

From:
Howard Hui
North Point, Hong Kong
Thursday, 2:37 p.m.

Dear Friend,

First and foremost, I want to thank you for getting a copy of my special report:

**Importing Secrets
Billion Dollar Retailers
Don't want you to know!**

What I'm about to share with you has been acquired first-hand dealing with China manufacturers who export to major wholesalers, chain stores and retailers throughout the US and Europe.

My name is Howard Hui. I own a sourcing company in Hong Kong. And between my partner and I, we have 12 years experience in China trade... exporting everything from Mp3s to Mp4s to microwaves.

Our specialty is in helping foreign buyers to find, negotiate and deal with quality China-based factories in the consumer electronics and home appliances industry.

For five years, as a purchasing agent for major retailers in the US and France (Boulanger, RadioShack and Brookstone just to name a few), I was exporting \$3,000,000 worth of goods per year (about 100,000 units). The products exported included premiums, household products, OEM and ODM electronics and a host of other consumer goods. All of these products were sourced from China.

Because of my frequent trips to the Shenzhen, Guangzhou, Shanghai and other parts of Eastern and Southern China where the vast majority of electronics suppliers are located, I have developed good relationships with reliable and trustworthy factories.

As a result...

Many of my client's have benefited enormously by sourcing only from top grade factories at highly competitive prices. Prices so good, many of my client's products literally fly off their shelves and result in untold millions of dollars in profits.

I sincerely hope this short guide to successful sourcing in China will impact your

business positively and profitably.

If you have any questions, I'd love to hear from you. Here's my contact details:

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Best Riches,
Howard Hui
Managing Director
Orion Worldwide Ltd.

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Importing Secrets Billion Dollar Retailers Don't want you to know!

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Legal Stuff

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How To Protect Yourself From Export Scam Artists

Did you know Wal-Mart alone accounted for more than 10% of US imports from China last year?

What's more, small and medium sized businesses from around the world are also tapping into China's low cost labor factories renowned for their mass production of everything from raw materials to industrial components ... and finally... to finished consumer goods.

Importers of all sizes are sourcing products from China at an alarming rate... earning China the reputation as "the world's factory."

Doing business with mainland China manufacturers isn't all that difficult once... you have an established relationship with the right suppliers. But there are risks involved for the uninitiated. Although the rewards for sourcing quality, low-cost products may seem attractive, there are, unfortunately, unscrupulous exporters and outright scam artists who prey on the ignorance of foreign buyers like a pride of lions pursuing a wounded zebra.

Here's a few pointers for playing it safe with China suppliers:

1. Never make payments using Western Union. The funds can be collected anywhere in the recipient's country with no way of tracing the recipient should you happen to be dealing with a fraudulent company.

Some importers have told me in order to avoid shipping delays, they've sent payment via Western Union without any problems, normally for product samples. Despite being an efficient and low cost way to transfer funds, it's also a very convenient way for con-artists to make a good living.

Why take a chance? A legitimate company will have a commercial bank account and request payment by credit cards, telegraphic transfers or letters of credit.

Better still, ask your supplier to provide you with an open account. This is especially convenient if the nature of the product requires frequent smaller orders. That way, you're able to make one payment for all shipments over an agreed period of time... plus save money on bank transfer fees.

However, the supplier's decision to extend credit to you will be influenced by

how they perceive your trustworthiness. I'll talk about some of these factors later on.

Suffice to say, unless you're a gigantic retail chain like Best Buy, it's unlikely you'll be offered 90 days credit.

On the other hand, if you absolutely must make an advance payment through electronic means like Pay Pal, I'd recommend using an escrow service (such as www.escrow.com). They won't release your funds to the seller until confirmation of the goods you've received are in good order.

2. Be extra cautious when dealing with companies that have connections to Nigeria, which unfortunately, has a notorious reputation as far as promoting international scams are concerned. Especially if they ask you to send them money to a country other than the one shown on their company's website, email, brochures, catalogs or shipping labels.

To verify a company's website registration data, go to www.whois.net. Is it consistent with the information they've given you?

3. Be wary of suppliers quoting you lowball prices. While some companies actually quote you extremely low prices to attract business from foreign buyers who are looking to close their first deal, these suppliers will invariably raise their prices on subsequent orders if your purchase order does not meet their minimum order quantity (MOQs).

But... don't confuse this sales tactic with a fraudulent company that'll lure you into their trap with an unbelievably low quote. Once they've got your money, the chances are next to impossible to apprehend or convict these criminals.

