

**CONSULATE GENERAL OF INDIA**

**GUANGZHOU**

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**Subject: Advisory for Indian small and medium enterprises (SMEs) doing/interested in doing business with Chinese companies**

This updated trade advisory is being issued in the interests of Indian small and medium enterprises (SMEs) that intend to or are doing trade with Chinese entities in China. It is to enhance the commercial cooperation between India and China by drawing attention to some of the risks faced by Indian SMEs to take preventive and/or mitigating action.

The information contained in this advisory is based on trade-related problems that are periodically brought to the attention of the Embassy and Consulates in China for information, facilitation and assistance. It is meant to serve as broad guidance cataloguing some major checkpoints that should be observed by Indian companies in trade transactions with Chinese companies to prevent possibility of problems or disputes. It does not substitute in any way the Company's own actions or responsibility in this regard.

Typically, the trade-related problems brought to the Embassy/Consulate's attention cover the following issues.

**For Export of items by Chinese Companies:**

- Supply of sub-standard goods, inferior quality.
- Supply of sand, stones, salt, bricks, mud etc. in place of chemicals, Silicon Carbide, Aluminium and Zinc ingots, shellac, plastics, polymers, etc.
- Refusal to send consignments on receipt of payment.
- Quantity dispute.
- Stopping communications on receipt of advance payment.
- Dispatch of defective machinery.
- Diversion of payment into unassociated bank accounts by third fraudulent parties by hacking into email IDs.
- Taking money for sample dispatch and then stopping all correspondences.

**For Import of Items by Chinese Companies from Indian Companies:**

- Refusal to make payment after taking control of consignment exported from India on some pretext.
- Refusal to take delivery of the consignment when the market value of the imported item has gone down from the value fixed in agreement.
- Non-release of Pre-Shipment Inspection Reports/Certificates in due time after departure of shipment from the Indian port entailing demurrage on arrival at port in China.

**A descriptive account of typical modus operandi of Chinese offenders is enclosed at Annexure 1.**

Accordingly, Indian companies are advised to take due precaution while engaging in business transactions, particularly when dealing with new or unfamiliar companies. A recommended list of check-points is placed below. It is not an exhaustive list of measures or options. The Indian company planning to enter into business with Chinese companies are advised to fully satisfy themselves about the genuineness of the Chinese company with which they are dealing with and their representatives before concluding the business deals and making payments.

1. Run the credentials check of the Chinese Company, including through the Embassy or the Consulates in China, which may respond with basic information. All the Chinese companies are registered with Chinese names and giving the English translation of the name to the Chinese authorities will not be sufficient to check the registration status of the Company. Therefore, the Indian companies are advised to obtain from their Chinese business partner a copy, preferably notary attested, of their registration certificate before concluding their business deals. Once it is received, the same can be sent to the Embassy/Consulate for verification.
2. In case of large transactions, consult a business service company which can provide a report on the business transparency, financial health, reputation, reliability and credential of the company.
3. Avoid transacting with any company from a B2B platform. Some B2B sites offer products at much lower rates than the market value. Those websites should be shunned.
4. Exporters or importers for a particular commodity or service can also be accessed by sending trade queries to the Embassy / relevant Consulate General of India. For the South China provinces of Guangzhou, Fujian, Guangxi, Hainan, Hunan, Sichuan and Yunnan, the trade enquiry may be sent to: Email: [com.guangzhou@mea.gov.in](mailto:com.guangzhou@mea.gov.in).
5. Copies of the passport/national identity card issued by Chinese Government of the representatives of the Chinese company, with whom the Indian Company is negotiating, and his/her contact details (full company address, telephone and mobile numbers, email id, etc.) should be obtained by the Indian company.
6. Check the list of "Chinese Companies involved in trade disputes with Indian companies," which is attached herewith at **Annexure 2**.
7. Before concluding the business deal, the Indian companies are advised to enter into a properly drawn up Purchase-Supply Agreement detailing the terms and conditions of the business deal, the shipment period, the payment terms, the dispute resolution mechanisms in case there arise any dispute, etc. Such agreements, if properly executed, can help the Indian companies in taking recourse to available dispute resolution mechanisms or judicial help in resolving the disputes. Before signing a contract, gather a copy of the business license and enquire about the Company from local Industrial and Commercial Bureau (ICB).
8. Site visits may be considered for large transactions. Take photos of the company and the factory during such visit, and try to meet with top executives of the company, not just the English-speaking liaison department personnel, to discuss the terms of the deal.
9. Check whether products are produced by the company and whether the packages belong to the target company.
10. It is advised to sign a contract of a small amount in the beginning and gradually increase the volume of business once credibility of the Company has been established. If payments are to be made through bank transfer, the amounts should be sent to the Company's bank account, instead of bank accounts in the name of individual representatives of the Company.
11. Payment with Letter of Credit (L/C) is recommended when the contract object is of a high value; alternatively, both the parties should operate through an 'Escrow account' or 'Bank guarantee' route.

