

## **Beware of Fake Orders**

In recent months several European and Swiss companies have reportedly received bogus orders from Chinese companies. Typically, a Chinese individual would place a large order for bulk goods at very favourable terms with the foreign company and ask them to visit China to finalize the supply contract. With the proposed contract – amount as a rule around CHF 800'000 to 1,2 mio. – a down-payment of usually 30 to 40% is offered. Neither price nor contract conditions are much discussed or negotiated, nor product details. Once the contract is signed in China, the seller (Swiss company) is asked during the visit to do cash payments on various occasions and once back in Switzerland, to send a substantial amount of money in order to get the down-payment released.

The company in China may have large offices and appear bona fide on a first check, but subsequently disappears upon the foreign supplier's return to home. Many of these scams appear to originate from Yunnan, Guangdong and Hainan provinces. The aim of such swindles is to get hold of money either by demanding up-front cash and/or commission payments or by using the signed contract as collateral to obtain a loan.

How to spot such fake orders? Common sense and due diligence are probably the most important steps. China's low-cost manufacture suggest that Chinese buyers are unlikely to source ordinary goods from abroad. If the goods concerned can be obtained cheaper and at acceptable quality in China, this should raise first suspicions. Unusually favourable terms of payment offered after minimal negotiations may mean that the customer never intends to honour the deal. Standard supply contracts may not even require face-to-face meetings.

Various sources.

For further information please turn to the Chamber or contact a legal advisor.

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