

## CHINA

### Treat Unexpected Business Proposals with Caution

The Swiss Business Hub China has recently witnessed a growing number of Swiss and other foreign companies being victims of a variety of scams orchestrated by Chinese companies. The methods used for such scams can be diverse and subtle; however, they are easily avoidable if one is aware of them. As prevention is better than cure, our goal is to raise your awareness about these matters, help you recognize them and know how to deal with the situation.

#### How it looks like – scheme of scams & frauds

1. Most frauds and scams in Northern China came from Xi'an City, Shaanxi Province and Luoyang City, Henan Province with general company names, such as "XXX Material Co., Ltd." or "XXX Import & Export Co., Ltd." etc. No business address has been given or it is located in a residential area.

e.g.: Chinese company: [Shanxi Shun Ran Imp & Exp Co., Ltd. | 陕西顺冉进出口有限公司](#)

*The Chinese company reached out to a Swiss company for placing a special steel part purchase order of € 630'000. There has been communications going on between the Chinese and Swiss company for making the deal ASAP and the Swiss company was invited for a site visit in China.*

[The Shanxi Shun Ran Imp & Exp Co., Ltd. is registered in Xi'an City, however its registered office address is different from the one on its website: No.1, Phrase, Landisicheng, Beilin District, Xi'an City, Shanxi Province China](#)

2. Most fraud companies are newly registered with the Chinese Authority with very simple information and no business history. Please be aware that it is not difficult to have a fake registered capital registered with the regulatory authorities by just going through an agent company (e.g. during the registration procedure, the agent will provide certain amount of money under the Chinese company's name, later on they withdraw the money from the account. The agent makes profit by offering this kind of services.).

e.g.: [The Shanxi Shun Ran Imp & Exp Co., Ltd. just registered in March this year, it's pretty young company with no track of business history. Again it is not guaranteed that the RMB 60 million is real.](#)

3. Most fraud companies have a very wide business scope from big equipment to small stuff which covers all kinds of industries from machinery, construction, electronic, chemical, medical device to daily products, food & beverage etc. It sounds like an "almighty company" which buys anything and sells anything. However, this kind of companies have no brands of their own, no stores, nor other offices, as they claimed that they are "traders". It is abnormal to appear like a huge company but with nothing in hands.

e.g.: [On the website of Shanxi Shun Ran Imp & Exp Co., Ltd. shows that the company has a full-category product range but no mention of sales network, partner information, business model and etc.](#)

4. Most fraud companies have no Chinese website but only an English one, even when they have one in Chinese, the information is still very general and simple. On their website there is no information on what they have done before and not even a product information or any show cases.

e.g.: [The Shaxi Shun Ran Imp & Exp Co., Ltd.](#) only has an English website with a simple company introduction, in which it is said that they can trade anything. They have a large range of product categories, but if one goes to each category, beside a simple picture card there is no more information on trading records.

5. Beside their website, no other information can be found about these fraud companies on any search engine. It is like a mystery in this information / internet age: no one knows about them at all.

e.g.: [There is nothing which can be found about "Shanxi Shun Ran Imp & Exp Co., Ltd." in the internet.](#)

6. If one calls these fraud companies, normally the company will have a person answer the phone with Southern Chinese accent, even though the company is registered in Northern China. The typical scam company is usually operated by Southern Chinese who are from Guangdong Province and Fujian Province. Or the phone simply won't be answered the whole time.

e.g.: [SBH China tried to call Shanxi Shun Ran Imp & Exp Co., Ltd. a couple of times, but no one answered the phone.](#)

7. The fraud companies don't have an official office email but simply work with "Hotmail", "Gmail", "Yahoo" or "163.com" or other email addresses from a cost-free email provider. They also operate without official contact info in their email signature but rather sign with just a simple name like "Jessi", "Jason", "Amanda"...

e.g.: ["xieshoukaifa@188.com" is the email address of Shanxi Shun Ran Imp & Exp Co., Ltd. and the contact person's signature is "Jack".](#)