- 12.** If payment with Letter of Credit (L/C) or 'Bank guarantee' route is not adopted, it is advised to appoint a professional third-party to inspect the products in order to determine whether the products comply with the agreed standard (quality and quantity) or not.
- 13.** Balance amount should be released only after checking the quality and quantity of the consignment received in India. Letter of Credit should be opened with the provision of honouring it on inspection of in-bound cargo at the Indian port and not on placement of Bill of Lading only. If B/L placement is the norm, presence of a Company representative from Chinese Company may be insisted upon at the time of inspection of the cargo at the Indian port, especially, if the bulk or value of the consignment is large.
- 14.** For export of any product from India, the Indian exporter must ensure that all the procedural formalities as per Chinese rules and regulations are carried out. If any Pre- Shipment Inspection (PSI) is required to be carried out by any Chinese Government-authorized agency and the relevant certificate needs to be submitted for clearance of the cargo at any Chinese port that must be obtained before the vessel leaves Indian port. Otherwise the ship may be stuck at the Chinese port and the Indian exporter may accumulate demurrage.
- 15.** The Indian company should insist on having the registered documents and other agreements as signed with the Chinese company attested by the Embassy of India or the relevant Consulate. This process of attestation of documents by the Embassy/Consulate involves both the local sub-council of China Council for Promotion of International Trade (CCPIT) as well as the Chinese Ministry of Foreign Affairs and thus, weeds out fake companies in most of the cases.
- 16.** The trade-related queries/complaints/grievances related to Chinese companies located in the provinces of Guangzhou, Fujian, Guangxi, Hainan, Hunan, Sichuan and Yunnan may be addressed to [com.guangzhou@mea.gov.in](mailto:com.guangzhou@mea.gov.in) / [cons2.guangzhou@mea.gov.in](mailto:cons2.guangzhou@mea.gov.in). For the Embassy in Beijing, the email id is [sscom@indianembassy.org.cn](mailto:sscom@indianembassy.org.cn). For CGI Shanghai, the email id is: [ccom@indianconsulate.org.cn](mailto:ccom@indianconsulate.org.cn) (for Zhejiang and Jiangsu provinces, Shanghai Municipality). For CGI Hong Kong: [commerce@cqihk.gov.in](mailto:commerce@cqihk.gov.in)

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## **ANNEXURE-1**

### **Description of the modus operandi adopted by the Chinese companies**

- 1)** An Indian company is contacted by the Chinese company for business. After several rounds of emails and phone calls, the Chinese company invites the Indian company to visit their facility in China and meet the executives of the Chinese company and senior officials of the local Government, projecting this as an apparent exercise at confidence building. The Indian company agrees to visit China. Just before the departure of executives of Indian company, the Indian company receives a request from the Chinese company to bring cash for arrangements and gifts for the senior executives and other local officials, citing Chinese cultural values. The Indian company agrees to get cash and gifts and visits the facilities and meets the executives of the Chinese company. The Indian company is promised of excellent cooperation by the Chinese company. After the Indian company representative returns to India, the Chinese company goes silent and stops replying to the communications of the Indian company. The Indian company ends up losing cost on transportation, accommodation and the amount incurred for gifts.
- 2)** The Indian company, wishing to import products from China, finds a Chinese exporter from B2B portals and other online sources. The Indian company contacts the Chinese company. Thereafter, the Chinese company insists that the Indian company should send a percentage of the total amount as advance. The Indian company, unaware of the credentials of the Chinese company, makes the advance payment. The Chinese company receives the payment and thereafter, breaks all the communications with the Indian company, let alone sending the consignment to the Indian company. The Indian company ends up losing the advance payment.
- 3)** The Indian company contacts/is contacted by a Chinese company though various online sources/social media. After the deal is finalized between the two parties, the Indian company requests for a sample of products from the Chinese company. The Chinese company duly sends the samples which are found to match the desired standards. Thereafter, the Indian company places further orders with the Chinese company and transfers a percentage as advance payment. It is agreed between the two parties that the Indian company will release LC after the consignment is received at the designated Indian port. The consignment reaches the Indian port and after inspecting the bill of lading, Indian company releases the LC. Till this time, the Indian company has not seen the actual product. The Indian company gets to see the actual product after the consignment is released by Customs. After the consignment is delivered to the Indian company, it is found that the product is sub-standard or totally different from what was agreed upon in the agreement between the two companies. The Indian company complains to the Chinese company about the spurious quality of the consignment to which, the Chinese company puts the blame on the storage conditions and refuses to accept that it had sent spurious products. The Indian company ends up losing the advance and the amount towards LC.
- 4)** The Indian company contacts/is contacted by a Chinese company though various online sources. After several rounds of emails/phone calls both the parties conclude an agreement whereby the

