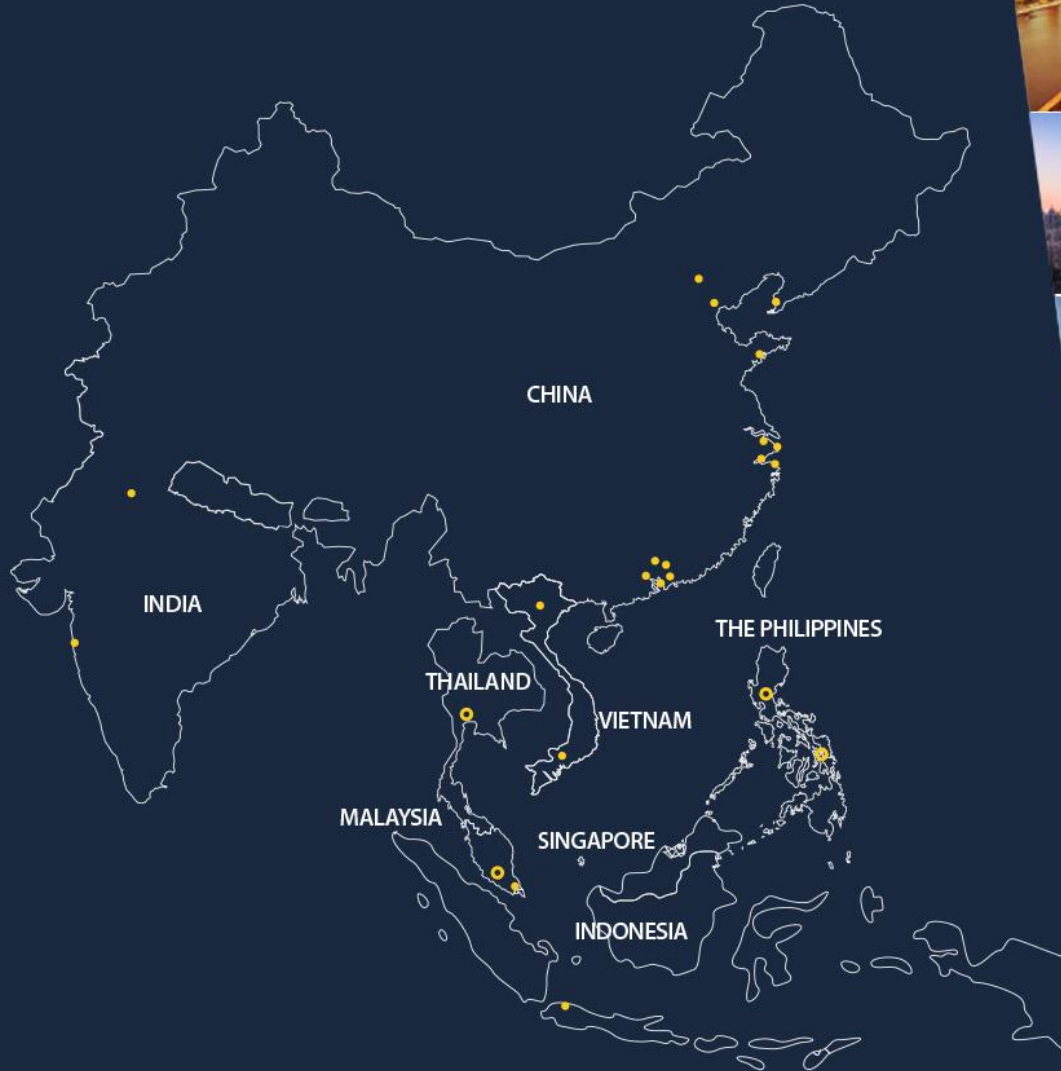
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