TNTP
ATTORNEYS AT LAW

LEGAL NEWSLETTER
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New Points in Civil Judgment Enforcement under Decree No. 152/2026/ND-CP

*On 13 May 2026, the Government issued Decree No. 152/2026/ND-CP **("Decree 152")**, providing detailed regulations on a number of provisions of the Law on Civil Judgment Enforcement 2025 and measures for its implementation. The Decree takes effect on 1 July 2026 and replaces Decree No. 62/2015/ND-CP, together with all previous amending and supplementing decrees. The promulgation of Decree 152 establishes a unified legal framework for implementing the Law on Civil Judgment Enforcement 2025. It also addresses numerous practical issues arising in the enforcement process, promotes the application of digital technologies, and enhances the effectiveness of enforcing legally effective judgments and decisions. In this article, TNTP analyzes some notable new points introduced by Decree 152 that individuals and businesses should be aware of during the civil judgment enforcement stage.*

1. Conducting civil judgment enforcement activities in the digital environment

One of the most notable new features of Decree 152 is the introduction of civil judgment enforcement in the digital environment. These provisions establish an important legal basis for implementing the Government's digital transformation policy in the judicial sector, thereby gradually modernizing the management and organization of civil judgment enforcement.

Clause 1, Article 5 of Decree 152 provides that the means for conducting civil judgment enforcement activities in the digital environment include: the Civil Judgment Enforcement Digital Platform; the National Public Service Portal; the Ministry of Justice's Centralized Administrative Procedure Settlement Information System; the Vietnam Electronic Identification (VNeID); the portals and websites of civil judgment enforcement management authorities and civil judgment enforcement authorities; email and other means as prescribed by law.

Decree 152 introduces the option of submitting requests for civil judgment enforcement through the digital environment. Accordingly, in addition to the traditional methods of submitting requests in person or by postal service, the parties may submit requests for judgment enforcement to the competent civil judgment enforcement authority via the National Public Service Portal, the Ministry of Justice's Centralized Administrative Procedure Settlement Information System, the VNeID application, or other electronic means as prescribed by law.

In addition, notifications relating to civil judgment enforcement may also be made through the digital environment via the VneID application, except in certain cases where notifications must be made through a civil judgment enforcement office, by public posting, through mass media, or by other methods as provided for in Decree 152. The date on which the VNeID application indicates that the notification has been sent shall be deemed the valid date of notification for the purpose of enabling the parties and persons having related rights and obligations to determine the time limits for exercising their rights and performing their obligations in accordance with the contents of such notification. Furthermore, the delivery and receipt of documents, case files, and other materials, as well as the conduct of certain other civil judgment enforcement activities, will also be gradually carried out in the digital environment, thereby improving the efficiency of handling enforcement matters and reducing the time and costs associated with administrative procedures.

New Points in Civil Judgment Enforcement under Decree No. 152/2026/ND-CP

2. Amendments and supplements to the provisions on states of emergency, objective obstacles, and force majeure events

Compared with Decree No. 62/2015/ND-CP, Decree 152 introduces several notable amendments and supplements concerning states of emergency, objective obstacles, and force majeure events in civil judgment enforcement. Specifically, Decree 152 adds provisions governing states of emergency, further clarifies the circumstances that constitute objective obstacles, and revises the provisions on force majeure events, thereby establishing a consistent legal basis for their application in practice.

Specifically, Clause 1, Article 3 of Decree 152 provides that:

> A state of emergency shall be determined in accordance with the Law on States of Emergency 2025. Accordingly, a state of emergency is a social condition declared or proclaimed by a competent authority in one or more localities or nationwide when a disaster occurs or there is a risk of a disaster that seriously threatens human life and health or the property of the State, agencies, organizations, and individuals, or when there are circumstances posing a serious threat to national defense, national security, or social order and safety. A state of emergency includes: (i) a disaster-related state of emergency; (ii) a state of emergency concerning national security, social order and safety; and (iii) a national defense state of emergency.