buyer (the Indian company) has to make an advance payment after which, the Chinese company will send the consignment to India. After the Indian company makes a part- advance payment, the Chinese company goes slow on communicating with the Indian company and after repeated requests by the Indian company to send the consignment, asks the Indian company to make the remaining payment. The Chinese company cites excuses such as the Indian company failed to make advance payment in time, the cost of the raw material has increased, their supplier failed to deliver products in time, etc. The Indian company risks losing the advance payment if it does not make the full payment and losing entire amount in case it pays the full amount and the Chinese company refuses to supply the goods.

- 5)** The Chinese company, before or after finalization of the deal, insists on 'Notarization of the Agreement', cost of which has to be shared equally between both the parties. The Indian company duly pays up its share. After their return to India, the Indian company representatives are informed that they need to pay extra since the notarization fee has increased. The Indian company risks losing its share of notarization fees if it does not pay the extra fee and total amount if it pays up the extra fee.
- 6)** Right before finalization of the negotiations between the Indian and the Chinese company, the Indian company receives an instruction by the employee of the Chinese company to transfer the advance/full amount in some other bank account, instead of the bank account of the Chinese company as specified earlier during the negotiations. Following the instructions, the Indian company transfers the advance/full payment to the new bank account. The employee goes silent after the Indian company transfers the amount. Later when the Chinese company is contacted about the whereabouts of the consignment as promised, the Chinese company responds that the bank account as given by their employee was not the company's account or the employee has already left the company and has cheated the Indian company without the knowledge of the Chinese company. The Indian company ends up losing the entire amount transferred to the bank account of the Chinese company.
- 7)** The Indian Exporting Company has a steady and smooth business with a Foreign Company. The Foreign Company makes a supply-order which is duly carried out by the Indian Exporter. The Foreign Company is asked by the Indian Company to transfer the fund in its new account, which is fulfilled by the Foreign Company. All the above communications are made through e-mail. However money does not reach Indian Company bank account. Later it comes to light that a Chinese hacker hacked the Foreign Company mail ID and created a fake Indian mail id which is very similar-spelled and same sounding. The Chinese hacker then manipulated communications between the hacked foreign Company email address and the fake email address of the Indian Company, asking the former to transfer fund to the new bank account of the Indian Company which actually belonged to the hacker.
- 8)** Chinese importer places order in bulk amount like iron ore to Indian exporter on an agreed cost. On reaching at the Chinese port, the Chinese company refuses to take delivery on the ground that the market price has gone down for the consignment and the pre-agreed cost would no more be tenable. Indian shipper is stranded with the cargo. Either he has to sell at much lower price or return his shipment back to India or scout for another buyer. In all such eventualities, Indian exporter loses money.

- 9) Indian importer contacts/is contacted by a Chinese company representative who happens to be a very smooth talker. Mostly they are ladies. They start correspondences through mail. Indian company is asked to send advance for sending sample. Indian company sends advance. Thereafter, all the communications stop from Chinese side. These are fly-by-night entities with false company address and temporary phone numbers. There will be no trace of them after a short period.

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**Annexure 2****List of Chinese companies involved in Trade Disputes with Indian companies**