Yes, you could report the crime to the China authorities, but let me tell you a state secret of China. The commercial crime bureau of China is severely lacking in resources to even cope with their own domestic fraud cases (which have exploded in recent years), let alone deal with white collar criminals whose victims are in another country.

To say China is the "wild, wild East" is no understatement.

Know this: don't take anything for granted when dealing with a supplier from China. Some of these scam operations are so sophisticated they'll even go as far as shipping you a container load of cow dung just so they can fulfill the requirement of a L/C. The banks will not inspect the goods. And the culprits will have your money long before you even lay your hands on your shipment of products.

If you think this couldn't possible happen to you. Don't be too sure! I

personally know of local businessmen (experienced importers, too) who've been ripped off royally by these China con artists.

It happens a lot more often than you might think.

4. Don't deal with companies that will not allow you to buy samples. Asking for free samples is one thing, but refusing to sell you a sample is another. It certainly raises doubts as to the legitimacy of the company you're dealing with.
5. Don't trust companies that immediately start making unreasonable and unfriendly demands – it's not the natural Chinese way!
6. For large orders, ensure your goods have undergone a pre-shipment inspection. In fact, you should demand the inspection as a condition to payment.

Third party inspection companies such as www.inspectionchina.com or www.asiainspection.com will perform a production or pre-shipment inspection, or both, on your behalf.

This is even more important when you are ordering from a supplier for the first time. It's not uncommon to find situations where there's a discrepancy between the quality the goods shipped and the original samples.

Okay, once you've identified several suppliers with whom you wish to place orders, conduct your own due diligence. For example...

Call the supplier's fax and telephone numbers and verify that they are correct.

Heck, you should even analyze the telephone number. It's easy to do. Just go to www.numberingplans.com.

Is it a landline telephone number or does it belong to a mobile phone?

In Asia, anyone can buy a stored valued mobile phone card at almost any newsstand and every 7/11 corner store. Registration with the local phone company is unnecessary.... hence...it's a super easy method for concealing the owner's identity of the telephone number.

What you're looking for is a transparency of a company's available public information and consistency of that information. Are the people and suppliers you're dealing with easy to identify?

Do they have a registered business license? Export license? Are they ISO 9001 certified? Etc.

Have you done a search of their **ICP** (Internet Content Provider) number?

Every commercial website in China is required by law to have one displayed on their home page if their internet server is located in China. The Chinese Ministry of Information Industry regulates ICP numbers.

In short, my point is, the more you know about who you're doing business with, the lower your financial risk. It's that simple.

Now, if you prefer to outsource the due diligence to somebody else because a face-to-face meeting with your suppliers is neither feasible nor are you inclined to travel, then it's a good idea to use the corporate investigation services of a company such as www.asiancredit.com.

How To Build Solid Relationships With Your China Suppliers

There's no better way to locate valuable suppliers than through personal contact. One of the best places to meet your prospective suppliers, in addition to visiting their production facilities, is at trade shows.

Not only will you be able to view the actual (and the hottest) goods and technology to hit the market, but you can quickly size up whether a particular supplier is the right match for your sourcing needs.

One of the biggest mistakes many importers make is thinking that just because they're importing from China like the big boys, they'll be able to beat the prices of Wal-Mart, RadioShack or Circuit City.

Sure, you can bet your bottom dollar the big players are importing from China in huge quantities... and... have been doing it for quite some time. However, the relationships with their China suppliers are so ingrained and well-established that their competitive advantage simply goes way beyond their ability to procure goods at favorable discounts.

You see, in addition to getting better prices, they also have full control of their suppliers. Which means faster product to market launches, customized packaging, exclusive designs, massive logistical systems monitoring supply chain inefficiencies, superior marketing power and customer service strength just to name a few.

So, where does this leave the smaller to medium sized importers?

Since this guide is not intended to be a course on how to import products that sell like crazy... there are hidden China import opportunities for entrepreneurs prepared to do a little leg work.

Where are these opportunities I'm talking about?

At trade shows, of course. There you'll find a wide varieties of new designs in hot product categories: personal video players, digital photo frames and mp4s, for example, that aren't available in your country. Moreover, many of these products are already selling like hot cakes here in Asia. But, haven't yet been introduced to overseas markets.

Why Don't You Be The Early Bird That Catches The Worm?

Some of the major consumer electronics trade fairs to visit include:

Canton Fair (Spring and Autumn)
Hong Kong Electronics Fair (HKEF)
China Hi-Tech Fair (CHTF)
Asia Electronics Show
International Computer Communication and Consumer Electronic Products
China International Consumer Electronics Show

Allow up to 2 days to explore each show and don't forget to bring an ample supply of business cards. In fact, if you want to make a favorable impression with suppliers, have the reverse side of your cards printed in Chinese. Make sure you have someone who is fluent in Chinese to invent a Chinese name for you. Showing an appreciation for the Chinese culture is a sure way to get in the good books of your key China business partners.