### **How it works – versions of scams & frauds**

How do these fraud companies cheat foreign companies for money? Actually, there are many ways, they are so "smart" that it is difficult to summarize all the various approaches which keep *updating and evolving*. Nevertheless, a few methods are commonly seen:

a) An unknown Chinese company starts to contact a foreign company by email, in order to check out their products. Then, after just a few exchanges by email and without any meetings and sample test, they place a big order to the foreign company. They will sound very trustful and are even willing to pay partially up-front. Therefore, before anyone sees any money, they obtain the foreign company's attention. Then, due to "the Chinese procedures" or in order to "make an formal contract", they will ask the foreign company to *bear / share* the administration fees including registration fee, legislation consulting fee and notary fee. Furthermore, they will invite the foreign company for a site visit in China with expensive gifts and dinners paid by the foreign company.

b) A Chinese company suddenly comes up from nowhere and reaches out to a foreign company for a delegation visit for "a big purchase order" without any formal discussion in advance. But most probably, their real intention is to *seek for an invitation for entering Europe with suspicious reasons*.

c) Some Chinese swindlers reach out to a foreign company and claim that they represent "a prestigious and reputable Chinese company". They invite the foreign company to come to China for a huge contract signing. The mixture of the above-mentioned fraudulent gimmicks would play on the foreign company in order to get the foreign company to pay a notarization fee or other administration fees, buy gifts and so on. Nobody will never ever hear again from the Chinese swindlers after the fees have been paid.

Tricks on the ambiguous communication:

- The business proposal involves a transaction amount that is unusually high for your business.
- Very little negotiations or bargaining for a price discount were needed for your price quote to be accepted by the counterpart.
- No technical details were discussed during the negotiations.
- No information about the exact intent and purpose of the planned acquisition, as well as the end user of the products you are about to sell, has been communicated.
- Communication is mostly via fax, email and mobile phone numbers, but no official fixed line telephone numbers.
- The counterpart's bank account is registered under a personal name: in China, it is required by law for all companies to have a bank account registered in the company's name or the counterpart requests the payment to be made via Western Union.

Please go to this [link](#) to see more example cases.

### What to do to prevent:

- Legal Status Check & Verification:
  - Business License
  - ID Card
  - Litigation Records
  - Foreign Trade Right
  - Special Permits
  - Land Use Rights
  - Right to Use Premises
  - IPR Ownership Certificates
  - Company Chop
- Financial Status Check:
  - Creditworthiness Letter
  - Financial Statement
  - Capital Verification Report
  - Bank Account Details
- Chinese Social Credit System:
  - Check the Chinese Company's Social Credit
- Check above Mentioned 8 Key Points
- Check the quality and quantity before the goods leave China

Things **Not To Do** before everything is verified and checked in China:

- Do not travel to China!
- Do not transfer money to an account in China!
- Do not pre-pay anything in China!
- Do not easily issue visa invitations!

*Use common sense and always be on guard with strangers. If it is too good to be true, then it is not true (very large orders, very cheap deliveries)!*

If you would like to obtain more detailed information on the Chinese counterpart, we can also help by providing you with a background check. Please find below a detailed summary of the research content and the pricing. For more information, don't hesitate to contact Switzerland Global Enterprise or the Swiss Business Hub China.

## China Business Credit Report

Retrievable Information	Turnaround Time	Price
<input type="checkbox"/> Registration number <input type="checkbox"/> Registered address <input type="checkbox"/> Telephone & Fax <input type="checkbox"/> Date of incorporation <input type="checkbox"/> Registered capital <input type="checkbox"/> Alteration in capital <input type="checkbox"/> Business scope <input type="checkbox"/> Operation period <input type="checkbox"/> Legal representative <input type="checkbox"/> Shareholders <input type="checkbox"/> Major directors & managers <input type="checkbox"/> Branches & subsidiaries <input type="checkbox"/> Staff <input type="checkbox"/> Suppliers and customers <input type="checkbox"/> Financial information <input type="checkbox"/> Banking relations <input type="checkbox"/> Litigation (Internal record) <input type="checkbox"/> Evolution <input type="checkbox"/> Present situation <input type="checkbox"/> Credit rating	8.5 Working Days	800 CHF
<input type="checkbox"/> Registration number <input type="checkbox"/> Registered address <input type="checkbox"/> Telephone & Fax <input type="checkbox"/> Date of incorporation <input type="checkbox"/> Registered capital <input type="checkbox"/> Alteration in capital <input type="checkbox"/> Business scope <input type="checkbox"/> Operation period <input type="checkbox"/> Legal representative <input type="checkbox"/> Shareholders <input type="checkbox"/> Major directors & managers <input type="checkbox"/> Branches & subsidiaries <input type="checkbox"/> Staff <input type="checkbox"/> Suppliers and customers <input type="checkbox"/> Financial information <input type="checkbox"/> Banking relations <input type="checkbox"/> Litigation (Internal record) <input type="checkbox"/> Evolution <input type="checkbox"/> Present situation <input type="checkbox"/> Credit rating	5.5 Working Days	1200 CHF