> Objective obstacles are specified through a number of typical circumstances, including: where a party does not receive the judgment or decision through no fault of his or her own; where an organization undergoes consolidation, merger, division, separation, dissolution, termination of operations, or restructuring (whereas these two circumstances were not provided for under Decree No. 62/2015/ND-CP) and the new organization or individual entitled to request judgment enforcement has not yet been identified; or where, due to the fault of the adjudicating authority, the civil judgment enforcement authority, or another authority or individual, a party is unable to request judgment enforcement within the prescribed time limit…
>
> Force majeure events are defined as natural disasters, fires, and epidemics that do not fall within the scope of a state of emergency. Compared with Decree No. 62/2015/ND-CP, the new regulation supplements epidemics as a force majeure event and clearly distinguishes force majeure events from circumstances constituting a state of emergency under applicable law.

These amendments and supplements provide a clearer legal basis for determining the circumstances that are excluded from the statute of limitations for requesting civil judgment enforcement. They also help ensure a more consistent application of the law and better align its implementation with practical realities.

New Points in Civil Judgment Enforcement under Decree No. 152/2026/ND-CP

3. More detailed provisions on verification of judgment enforcement conditions

Articles 21 and 22 of Decree 152 further specify the provisions of the Law on Civil Judgment Enforcement 2025 regarding the verification of judgment enforcement conditions and the handling of cases where enforcement conditions have not yet been satisfied. Compared with the previous regulations, the Decree introduces a number of new provisions aimed at improving the effectiveness of the verification process while enhancing the mechanism for handling cases in which judgment enforcement cannot yet be carried out.

> Clause 1, Article 21 of Decree 152 provides more detailed regulations on the scope of verification of judgment enforcement conditions. Accordingly, the Enforcer is required to verify information relating to the judgment debtor's assets, income, personal identification number, marital status, enterprise identification number, cooperative identification number, head office, permanent residence, temporary residence, current place of residence, and other information necessary for determining the conditions for judgment enforcement. Compared with the previous regulations, the scope of verification has been expanded. It is no longer limited to identifying the judgment debtor's assets but also covers the debtor's identification information and legal status, thereby enhancing the effectiveness of the verification process and the organization of civil judgment enforcement.

New Points in Civil Judgment Enforcement under Decree No. 152/2026/ND-CP

Article 22 of Decree 152 further refines the provisions on the handling of cases where there are no conditions for judgment enforcement.

Pursuant to the Decree, the Head of the civil judgment enforcement authority shall issue a decision determining that there are no conditions for judgment enforcement within five (05) working days from the date on which one of the grounds specified in Clause 1, Article 38 of the Law on Civil Judgment Enforcement 2025 arises.

Where, after two (02) years from the date of the decision determining that there are no conditions for judgment enforcement, and after the verification has been conducted in accordance with Clause 3, Article 38 of the Law on Civil Judgment Enforcement 2025, no new information is obtained regarding the judgment debtor's conditions for judgment enforcement, the enforcement dossier shall be transferred to a separate monitoring register in cases where the civil judgment enforcement authority has issued the enforcement decision on its own initiative; whereas, in cases where the civil judgment enforcement authority has issued the enforcement decision upon request, it shall notify the requesting person in writing of the return of the request for judgment enforcement and simultaneously send such notification to the competent People's Procuracy. This provision does not mean that the judgment enforcement is terminated or that the judgment creditor loses the right to request judgment enforcement. Rather, it merely serves as a dossier management mechanism for cases where there are no conditions for judgment enforcement in accordance with the law. Upon receipt of the notification, the judgment creditor is entitled to receive the original request for judgment enforcement together with the original documents and evidence previously submitted. The civil judgment enforcement authority is responsible for making copies of such documents and evidence for retention in the enforcement dossier. At the same time, the period from the date on which the civil judgment enforcement authority issues the notification regarding the return of the request for judgment enforcement until the date on which the judgment creditor resubmits the request shall not be included in the limitation period for requesting judgment enforcement. This provision not only safeguards the lawful rights and interests of the judgment creditor but also provides a more effective dossier management mechanism for cases that remain without conditions for judgment enforcement over an extended period.

