DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

COMPANY DEREGISTRATION IN CHINA

INTRODUCTION

For whatever reason, investors in China may be faced with the decision to cease their company's operations. Economic circumstances change rapidly, and the business assumptions that underlie the investment may have proven flawed.

In such a situation, it may be tempting to simply walk away from the entity in China and cut one's losses. For a variety of reasons, this can be ill-advised.

The Chinese government imposes severe sanctions on investors who do not properly deregister their company, including barring companies and individuals from doing business in China.

Closing down a company requires both time and cost – simply walking away might seemingly save the investor these expenses in the short term. However, for investors with a future perspective on doing business in China or looking to close potentially significant liabilities, deregistering properly will pay off in the long term.

With the option of doing future business in China at stake, it is beneficial for a company to carry out its deregistration in the prescribed manner. This report includes a step-by-step guide to the deregistration process.

HR concerns are a particularly sensitive issue. Suddenly saddling the community with a large number of unpaid terminated workers may damage relations with the local government. Part of this report describes how to deal with the matter, and what each party's rights and obligations in such a situation are.

Kyle Freeman, Associate with the International Business Advisory division in Beijing, answers some of the common questions foreign investors have when deregistering a business in China.

Should you have further questions, or would like to make an appointment to discuss the circumstances of your business in more detail, please **contact us**.

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