

**Challenges and Practical Approaches
in China Due Diligence©**

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Challenges

- Target's Elusiveness and Dishonesty in Disclosure
 - "Trust" based business relationship
 - Business ethics yet to be developed and established

Challenges-continue (2)

- Lack of Transparency in a System under Development
 - Limited access to corporate records
 - No centralized court docket search system
 - Stringent statutory requirements leave no room for acquirer to remedy deficiencies

Challenges-continue (3)

- Different Standards and Understandings on Compliance
 - Uncertainty and unpredictability in law interpretation
 - “Approval” does not assure legality sometimes
 - Ways in attaining “compliance”

Proposed Practical Approaches

- Respect But Educate and be Persistent to Target
- Align with and Seek Support from Local Government
- Focus Independent Investigation and Verification of Target Disclosure
- Involve Someone Senior in the Process
- Explore for Maximum Protection with Limited Legal Resources

THANK YOU!

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