Decree 152 also supplements the obligations of the judgment creditor when resubmitting a request for judgment enforcement. Accordingly, the judgment creditor is required to provide documents evidencing that the judgment debtor has acquired conditions for judgment enforcement. Where there are grounds to determine that the judgment debtor has conditions for judgment enforcement, the civil judgment enforcement authority shall issue an enforcement decision and proceed with the enforcement in accordance with the law.

New Points in Civil Judgment Enforcement under Decree No. 152/2026/ND-CP

4. Refinement of the provisions on the application of the account freezing measure

Clause 2, Article 43 of Decree 152 supplements detailed provisions on the scope of account and asset freezing, thereby addressing the gaps in the previous regulations and providing a consistent legal basis for their application in practice. Accordingly, the freezing measure shall be applied on the principle that it is proportionate to the judgment enforcement obligation and the enforcement costs. Where the amount of money or the value of the assets in the account at the time of freezing is equal to or exceeds the judgment enforcement obligation and the enforcement costs, only the amount of money or the portion of the asset value corresponding to such obligation and costs shall be frozen. Where the amount of money or the value of the assets in the account at the time of freezing is less than the judgment enforcement obligation and the enforcement costs, or where the value of the assets cannot be determined, all money and assets available in the account shall be frozen.

In addition, Decree 152 also supplements the cases in which the measure of account freezing shall not be applied. Accordingly, the following shall not be subject to the account freezing measure: state budget funds at all levels; state budget allocations (including funds in budget estimate deposit accounts, investment deposit accounts, and deposits for the collection of fees and charges in accordance with the Law on Fees and Charges) allocated to budget-using units, project owners, and project management boards; and amounts temporarily collected or temporarily held by competent state authorities. This is a new provision that contributes to ensuring the management and use of the state budget, as well as the regular operations of state authorities and organizations.

New Points in Civil Judgment Enforcement under Decree No. 152/2026/ND-CP

In addition to the provisions set out in Decree 152, the application of the measure of freezing accounts and assets also involves several notable changes under the Law on Civil Judgment Enforcement 2025. Pursuant to Clause 4, Article 66 of the Law on Civil Judgment Enforcement 2025, after issuing a decision on the application of an interim securing measure, the Enforcer shall apply a compulsory enforcement measure within ten (10) days from the date on which sufficient grounds exist for the application of such compulsory enforcement measure. Compared with the 2008 Law on Civil Judgment Enforcement (as amended and supplemented in 2014), the starting point for calculating the ten (10)-day time limit has been changed from “the date of issuance of the decision to freeze accounts or assets held by a third party” to “the date on which sufficient grounds exist for the application of a compulsory enforcement measure”. In addition, the Law on Civil Judgment Enforcement 2025 no longer requires the Enforcer to issue a decision terminating the freezing of accounts or assets held by a third party where no compulsory enforcement measure is applied within the ten (10)-day period, as was required under the previous law.

Decree 152 further specifies a number of provisions of the Law on Civil Judgment Enforcement 2025 while introducing various new mechanisms to address practical issues arising during the enforcement process. Within the scope of this article, TNTP focuses on several notable new points of Decree 152, including the implementation of civil judgment enforcement activities in the digital environment; provisions on states of emergency, objective obstacles, and force majeure events; the verification of judgment enforcement conditions; the handling of cases where there are no conditions for judgment enforcement; and the measure of freezing accounts and assets. The new provisions on conducting civil judgment enforcement activities in the digital environment, determining states of emergency, objective obstacles, and force majeure events, and providing more detailed regulations on the verification of judgment enforcement conditions have contributed to strengthening the legal framework and improving the effectiveness of civil judgment enforcement. Timely understanding and keeping abreast of these new provisions will enable individuals, organizations, and enterprises to proactively safeguard their lawful rights and interests throughout the judgment enforcement process.