<b>Sl. No.</b>	<b>Chinese Company</b>
<b>1.</b>	Zhiao International Room 1708, 17/F, Block F, The First International Wealth Centre, 200 Hongfu Road, Nancheng Qu, Dongguan-523073
<b>2.</b>	Cellon Communications Shenzhen Ltd. 13F, Skyworth Building C, Gaoxin S. Avenue 1, Hi-Tech Industrial Park, Nanshan, Shenzhen- 518057
<b>3.</b>	Vanguard Electronics Technology Co. Ltd. Room 2708-2710, Block A. Electronic Science & Technology Building, 2070 Shennan Central Road, Futian District, Shenzhen
<b>4.</b>	Kunming Ao Qiao Bao Import and Export Trading Co. Ltd. Daguan Commercial Building, Kunming City
<b>5.</b>	Shenzhen Globalegrow e-Commerce Company Ltd. Zhongxing Industrial City 8, 2 <sup>nd</sup> Floor, Venture Road, Nanshan District, Shenzhen
<b>6.</b>	Fujian Tengyuanda Trade Co. Ltd. Room No.2, 7F Bldg, 15 Baima Garden No. 17, Baima Zhong Road, Shanghai Street, Taijian District, Fuzhou City, Fujian
<b>7.</b>	Sansure Biotech Inc. 198 Tongzhipo Road (W) High Tech Development Zone Changsha, Hunan
<b>8.</b>	Kayu Crafts & Gifts Co. Ltd. 3 <sup>rd</sup> Floor, No. 10 NanYue Street, Chentian, Huangshi East Road, Baiyun District, Guangzhou
<b>9.</b>	Paul International Freight Co. Ltd 1411 Wei Xin Business Building, Bao An District, Shenzhen
<b>10.</b>	China Hunan Liling Xinrui Porcelain Insulator Industry Co. Ltd. Hengtangji Village, Liling, Hunan
<b>11.</b>	Tousda Electronic Technology Co. Ltd. No. 3, Xincheng Road, Leping Town, Sanshui District, Foshan City
<b>12.</b>	Dongguan Fenggang Chuangdian Sanitary Wares Factory Dongguan City
<b>13.</b>	Suodu International (HK) Company 4105, China Electronics Building, Futian District, Shenzhen City

<b>14.</b>	Jiacheng Jacquard Harnesses Bai Jin Road, Bai Ni Town, Sanshui District, Foshan City
<b>15.</b>	Sichuan Zhongxing(ZTC) Machinery Manufacturing Co.,Ltd Add:No.68,Qingma Rd,South Area,Chengdu Modern Industrial Port,Pi County, Sichuan
<b>16.</b>	Kaies Sanitary Ware (China) Co.,Ltd Address:Gusan Development Zone,Guxiang,Chaoan,Chaozhou,Guangdong,China Meiguang Development Zone,Changmei,Fengxi,Chaozhou,Guangdong
<b>17.</b>	Vei Xi Trade Co., Ltd. Tong Fu Yu Industry Area, Shi Yan, Bao An District, Shenzhen
<b>18.</b>	Zhongshan Rongma Electrical Co. Ltd. No. 89 Road 3, Dongfu, Dongfent Town, Zhongshan City-528425
<b>19.</b>	Jieyang Meifu Industrial Co. Ltd. Qimei Industrial Area, Xiangjiao Rongcheng District, Jieyang, Guangdong
<b>20.</b>	Hongtai Group Ltd. Hengqin Bonded Area, Baowa Road No.6, Guangdong
<b>21.</b>	Ess Tee United Traders (H.K.) Ltd. Guangzhou
<b>22.</b>	Shenzhen Ou Wei Sheng Technology Co., Ltd. HSBC bank wallet company Account Name: Omvision Technology Co. Ltd. Address: Building C, No.3 of Tianyang 2 Rd Datianyang, Songgang Baoan District, Shenzhen
<b>23.</b>	M/s Guangdong Ivaco Glass Technologies Co. Ltd. Qingbu Ind. Town, Xinhua Town, Guangzhou
<b>24.</b>	Hong Kong Magical Group Co. Ltd. A building No.3 Xihai Beilu, Heshu Qiaozhong, Liwan District, Ghangzhou
<b>25.</b>	Shenzhen Xinxinzong Technology Co.,Ltd Company Address: Shenzhen city Futian district Zhonghang Road Duhui110 Tower Building B Floor 17th, Guangdong
<b>26.</b>	Foshan Shaorong Aluminum Materials Co., Ltd. Address : Qicha Industrial Area, Lanshi Town, Foshan City, Guangdong
<b>27.</b>	Songtian Elecrtonic Appliance Co.,Ltd Industry Area Guangfoxinganxian Road Yanbu Town Nanhai District Foshan City
<b>28.</b>	M/s China Great Wall Computer Shenzhen Co. Ltd. No. 3, Kefa Road, Science & Industry Park, Nanshan District, Shenzhen

<b>29.</b>	Baoshan Changning Hong Tea Industry Group Co. Ltd.
<b>30.</b>	M/s. My Elephant International, Room No. 1610 16 <sup>th</sup> floor Kaixuanhui Building, No. 9 Qingshui Street Chancheng Dist Foshan Guangdong
<b>31.</b>	Exactchem Limited. Poly Centre No. 5, Linjiang Avenue, Tianhe District, Guangzhou