

How to identify a fake Chinese company: Preventing you from being scammed in China



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How do you prevent from being scammed in China? How do identify a fake company? What are the “signs” or “red flags” of a fake Chinese company? What is the typical profile of a bogus company?

Since I wrote the article “[How to Check Out a Chinese Company](#)” I have literally had dozens and dozens of inquiries which have led to an embarrassing amount of bogus companies and good honest entrepreneurs being scammed and or cheated in one way or another. One of the big problems is not all companies are fake but they have developed elaborate systems for manipulating people to get your money, even if it is just a couple thousand dollars. These cheats have good looking websites, email addresses, chat programs, phone numbers all to scam you for a few bucks. You would be surprised at the lengths they will go through for a few hundred dollars.

So you have sourced a suitable company, or at least you think it is suitable, you talk with a representative who answers all your questions well, they show you pictures product, pictures of factories and pictures and some company documents. Then you pay a deposit only to find the product wasn’t delivered on the specified date and you can no longer get a hold of the person you were in contact with. No response from your emails and phone numbers no longer working. You just got scammed. Don’t feel too bad if it happened to you because it is happening all over China to all kinds of good people and professional companies.

Not only do they put up good websites, they have fake company documents they can send you, they have knowledge of the product, heck they may even be a real trading company. They can even be connected with the truck drivers of transportations companies and possibly port officials. These cheaters are well set up, hard to identify and not much you can do if you get scammed by the pirates of manufacturing.

One of the most elaborate scams I came across which inspired this article is an Indian company wanting to purchase large volume of bulk EVA material from China. Specifically a Qingdao company associated with a so called factory in Shijiazhuang Hebei. The foreign company even hired a local person here to help with the process of checks, samples and physically checking the product in the containers before it went to port.

This person sourced a company who had an office in a different city which he visited, got samples, and sent them to the samples to the company in India. The samples were approved and a deposit paid for several containers of product totaling \$125,000.00 USD. When the order was complete the Indian company had this individual go to do an inspection and count of the product in the containers. The containers were then sealed with proper container seal and loaded on trucks heading for port. The deal was set up with Letter of Credit (LC) and final payment to be made after client receives the Bill of Lading from the shipping company which demonstrates the containers are loaded on the ship.

One month later the containers arrive at destination port and to the clients surprise they open the container doors to find 25,000 pounds of bags of dirt. There are all kinds of questions one would have from the duplication or copying of container seals, manipulating customs documents and so on. The moral of this story is you have to associate yourself with legitimate companies, have proper contracts with authorized representatives of the corporation, onsite audits of the manufacturing facility, and of course legitimate customs processing documentation. The above problem could have been avoided if experienced and knowledgeable people were involved throughout the process.

Some “signs” or “red flags” in helping you identify a fake company:

1. Very low price on the product your interested in. (If the price is more than 10% different from three or four other companies then that is a big red flag.)
2. Supplier has many excuses why the price is so cheap.
3. Supplier is impatient and pushing for a deposit without answering all your questions and concerns clearly.
4. Only English websites with limited ways to contact people.
5. Only one person to contact.
6. Supplier won't provide references of satisfied foreign clients.
7. Trading Companies in general. (Of course there are some good trading companies out there providing valuable service but most of the scam companies are trading companies that are easy to set up and close down if needed.)
8. A trading company that hesitates to introduce you to or take you to the factory that produces the products.
9. Supplier has excuses about not going to see the factory.
10. Factory is in a different city and supplier has not established a real connection to it.
11. Answers all your questions with a “Yes, no problem”. (If it seems too easy then it is a red flag.)
12. Sends you company documents that are not professionally translated. (They know you can't read Chinese so what does it help to have some documents in Chinese.)
13. A Hong Kong registered company. (Hong Kong and China mainland is not the same and I have no way to verify HK companies.)
14. Trading companies from Shijiazhuang, Heibei. This particular province and city is well known in China for its scams and thieves so be extra careful if dealing with a trading company from this region.
15. Requests TT transfer of deposits and gives you a different company name than they one you were dealing with.
16. Any time there are different names of companies between the website, the documents sent, the bank accounts numbers, etc. are all red flags.
17. Asking you to wire money to a personal bank account.

