

DEBT COLLECTION IN CHINA

Commercial debt collection in China has always been problematic. Since China joined WTO and fully opened up the marketplace, more and more attention is being given to accounts receivable. Experienced in the subtle requirements of the growing need for debt collection in China, *Creditreform China* has developed a proprietary collection strategy to assist its client companies to remedy collection issues within China.

Creditreform China has...

- Long experience in the management of collection matters in China.
- Extensive knowledge of Chinese law and civil procedure, and as well in international commercial laws.
- Sensitivity towards Chinese culture and practice.
- An effective attorneys network in China.
- Multilingual capability.
- Services most cities in China.
- Maintains a team of experts in all areas of credit management.

Collection Procedures:

Effectiveness and Economic Efficiency is the focus of *Creditreform China*'s debt collection services.

Placement of Accounts: Claims can be placed by email, fax or mail.

Processing of Claims: Upon receipt, each claim is carefully reviewed to determine if additional information is required or if there are specific instructions. The claim is then introduced into our collection system. Within 48 hours, following acceptance of the claim, an acknowledgment will be sent to the client.

Conducting a due diligence on the debtor:

Primary Background Check: Initially the debtor's background is reviewed in order to determine legal composition and current operational status.

Advanced investigation: If necessary or specifically indicated, an advanced investigation is performed in order to establish the debtor's financial capability and determine if the debtor is judgment proof.

Collection Action: Establishes the debtor's willingness and capacity to repay the just debt. Collection efforts continue until the case is settled. During the collection process, regular reports on case development are sent to the client.

Litigation: If a lawsuit is appropriate to effect collection, attorneys of *Creditreform China* network will recommend a lawsuit. This will proceed only with express prior approval of the client. In China, a lawsuit is often effective. Debtor's fear of court action by a local party is often sufficient to encourage a resolution.

Civil Process in China: Upon authorization and receipt of POA and Affidavit from the client, *Creditreform China* will draft a Statement of Claim based upon the relevant information at hand, submit it to the appropriate Chinese Court for the acceptance and filing. Once the court has accepted the case, a summons will be issued and the debtor served. This process will normally take a business week.

Afterwards, *Creditreform China* will monitor the case to assure that debtor meets filing requirements for the Statement of Defense. Courts normally schedule a first hearing within one month of the filing of a lawsuit. Chinese courts often recommend a negotiated private settlement between parties as a first course. This decision resides solely between the two parties. If both parties fail to take advantage of a negotiated settlement, the case will go forward to judgment. If the legal mediation during the first hearing is successful, the court will issue its decision.

Post-Judgment Remedy: Once a court judgment is received, *Creditreform China* will move to enforce judgment. Value to the debtor may consist of monies owed, seizure of bank accounts, property seizure or transfer of rights.

Recovery: If recovery is in Chinese currency, *Creditreform China* attorneys will obtain appropriate approvals from the Chinese State Administration of Foreign Exchange (SAFE), to repatriate funds to the foreign client.

Closing Accounts: If the client value has been recovered, or the case has been determined uncollectible, *Creditreform China* will close the case. A formal closing letter will be sent to the client within a week following closure.