

Conducting Due Diligence in China



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A Surprisingly Open System – If You Are Inside

Today nearly every business in the world has a connection to China. Yet the prevailing perception is of an increasingly closed environment, an isolated Middle Kingdom cut off by a great firewall. Opaque to outsiders, nearly all useful information is only available in Mandarin. Reliable public records require local phone numbers and identification numbers to access, and recent strict cross-border data security requirements have made access to records difficult from outside. However, for those of us operating from inside China, and who are familiar with the ever-changing regulatory environment, it is still possible to deliver robust due diligence that is both compliant with Chinese law, and which provides a comprehensive assessment of a company or individual's reputation and standing.

Available Components of Enhanced Due Diligence in China

Effective research in China requires locally based analysts who are both native speakers and who are familiar with how to navigate the country's records ecosystem.

Public Records

For researchers located inside, China has one of the most extensive and publicly accessible digital systems for corporate information in the world. The State Administration for Market Supervision (SAMR) is easily accessible and clearly identifies key management and shareholders of a company. Elsewhere, extensive public records offer court and regulatory filings on both companies and individuals. These records include instances of civil and criminal litigation, as well as actions by government bureaus.

A Unique Online Ecosystem

Without access to services such as Google, Facebook, and Twitter, China has developed a separate and parallel online ecosystem supported by apps and services tailored to the Chinese market with Baidu, WeChat, and Weibo among just a few examples. Chinese government agencies will in some instances even post announcements on WeChat before updating them on their own official websites. Official English websites of companies or organizations also frequently omit important information from the translated versions – retaining far more detail on the Chinese version of the website.

Interviews and Human Source Intelligence

A key component of due diligence, human source inquiries in China are not only possible, but can be very rewarding – with people often willing to provide surprisingly frank assessments of former employers or colleagues, or insight into the regulatory or legal difficulties a company may be facing.

Our Track Record in China

PSA's Shanghai office is staffed by Chinese analysts and led by both Chinese and locally based western expatriates. With a 15-year track record in the country, PSA has become the leading provider of due diligence services to some of the world's largest multinationals, and most well-known financial institutions. In the past year our reports have been used by underwriters to support listings of Chinese companies on international stock exchanges, by technology and manufacturing companies to assess risk associated with hundreds of Chinese manufacturers, agents and distributors, and by healthcare, medical device and pharmaceutical companies to assess thousands of high-risk Chinese partners.



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