Construction contracts from 1 July 2026: What businesses need to know

After more than a decade of implementation, Decree No. 37/2015/ND-CP has revealed a number of shortcomings in the regulatory framework governing construction contracts, creating challenges for employers and contractors in negotiating, performing, and managing issues arising under construction contracts. To provide more detailed guidance on the Construction Law 2025 and address practical difficulties encountered during implementation, Decree No. 210/2026/ND-CP was promulgated and officially came into effect on 1 July 2026, introducing a range of significant amendments to the legal framework governing construction contracts. These revisions have a direct impact on the formation, performance, and administration of construction contracts by investors, contractors, and other relevant parties. In this article, TNTP will highlight the key changes introduced by Decree 210 that businesses should take into account when concluding and performing construction contracts under the new legal framework.

1. Expansion of the scope and applicability of the regulations on construction contracts

One of the most notable changes introduced by Decree No. 210/2026/ND-CP **("Decree 210")** is the expansion of the scope of application of the regulations governing construction contracts.

Under Decree No. 37/2015/ND-CP (as amended and supplemented by Decree No. 50/2021/ND-CP and Decree No. 35/2023/ND-CP) **("Decree 37")**, the regulations primarily applied to construction contracts for projects funded by public investment capital, state capital outside public investment, and public-private partnership (PPP) projects, while projects financed by other sources of capital were merely encouraged to refer to its provisions. Decree 210 adopts a significantly broader scope of regulation. It applies to investors, contractors, organizations and individuals involved in the formation and management of construction contracts, regardless of the source of funding for the project.

This change reflects the Government's intention to establish a unified legal framework governing the formation and performance of construction contracts, thereby promoting greater consistency, transparency, and uniformity in the application of the law across both public-sector and private-sector projects.

However, it should be noted that certain provisions of Decree 210 remain applicable only to specific categories of projects as prescribed by the Construction Law. For example, the provisions governing performance security measures and the required amount of performance security under construction contracts apply exclusively to public investment projects and PPP projects.

Construction contracts from 1 July 2026: What businesses need to know

2. New regulations on contract advance payments

One of the notable changes introduced by Decree 210 is a more detailed framework governing advance payments under construction contracts. The new provisions are intended to address practical issues encountered during contract implementation while providing greater flexibility for the parties. Businesses should take note of the following key changes:

> (i) Additional circumstances allowing advance payments exceeding 30% of the contract value
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> Similar to Decree 37, Point (g), Clause 3, Article 12 of Decree 210 stipulates that the contract advance payment must not exceed 30% of the contract price at the time of contract execution (including any contingency amount, if applicable). However, Decree 210 further clarifies the circumstances in which a higher advance payment may be permitted.
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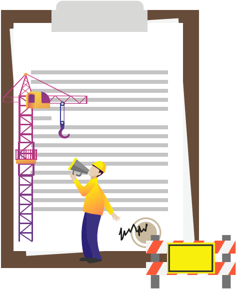
> Accordingly, in addition to obtaining approval from the investment decision-maker, an advance payment exceeding 30% may be granted where the contractor is required to make a deposit or advance payment to manufacturers or suppliers of materials and equipment in accordance with the technological design requirements of the project, or in other necessary circumstances as prescribed by law.
>
> For public investment projects and public-private partnership (PPP) projects, where an advance payment exceeding 30% is required to enable the contractor to make deposits or advance payments to manufacturers or suppliers of materials and equipment necessary for the project, or for other legitimate reasons, such higher advance payment must be approved by the investment decision-maker.



Construction contracts from 1 July 2026: What businesses need to know

(ii) Advance payment mechanism for structural components, semi-finished products, and construction materials

Decree 210 introduces a separate mechanism governing advance payments for contracts requiring the manufacture of high-value structural components, semi-finished products, or the stockpiling of construction materials to ensure project progress.

Pursuant to Point (e), Clause 3, Article 12 of Decree 210, the parties are entitled to agree on the advance payment schedule and amount for these items. Importantly, such advance payments are excluded from the statutory cap of 30% applicable to general contract advance payments. This provision provides additional financial flexibility for projects requiring the early procurement or preparation of materials and equipment, thereby supporting timely project implementation and mitigating risks associated with supply chain fluctuations.

Overall, the new provisions on contract advance payments strengthen the legal framework governing capital management while providing parties with a clearer and more flexible legal basis for implementing construction contracts.