## China Business VIP Report

Retrievable Information	Turnaround Time	Price
<input type="checkbox"/> Registration number <input type="checkbox"/> Registered address <input type="checkbox"/> Telephone & Fax <input type="checkbox"/> Date of incorporation <input type="checkbox"/> Registered capital <input type="checkbox"/> Alteration in capital <input type="checkbox"/> Business scope <input type="checkbox"/> Operation period <input type="checkbox"/> Legal representative <input type="checkbox"/> Full history of shareholders <input type="checkbox"/> Background of shareholders <input type="checkbox"/> Major directors & managers <input type="checkbox"/> Leadership, background and comments <input type="checkbox"/> Staff <input type="checkbox"/> Branches & subsidiaries <input type="checkbox"/> Products / Services <input type="checkbox"/> Land, premises and production facilities <input type="checkbox"/> Raw material purchase & payment terms <input type="checkbox"/> Suppliers and customers <input type="checkbox"/> Organization structure <input type="checkbox"/> Financial information <input type="checkbox"/> Financial analysis <input type="checkbox"/> Banking relations <input type="checkbox"/> Litigation record <input type="checkbox"/> Company Background <input type="checkbox"/> Evolution <input type="checkbox"/> Present situation <input type="checkbox"/> Industrial outlook <input type="checkbox"/> Competitiveness analysis <input type="checkbox"/> Development prospect <input type="checkbox"/> Credit rating	22 Working Days	1650 CHF
<input type="checkbox"/> Registration number <input type="checkbox"/> Registered address <input type="checkbox"/> Telephone & Fax <input type="checkbox"/> Date of incorporation <input type="checkbox"/> Registered capital <input type="checkbox"/> Alteration in capital <input type="checkbox"/> Business scope <input type="checkbox"/> Operation period <input type="checkbox"/> Legal representative <input type="checkbox"/> Full history of shareholders <input type="checkbox"/> Background of shareholders <input type="checkbox"/> Major directors & managers <input type="checkbox"/> Leadership, background and comments <input type="checkbox"/> Staff <input type="checkbox"/> Branches & subsidiaries <input type="checkbox"/> Products / Services <input type="checkbox"/> Land, premises and production facilities <input type="checkbox"/> Raw material purchase & payment terms <input type="checkbox"/> Suppliers and customers <input type="checkbox"/> Organization structure <input type="checkbox"/> Financial information <input type="checkbox"/> Financial analysis <input type="checkbox"/> Banking relations <input type="checkbox"/> Litigation record <input type="checkbox"/> Company Background <input type="checkbox"/> Evolution <input type="checkbox"/> Present situation <input type="checkbox"/> Industrial outlook <input type="checkbox"/> Competitiveness analysis <input type="checkbox"/> Development prospect <input type="checkbox"/> Credit rating	11 Working Days	2550 CHF

The following links may be useful in providing more details and tips to identify sham companies:

- <https://www.wko.at/service/aussenwirtschaft/liste-verdaechtiger-chinesischer-firmen.html>
- <http://export.gov/ohio/northernohio/chinafraud/index.asp>
- <http://scammers-and-their-websites.blogspot.com/>
- <http://www.eusmecentre.org.cn/content/european-sme-week-webinar-series-part-2-avoiding-common-scams-when-doing-business-china>
- <https://www.chinalawblog.com/2018/11/the-come-to-china-to-sign-the-contract-scam-a-classic-for-good-reasons.html>