

## In China, don't readily think you can manage businesses yourself

### Description

I don't write on business culture or business environment much on this blog. But recent experience in helping two clients from the United States warrants and prompts one.

**First Story:** an old couple in their eighties, who are Chinese but migrated to USA thirty years ago wish to sell their old lane house in the heart of Shanghai, the French Concession area. It is a beautiful villa house with a small garden of 80 square meters and is assessed in value at RMB 30 million, a big deal indeed. Their daughter worried about whether her parents can manage the deal on their own, after all, they are very old. The daughter approached me initially and introduced me to her parents in the hope that I would help her parents to navigate through relatively complex real estate transaction rules here. Believing that they can work out by themselves for they can speak Chinese well and can understand people turned, they turned down my offer which was similar as applicable to other foreigner property owners. Four months later, their daughter came back to me again for help since their parents were now in breach of contract under a contract signed with the buyer and the realtor whereby the old couple may be requested to pay a penalty of 1.5 million (because they received a deposit, *Ding Jin*, of 1.5 million from the buyer). Asked about how it had come to this point, the old couple complained: we thought that people (referring to realtors) here just do their part of job to help me to sell, but indeed they had got me to sign a contract with some clauses which I didn't understand and were not fair.

**Second Story:** the client is another American Chinese who migrated to USA he was only a teenager and is now in his sixties. He inherited a historical property in the most wanted part of Shanghai, the cross area of Hengshan Road and Gao'an Road in the French Concession Area. The garden villa had been occupied by their Chinese relatives in the past. Though the client had won the case to evict the people out of the house, he had not been able to clean up the mess so far. Some of his relatives' *hukous*, the Chinese household registration, are still in the house, and actually there are two invaders from the other side who took possession of the house without his consent, after all the client didn't live in Shanghai and the house was empty then. Despite that there is no any legal ground for the relatives to stay in house, the relatives are however demanding money in exchange for moving their *hukous* out and giving back the house to him. For some reason I didn't know clearly (maybe, he has been worn out of energy and patience to continue the fight in China), the client finally agreed to give away 1/7 of his property value in return for the cooperation of the other side. How much is the property value? It is worth more than RMB 40 million in today's property market in Shanghai.

**Third Story:** Maybe the two clients above are both in their senior years and thus more vulnerable to frauds and aggression. Here is another one involving a really young guy in his twenties who migrated to Europe as a teenager. This boy dropping out of Harvard university just recently to build his IT dream in China with his technology in video searching, a search different from Baidu or Google in terms of searching contents. As a typical IT guy, this young entrepreneur buries himself in developing his searching technology every day, leaving the company incorporation matter and management to the hands of a lady friend of his mother. Initially, the lady was promised with a 10% equity interests in the new company over 4 years depending on her contribution. But following the A round angel financing

after half a year of formation of the company, the young guy found out that this lady had forged his signature in signing those application paper in the process of setting up the company. What's more, this lady has allocated this 10% equity interest in the company to herself from the outset. To make it worse, this young guy was misled into wiring RMB 8 million of the corporate fund into a stock account designated by the lady in reliance on her words that she would make a lot more profits out of the rising stock market for the company. When this young guy realized the consequence of what he had done and asked the lady to refund the money, the lady refused.

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With these stories, I am simply saying that people in today's China are in frenzy about having and making money. Many are overstepping the legal and more lines in that direction. As a result, there have been so many misconducts and frauds in our lives: the melamine milk powder scandal, dirty oil, old people wronging samaritan helper who checked the former to hospital and other soul-searching events. In business worlds, there are traps and pitfalls intentionally created for you.

On the other hand, people from the developed western world are not accustomed to the way China society works. New comers are often having the delusion that people here are also honest, credible and trustworthy. No wonder foreigners often fall victims to all sorts of frauds and scams taking place every day every where here.

Well, I am probably painting too grey a picture about China society and business world. Definitely, things are getting better with more and more Chinese people realizing our own problems and with more and more foreigners knowing better about China. After all, China is an open country and the world is flat.



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