If the trade fair you're attending is in Hong Kong, Taiwan or Macau make sure your business cards are written in Traditional Chinese characters. The common practice is to have Traditional characters printed on one side of the card and English on the other.

On the other hand, if you're traveling to mainland China, use simplified Chinese characters instead.

A sensitivity to the dialects of different regions in China subtly advertises to your suppliers that you know their market and you should be taken seriously. That's because most Asian suppliers are accustomed to supplying large orders and do not like catering to small customers. They'll often specify a MOQ that may appear frighteningly large.

Don't be discouraged.

They're testing you out as much as you're testing them. Ask them if they are willing to supply the quantity you're comfortable with ordering. If they reject your request, find another supplier. However, if they indicate a willingness to supply smaller quantities for initial orders, then it's probably a supplier you can work with.

What really annoys suppliers are people who continually ask for product samples without any intention of placing an order. Consequently, many suppliers will charge for samples. Some even jack up the prices to dissuade sample "shoppers" from wasting their time. But, you can and should negotiate sample prices if you feel their asking price is excessive, particularly with higher ticket items.

Normally, a savvy supplier will ask for your FedEx, DHL or UPS air courier account number so they can send you a sample and charge it to your account by freight-collect. That's perfectly fine but...

You should never agree to accept a dispatch on a freight-collect arrangement unless you have an account with a carrier and know precisely what rate you will pay. Otherwise, you're going to be docked the full published rates... which are usually *at least double* what you will pay compared to getting a quote first.

Why Your Children Are Your Greatest Assets When It Comes To Visiting Suppliers

If you like to kill two birds with one stone... provided they're old enough, bringing your children with you on trips to Asia could be a good idea.

That's because Asian suppliers place a great value in nourishing family ties. Many of the largest multinational corporations in Asia are managed by family members of the patriarch.

Unless your children are so young they may cause distractions, they can certainly accompany you while attending trade fairs, factory tours and even negotiations. Their presence at business discussions will reflect positively on you. As an added benefit, your children will also be receiving an education on international trade. Who knows, maybe they'll follow in your footsteps in the import/export business.

Essential Protocols For Visiting Suppliers Outside Of Trade Shows

To maximize opportunities of seeing as many suppliers as you can during visits to trade shows, what you want to do before embarking on your journey is to compile a short list of prospective suppliers and find out if they'll be exhibiting at the trade show you're attending.

If they're not planning to exhibit, you should definitely arrange appointments to see them at their premises during your stay in Hong Kong, Beijing or where ever.

Keep the appointment flexible, that is, notify your supplier of what day you wish to meet, but don't confirm the exact time until you've arrived and had time to gauge the distance between each of your meetings. A small, centralized city like Hong Kong or Singapore is easy to navigate and you could squeeze in a few more appointments per day compared to the mega cities of Shanghai or Guangzhou. Be forewarned, traffic can be horrendous in some of these cities.

Therefore, hiring a local guide/translator is well worth the expense.

What To Expect From A Supplier

As an import buyer, there are basically four types of suppliers you'll be dealing with:

1. Factories

In addition to offering the lowest prices, one of the most obvious questions to ask a factory is whether they can manufacture the product to your exact specifications.

Bear in mind, some factories realize their manufacturing limitations will not uphold certain standards so they'll reject your business to avoid wasting time.

On the other hand, other factories may claim to be manufacturing the product you want, but, in fact, are purchasing it from someone else, adding a mark up and re-selling it. It's difficult to determine the intentions of a supplier through email or telephone, so being a little skeptical from the outset is healthy.

If you're meeting the supplier at their place of business, it's customary to restrict visitors to the reception area and appoint a female staff as your hostess. She will speak English and ensure you're treated as a V.I.P.

However, don't expect her to be of much help in price negotiations although she will have some authority to negotiate. In fact, even if you've brought along your own interpreter, delaying negotiations until later in the visit, or after your return home is always a safe practice.

You'll probably have to compare suppliers side by side before placing any orders.

How do you determine if you're dealing with a manufacturer and not a wholesaler?

For starters, if the factory is on the same premises as the reception area, you can be almost certain the supplier is a manufacturer. But, if you're taken to an alternate location, take note of these warning signs:

Do the Chinese characters on the signs outside the premises match those on the business card given to you by the host? Some factories share premises with other factories in multi-story buildings and a sign may not be clearly evident... so...