3.Distinguishing the “effective period” and the “contract performance period”

One of the notable changes introduced by Decree 210 is the addition and clarification of the concepts of the “period for performing the works under a construction contract” and the “effective period of a construction contract”, thereby clearly distinguishing these two time periods - a distinction that was not expressly provided for under Decree 37.

Previously, Clause 1, Article 14 of Decree 37 only defined the “contract performance period” as the period commencing from the date on which the contract became effective until the parties had fulfilled all of their contractual obligations.

This approach did not clearly distinguish between the contract's effective period and the period for carrying out the contractual works in practice, resulting in differing interpretations and creating difficulties for the parties in determining the completion date of the works, extending the implementation schedule, and carrying out payment, disbursement, and contract liquidation procedures, particularly for public investment projects that require strict legal compliance and adherence to disbursement schedules.

To address these issues, Decree 210 separately defines the concepts of the “effective period of a construction contract” and the “period for performing the works under a construction contract”, as follows:

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> Clause 1, Article 10 of Decree 210 retains the substance of the concept of the "effective period of a construction contract", being the period from the date on which the construction contract takes effect until the parties have fully discharged all contractual obligations, including the time required to perform additional works and complete contract liquidation procedures (if any), or until the contract is terminated in accordance with law;
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> In addition, Clause 2, Article 10 of Decree 210 introduces the new concept of the "period for performing the works under a construction contract", which runs from the date the contract takes effect, or from the agreed commencement date of the works, until all contractual works have been completed and accepted in accordance with the contract (including any approved extensions of time). This period excludes the warranty period, the designer's supervision period, and contract liquidation procedures (if any).
>
> Furthermore, for construction contracts relating to procurement packages under public investment projects, the period for performing the contractual works must be consistent with the implementation period of the relevant procurement package as prescribed by procurement laws.

The introduction and clarification of these two concepts represent more than merely a legislative drafting refinement. They provide significant practical benefits by giving employers, contractors, and competent authorities a clearer legal basis for determining the completion of contractual work, managing extensions of time, and distinguishing the construction phase from the warranty and contract liquidation stages. As a result, the parties are better positioned to determine payment, disbursement, and final settlement obligations, particularly in relation to public investment projects.

Construction contracts from 1 July 2026: What businesses need to know

4. Additional provisions on performance security

Another notable amendment introduced by Decree 210 is the refinement of the rules governing performance security under construction contracts, particularly with respect to the required amount of security and the circumstances in which such security may be forfeited.

> (i) Regarding amount of performance security, under Decree 37, the required amount of performance security ranged from 2% to 10% of the contract value. In high-risk cases, a higher amount of up to 30% could be applied, subject to approval by the competent investment decision-maker.
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> Point đ, Clause 2, Article 13 of Decree 210 retains the 2% - 10% range but revises the applicable rule by providing that where a high-risk project requires performance security exceeding 10%, such requirement must comply with the applicable procurement laws, rather than being determined solely by the investment decision-maker as under the previous regulations.

> (ii) A notable addition under Decree 210 is the express specification of the circumstances in which a contractor is not entitled to the return of its performance security. Accordingly, the contractor will not receive their performance security in any of the following circumstances:
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> - Refuse to perform the contract after it has become effective;
>
> - Delay the contract performance due to the contractor's fault while refusing to extend the validity of the performance security; and
>
> - Other contractual breaches giving rise to forfeiture of the performance security in accordance with the parties' agreement and applicable law.

These new provisions strengthen the legal framework governing performance security, enhance contractors' contractual accountability, and provide a clearer legal basis for addressing contractual breaches during the performance of construction contracts.

Construction contracts from 1 July 2026: What businesses need to know

5. Contractors may suspend contract performance where payment is overdue by more than 28 days

One of the significant changes introduced by Decree 210 is the contractor's right to suspend contract performance where payment is overdue by more than 28 days, together with revised rules governing the notice period applicable to such suspension.

For construction contracts relating to public investment projects and PPP projects, the contractor is entitled to suspend contract performance where the employer fails to pay the agreed amount for a payment milestone and such payment remains outstanding for more than 28 days after the payment due date prescribed under Point (l), Clause 4, Article 28 of Decree 210 - that is, 14 working days from the date on which the employer receives a complete and valid payment application in accordance with the contract, unless the parties agree otherwise.

