



Obviously, there's the temptation to sit back and smile...But there's so much at stake, we have to do our due diligence.

Ralph Neas

Investigative Due Diligence

There are many types of due diligence checks, some are for compliance-based, for example as required under the US Foreign Corrupt Practices Act and others can be Investigative due diligence, which is really a background check of companies or individuals for business cooperation, investments or takeovers.

In this newsletter, Investigative due diligence will be explained, together with the provision of suggested scopes for a comprehensive check of a corporate entity and/or its key principal(s).

Investigative due diligence itself is not a new concept as it is a part of every business sale or purchase, regardless of the size of the company. As a rule, the more complex the business is, the longer and more comprehensive the due diligence is likely to take, but today's purchasers shouldn't even contemplate entering cooperation nor buy a business until a full due diligence has been completed. In a nutshell, it is a form of "risk management".

- To identify and Know Your Partners
- Investigate before investing
- Mitigating risks

Due diligence in its simplest form may involve obtaining the corporate filings for a Subject Company or to conduct a site visit to its registered office and/or to verify its operational address. Some clients very often neglect this and enter into agreements blindly, subsequently finding out that the business license of the Subject has expired, or they do not have business operations as claimed, merely using a secretarial company as its registered office.

For a comprehensive due diligence report, this may include obtaining public and non-public records, which may include criminal and civil litigation records, credit and financials, local media research, regulatory information and reputation checks with informal business sources. Where the Key Principal(s) need to be investigated, inquiries may be extended to identify their business associations, any directorships they hold, are they a politically-exposed, affiliated to Governmental bodies, any corruption and bribery issues etc.

The investigation can both be conducted discreetly or with signed authorisations. If you decide not to let the Subject Company or Principal know that they are being investigated, you have our assurance of compete discretion and confidentiality.

Whatever the depth of the due diligence, it is essential to "Investigate before Investing". Either you Investigate now, or you litigate later. The best way to protect yourself is to do enough "due diligence" to ensure that you know who your potential partners are or what you are investing in.



The following is a general scope and checklist: -

Corporate entities

Corporate records and overview: Provide corporate filings which reflect the legal structure, ownership, business license expiration and annual inspection status of the Company. (Any government ownership or control? Related business partnerships or affiliations? Professional reputations?)

Operations verification: Verification of the actual business location to ensure that the Company has legitimate business operations and is doing business where it claims. Where necessary, using a suitable business pretext and/or our front cover office, conduct appropriate visits to the addresses found to be related to the Company to verify information, obtain business cards, brochures and to solicit information on the Company's clients/business partners and joint ventures.

Civil and criminal litigation history: Confidential law enforcement checks with appropriate agencies and publicly available records, including databases where appropriate, to determine if the Company and/or its principals have been involved in any civil or criminal matters (either as a plaintiff or defendant).

Credit/financial: Research the Company's financial history, tax liabilities, revenue reporting. Obtain the Company's financial filings to determine if the Company is financially stable. What's the source of primary funding? The identities of its clients? Have the principals ever filed for bankruptcy on behalf of themselves or a business entity? Does the Company pay its taxes on time? Have any types of tax judgments or liens been filed against them?

Press Review: Search both native language and English press, including local business reports and professional journals, and mainstream media, to determine the Company's business reputation, any known controversy, major business activities and

known other social and business relationships of interests.

Regulatory information: Does the Company's business/industry require any special licensing to operate in the country and/or is it regulated by any agency? If so, are they compliant with regulations and do they have any history of non-compliance, violations, fines, or complaints?

Principals

Profiling: Obtain the Principal's personal profile from desktop, proprietary databases and informal sources. This will hopefully obtain his family information, his place and date of birth, addresses, criminal records, work histories etc. and a general picture to the Subject's background.

Corporate associations: Conduct checks on the Principal to determine any companies associated other than the Subject. Based on the identification of companies, provide corporate filings which reflect the legal structure, ownership and business license expiration of the Company.

Civil and criminal litigation history: Confidential law enforcement checks with appropriate agencies and publicly available records, including databases where appropriate, to determine if the individuals have been involved in any civil or criminal matters (either as a plaintiff or defendant). Have they ever had a judgment or fine levied against them?

Press Review: Search both native language and English press, including local business reports and professional journals, and mainstream media, to determine the individual's reputation, any known controversy, major business activities and other social and business relationships of interests. Are key principals known criminals? Do they have controversial pasts or associations?

Governmental Affiliations: Searches with confidential sources to determine whether the Subject is affiliated to the Government, related to a political figure/family or known to be politically involved or attached to political associations.



Yosh Wong, Managing Director of Suzzess Limited specializes in conducting due diligence in the Asia Pacific region. Since 2004, several thousand enhanced due diligence reports have been completed for associates, investment companies, financial institutions and other corporations. Feel free to contact us at info@suzzess.com for further information.