When the factory manager greets you, simply ask for his business card. If he

gives you the run around, you're probably not dealing directly with the manufacturer.

Lastly, remember to ask your hostess if they own that factory. If she says no, then you've got your answer. But, if she says yes, you still won't be 100% certain. Nevertheless, it's information you can store away for later evaluation when it comes time to decide which supplier you'll favor.

Other drawbacks in dealing with factories include: higher MOQs; potentially underdeveloped products (e.g. bland retail packaging); inefficient communications and unresponsive customer service.

2. Sourcing Firms

This is my specialty. I'll talk more about our export management services near the end of this report.

Dealing with a sourcing company means saving time, saving money and saving yourself against threats that could easily mean the difference between a profitable year... or.. a deep-in-the-red year.

A sourcing company is essentially your outsourced buying office in the Far East. Not only do they locate reliable suppliers, negotiate the best possible prices and terms, arrange trade financing, handle freight forwarding, prepare commercial documents, inspect, fulfill and monitor orders but... they will also give you an unfair advantage over your competitors by alerting you to unexploited opportunities.

What are these opportunities?

Opportunities such as..

- A drastic drop in material prices that will allow smart importers to pick up hot-selling products at bargain prices.
- An introduction to a little-known, yet pervasive technology that's going to make existing products obsolete. You don't want to be importing goods at or near the end of their product cycle. Imagine having all your profits tied up in slow moving (or dead) inventory.
- Knowing which products to avoid is as important as knowing which ones to buy.
- Acquiring the exclusive distribution rights to new breakthrough inventions.
- Keeping up to date on manufacturing processes and changes that could create

new trends in niche segments of your market.

- Discovering the next Tamagotchi or iPod and....
- Much, much more...

For overseas importers with limited resources, sourcing companies are no longer a luxury... it's a necessity.

3. Export Distributor/ Wholesaler

Advantages here are: lower MOQs, competitive prices, better customer support and wider product selection.

Disadvantages include: little or no control over product specifications and may not have available stock. Also, expect higher mark ups.

4. Resale Agents

These third level traders may be more specialized and in tune with market demands for some international markets.

Disadvantage, however, is that prices are marked up twice because they generally order from the wholesalers before selling it to you.

How To Get Quotations From A Supplier Without Appearing Like A Fool

During the first email contact, *don't*...

- Demand quotes for non-specific products. In fact, avoid discussing prices at all until you've had a chance to exchange emails a few times.
- Don't demand reference such as company certificates, export licenses, business registrations, etc.
- Ask about huge quantity order discounts.
- Expect the Chinese supplier to know about the import taxes, licenses, or regulations of your country.

Look, if you've got a laundry list of unanswered questions such as the following:

Does my product qualify for a special trade program?

Can I get a lower duty rate and pay less money using another tariff classification?

Since my shipment is small, does it qualify as an informal entry?

Must I have an import bond through you or can I use another bond company?

Does the origin of my product affect its duty status?

Do I qualify for duty drawback?

To prevent straying on the wrong side of the law or having your goods embargoed, I suggest you seek out the services of a qualified customs broker or agent in your country. They are authorized to conduct custom transactions.

Their knowledge of importing procedures is indispensable, especially for a startup importer, and they'll help you clear customs while you can escape the red tape nightmare.

Devote your valuable time to running your business and making money and delegate the paperwork to a customs specialist.

How should you initiate a contact with a potential supplier?

For starters, do request a product catalog and ask them background questions about their company (or factories)... such as how long they've been in business.

Be cautious, but don't seem suspicious. Make enquiries, not demands.

Know this, the Chinese people value harmony. Their style is to communicate a lot and build a solid relationship. This is particularly true with more traditional businessmen who haven't dealt extensively with Westerners. In China, this is called Guanxi. Translated, it literally means connections... practically, it means the relationship building efforts in a business deal. It's less about toasting and lighting cigarettes but more about understanding and trust.

However, guanxi also acts as a two-sided sword, because it can be a euphemism for corruption, a lever to get you to accept lower quality, bypass regulations or turn a blind eye to human rights protection, etc. You will be held accountable for every favor done... even if the favor is simply honoring basic agreements. If you don't hold up your end, it's pretty much open season on your interests. This is important, but it never gets mentioned until someone's hand is already in your pocket.

For example, issuing fake invoices to help you save on duty and taxes is a common practice in China. So common it's just taken for granted.