To summarize here is the basic profile of a potential scam:

A trading company either in Hong Kong or mainland China that has a simple 4-6 page website in English only. It has limited ways and only one person to contact. They have a very low price on the products and various excuses why the price is low. They are in a different city than the so called factory and won't connect you with executives at the factory. They are pushing you for a deposit without verified documents and appropriate agreements.

What can be done if you get scammed?

If you are one of the unfortunate people who have being scammed by a Chinese supplier then you are probably upset and would like to know what can be done. First you wonder if there is any possibility to get your money back and second to have some justice and see that this supplier is held accountable.

Being scammed in a commerce transaction is a commercial court matter not a police matter. Depending on the specific situation it is likely all you can do is take the person to court. This means you have to get a lawyer to represent you, file the complaint with the court house in the

jurisdiction of the area it happened. China does not allow individual to represent them selves so you have to get a lawyer and come to China to deal with it. It is possible to hire Power of Attorney (POA) to represent you. In the case above with the Indian company they are pursuing it as a criminal matter because of the unique situation and apparent fraud. This of course will cost tens of thousands more with low chance of getting any favorable result.

Pursuing court action:

If you have accurate information on a particular company and the authorized representative of the company then you can pursue court action but this rarely leads to a positive result for you. It is more likely that all you have is a website and an individual from that site with an English first name and a Chinese surname like Lily Wang. This is useless for there are ten million people named Wang and the website will be set up with a similar untraceable name. This is a deal end.

If you have the full Chinese name of the authorized representative and real legal information on the company you could pursue court action. I would recommend YouHua Law Firm in Qingdao which has multiple language capabilities and excellent corporate lawyers. A good person to contact is Scott Hao. He's a sharp young man that speaks excellent English and has experience working in the manufacturing industry. Also, YouHua has contacts throughout China and provides services in Chinese, English, French, German and many more. Feel free to contact Scott directly at:

YouHua Law Firm, Qingdao Branch (山东友华律师事务所)

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Results from Court Action:

Going to court is usually the last thing anybody wants to do but if you're still considering this then understand a few things. First is if you have a contract or some sort of agreement that is in Chinese signed by both parties and proves your business intentions. If it is only English then they can simply say "I didn't understand it". You also need proof that you wired them money then all they have to say is "I didn't receive any money" and without proof that ends there.

If you can prove they received money and you have an agreement and your lawyer can somehow prove liability then the just say "I don't have any money" causing a new issue. As you can see is it difficult to prove all these things and you can be certain the defendant will lie in court without hesitation. Talk to the above lawyer and get his feedback before trying to go down this road. Obviously the best solution is prevention, do your due diligence and don't trust anyone. Make your decisions based on facts that have been verified.

How to prevent yourself from being scammed in China:

There are always risks when doing business whether at home or in China. The best thing you can do is take the time to make sure all of the proper channels are followed and you have verified each step. If the Chinese sense you are professional and require verification and accountability all the way through the scammers will give up early in the process.

1. The first thing is don't be in a big hurry to make a deal and wire money.
2. Verify the company you are dealing with is a proper legally registered company. (See "[How to check out a Chinese Company](#)").
3. Have contact with the authorized representative of the company and their full contact information as well as the sales person you are dealing with.

4. Personally visit the facility and ensure you see the factory and perform a factory audit. (Or at least send a third party agent to do a factory audit.)
5. Draw up proper and detailed manufacturing or supply agreements to ensure both parties understand the expectations for quality, pricing, warranty and delivery.
6. Contract direct with the factory and make payments to the factory. Trading companies can collect their commission from the factory.
7. Have a tracking and or reporting system monitoring the manufacturing process.
8. Perform an onsite inspection of the final product and record accurate weights and dimensions of the products.
9. Exporting requires customs invoice, customs packing list, and customs declaration forms that should be drawn up by a professional.

In the end being aware of the scams and games people play then conduct the necessary checks and balances you should be able to have successful business dealings with China. The rest boils down to you understanding your supplier's strengths and weaknesses, how you manage the project and your quality controls. See Bili International's services on "[Quality Control and Project Management](#)" and "[Inspection and Verification Services](#)" for more ideas and or how we may be able to help.

Sincerely,

Daniel A. Janssen

General Manager
Bili International

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