Decree 210 allows the parties to agree on the notice period for suspension of contract performance, provided that such period does not exceed 28 days, except in cases of force majeure. This replaces the previous rule under Clause 3, Article 40 of Decree 37, which prescribed a fixed advance notice period of 28 days. Where a party suspends contract performance without legal grounds or fails to comply with the applicable notice requirements, that party must compensate the other party for any resulting losses in accordance with applicable law.

Decree No. 210 marks a significant step forward in strengthening the legal framework governing construction contracts while addressing many of the practical issues that have arisen during the implementation of the previous regulations. In this article, TNTP has highlighted only some of the key amendments that are expected to have a substantial impact on the negotiation and performance of construction contracts. In practice, Decree 210 also introduces numerous other important amendments and additions that businesses, employers, and contractors should continue to review and monitor to ensure full compliance with applicable laws. In light of these changes, businesses, employers, and contractors are advised to proactively review their standard contract templates, refine their contract management procedures, and update contractual provisions to align with the new regulatory requirements, thereby minimizing legal risks throughout project implementation.

Potential risks at different stages of the mergers and acquisitions process that businesses should be aware of

Mergers and acquisitions activities (M&A) are increasingly becoming a tool for businesses to expand their scale, diversify their operations, and enhance their competitive advantage in the market. At the same time, M&A also creates opportunities for business owners to transfer ownership of their enterprises. To effectively implement an M&A transaction, businesses need to clearly understand the stages of the M&A process and identify the potential risks involved.

1. Stages of the M&A process

A typical M&A transaction generally goes through four main stages:

Preparation and target identification stage: At this stage, the business identifies its strategic objectives for the M&A transaction, including but not limited to the industry, market, target company, and long-term development orientation. At the same time, the business conducts an internal assessment of its financial resources, human resources, and management capacity to execute and integrate after the transaction.

Due diligence stage: This stage is conducted to comprehensively review the target company's financial, legal, operational, and corporate culture aspects. The review includes an examination of legal documents, contracts, assets, intellectual property rights, financial obligations, and other potential risks.

Contract signing and transaction completion stage: The parties transfer ownership of the company's assets, fulfill payment obligations, adjust employee arrangements, and comply with applicable legal requirements.

Post-transaction integration stage: In the case of a merger, the two companies are consolidated into a single legal entity, including the adjustment of necessary legal documentation, alignment of management systems, operational processes, corporate culture, and personnel.

Potential risks at different stages of the mergers and acquisitions process that businesses should be aware of

2. Potential risks in the M&A process

At each stage of the M&A process, businesses may face different risks, ranging from financial and legal to operational risks. Below are some typical risks that businesses should pay special attention to.

First, the risk of misvaluation of the target company. This is a common risk in M&A transactions when the buyer fails to accurately assess the true value of the target company. Misvaluation may stem from incomplete, inaccurate, or non-transparent financial data, or from the buyer's failure to anticipate market fluctuations during the valuation process. This risk can significantly reduce the overall effectiveness of the transaction. Many businesses in Vietnam have been subject to tax reassessments after completing M&A transactions, causing the buyer's expected profits to effectively "evaporate."

Second, legal compliance risks. M&A activities are governed by various laws such as the Law on Enterprises 2020, the Law on Investment 2025, and the Law on Competition 2018, among others. Common compliance risks include failure to carry out procedures for foreign investors' capital contribution/share acquisition registration, violations of economic concentration regulations, or failure to meet business conditions after the transfer. As a result, businesses may face administrative sanctions or become involved in disputes affecting their operations.

Third, risks arising from choosing an inappropriate transaction structure. In acquisition transactions, there are two common structures: (1) share deal and (2) asset deal. In a share deal, the buyer faces the risk of indirectly assuming all liabilities of the target company. In an asset deal, a common risk is that licenses and contracts are not automatically transferred. For mergers, transaction structure risks are often associated with the choice of merger form (horizontal, vertical, or conglomerate) and post-merger organization. Unlike acquisitions, in a merger, the merged entity ceases to exist, and all rights and obligations are transferred to the surviving entity under the principle of universal succession. This creates significant risks if the surviving entity does not fully assess potential obligations, including financial, tax, labor obligations, or unresolved disputes of the merged entity.

