

The Importance Of China Due Diligence And Corporate Seals

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It's common knowledge that doing business in China or with Chinese companies can be complicated and risky. But did you know that among those risks is the real possibility that you may be dealing with an imposter, either a fake virtual company trying to pass itself off as the real company, or a worker who is not authorized by the company to be doing business with you.

These risks, more prevalent in China than in many countries, emphasize the need for thorough due diligence regarding your Chinese business partners before investing or entering into commercial transactions. A vital step in such due diligence is hiring local legal counsel in China to verify the existence and authority of the Chinese company with whom you are doing business.

A recent [article](#) discusses one method of conducting this due diligence – examination and confirmation that the Company seal on any contract or other document is valid.

The due diligence steps recommended for corporate seals in China point out the need for local counsel. They include the following:

1. Visit the town where the company is located;
2. Inspect documents filed with local authorities to confirm whether the seal is registered (registration is not required) and if it is used on all company documents;
3. Visit the company headquarters to confirm the authenticity of the seal and the authority of the person who stamped the document.

Due diligence related to corporate seals is not the only form of due diligence one should engage in when doing business in China or with Chinese companies, but it can be an important step in avoiding costly and embarrassing problems if you sign a deal and send money, only to discover that the products, services or investment you expected is not forthcoming. <http://bit.ly/Qovb5Z>

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