Fourth, risks from contingent financial obligations. In M&A transactions, the buyer not only acquires assets but may also bear or be affected by the target company's financial obligations. Common risks include unrecorded liabilities, obligations to the State, especially tax obligations or other payable amounts that have not been fully or accurately declared, or obligations not properly identified due to management errors or undisclosed disputes. If not carefully reviewed, these factors may lead to high costs and directly impact the buyer's investment efficiency.

Potential risks at different stages of the mergers and acquisitions process that businesses should be aware of

Fifth, risks arising from Change of Control clauses in contracts between the target company and its partners. In practice, many important commercial contracts of the target company may contain clauses allowing partners to terminate the contract upon a change in ownership or control. As a result, after the transaction is completed, partners may refuse to continue cooperation or demand renegotiation of terms under unfavorable conditions. This may lead to the loss of strategic partners and disruption of business operations immediately after the transaction.

Sixth, risks related to changes in the workforce and key personnel. The integration process often leads to changes in organizational structure, HR policies, and working environment. These changes may result in labor disputes or cause key personnel to leave the company. In practice, many M&A transactions fail to meet expectations not due to financial factors but because businesses cannot retain their core operating teams, thereby directly affecting operational efficiency and post-transaction strategy execution.

Seventh, risks related to information confidentiality and competition. The departure of management or senior personnel after the transaction may pose risks of information leakage. If such individuals join competitors, trade secrets, development strategies, or core technologies may be disclosed. Without appropriate control and confidentiality mechanisms, businesses may suffer significant losses in competitive advantage.

Potential risks at different stages of the mergers and acquisitions process that businesses should be aware of

3. Measures to mitigate risks in the M&A process

To control risks arising during the M&A process, businesses need comprehensive preparation from the outset and continuous control throughout the transaction.

First, conduct in-depth legal and financial due diligence to ensure compliance with the law. It can be affirmed that due diligence is the most critical step in an M&A transaction, serving as the foundation for risk assessment, legal compliance, and determining the true value of the deal. Businesses should thoroughly review legal documents, contracts, assets, financial obligations, existing disputes, and compliance with legal requirements, especially for transactions involving foreign elements or conditional business sectors. Engaging professional advisors such as lawyers and auditors not only helps identify risks but also assesses their impact on the transaction value.

Second, develop an appropriate transaction structure and financial plan. Businesses should clearly determine the transaction form, carefully evaluate the advantages and disadvantages of each option, and make suitable choices. Additionally, payment timelines should be considered. For example, staged payments or price adjustments based on business performance may help mitigate financial risks in case of adverse developments.

Third, draft comprehensive and well-structured contracts. Businesses need to carefully review provisions on the parties' obligations, price adjustment mechanisms, conditions precedent, principles for determining damages and compensation, dispute resolution methods, and other relevant provisions. A well-drafted contract, with the support of professional advisors, helps minimize disputes and protect the company's rights and interests when risks arise.

Fourth, develop a post-M&A integration and governance plan. Specifically, businesses should establish a clear integration plan, including alignment of management systems, review of contracts with partners, updating licenses, and adjustment of HR policies. Preparation for the post-merger stage should be conducted in parallel with due diligence to ensure uninterrupted business operations and achievement of strategic goals. At the same time, appropriate confidentiality measures should be implemented, especially for management personnel, through agreements such as NDAs, non-compete clauses, or internal control mechanisms, to minimize post-transaction information leakage risks.

In summary, while M&A transactions offer significant opportunities for growth and expansion, they are accompanied by complex legal risks. Proactively identifying and managing risks from the early stages not only helps protect the investment value and minimize disputes but also plays a decisive role in the long-term success and sustainability of the transaction. The use of legal services from reputable law firms is essential to support businesses in effectively managing these risks.

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