A sure-fire way to demonstrate your high ethical standards (and keep out of trouble with the authorities) is to pre-empt this issue by telling them, "...and when you send an invoice with the goods *we always prefer genuine value invoices.*" They will be amazed. Besides that, you'll chalk up positive guanxi points.

One final point...

Always send your export partners good wishes for New Year on both the Western and, more importantly, the Chinese calendar. Chinese New Year is the biggest holiday of the year. Bigger than Christmas. It's the time to spend with family and relatives. Sending a card or a gift tells them you're part of their *business* family. It's a proven guanxi booster.

How To Negotiate Like A Pro

First of all, don't expect to get substantial discounts on small quantity orders, especially if you're a new customer.

Yes. Asian people do like to bargain, but in general they do not deviate from their standard price lists except for making small concessions. It all boils down to this... suppliers generally work on limited margins. Plus, they're well aware that buyers invariably compare prices given the competitiveness of the export trade. Therefore, they're not likely to price themselves out of the market by quoting you prices way above the going rate.

Discounts of more than 10% is unusual. You're most likely to gain better discounts if you commit to volume orders. Having said that, take whatever prices that are published on a supplier's website with a grain of salt. Instead, ask them for a formal quote which includes shipping. Often times you'll be surprised at the difference in price.

Caution: While most China factories quote on a FOB, it can be used loosely to mean that inland charges may still apply. For example, their factory is in mainland China (Shenzhen), but their export office is in Hong Kong. Sometimes they may pass the cost of shipping the goods to Hong Kong from Shenzhen on to you. Therefore, always ask them if there are any additional inland charges when you are quoted FOB.

As for payment terms, your supplier will need to send you a Pro Forma invoice before you can obtain a letter of credit. Be sure to specify every detail you require: colors, sizes, shapes, packaging, labeling whatever is appropriate for the goods you are importing. Leave nothing for interpretation. Spell out delivery requirements... dispatch date, transport method, carrier's name (in cases of FOB, but occasionally a supplier will quote C&F.), conditions, etc.

Since the terms of an L/C are rigidly enforced by your bank, be careful of stating a dispatch date that your supplier cannot meet. Allow enough time for them to receive the L/C before they begin manufacturing the goods for your order.

Now, if your supplier has deemed you to be a trustworthy buyer, they will accept a deposit of 50% (some as low as 30%) with your purchase order and the balance on delivery.

Either way, quality standards should be clearly stated on the L/C and/or sales contract in such a way that it can be objectively measured. Specify the quality must equal or exceed the quality of the sample provided. However, you won't know until you receive the goods whether the quality is indeed up to par.

That's why it's critically important to carry out a pre-shipment inspection to ensure the specifications and the quality of the goods are satisfactory.

Where And How To Find The Absolute Best Manufacturers In China

The short answer is you don't... unless...

You are truly prepared for the risk of unexpected losses due to a myriad of problems associated with importing China made goods... problems such as:

- Late Deliveries
- Misunderstandings due to language and cultural barriers, or even simple measurement differences
- Products not made to specifications
- Production quality not identical to sample quality
- Hidden charges for services or equipment
- Price increases above the contractual agreement
- Fraudulent delivery after FOB acceptance
- Excessive freight costs
- And much, much more...

Look, sourcing for a supplier in China is not hard. But, sourcing for the right long-term, reliable, and trustworthy supplier is not easy. There is no official register of suppliers as there are in Europe or the US. Therefore, searching, auditing and negotiating with an appropriate factory can be a tedious and prolonged process. Particularly, if you have a wide range of products to import from many different sources.

Is there a one-stop shop solution to streamlining your import operation?

You bet there is! Suppose you set up an overseas buying office similar to most of the billion dollar retailers just like Wal-Mart, Circuit City, Best Buy or Amazon.com.

Your buying office would handle the entire sourcing process, all the way from finding suppliers to transferring design specifications to setting up the supply chain to conducting quality control and ensuring door-to-door delivery of your goods on a timely basis.

This overseas team would be comprised of local technicians, engineers, industrial designers, freight forwarding agents, inspectors, trade administrators, finance and accounting personnel, etc.

Sounds ideal, doesn't it? Except for one thing.... it's going to require a considerable capital investment and ongoing overheads to establish such a buying office or offices.

But what if... an office was already established with a experienced team of China export professionals... a team who has developed their own proprietary database with 35 plus crème of the crop suppliers in over 90 different product categories according to a 87-point quality checklist.

What if this import sourcing team would:

- Research supplier's qualifications and perform due diligence on factories production capabilities, product testing certification, etc.
- Identify suppliers for the right products, at the right landed price, to arrive at the right time at your warehouse or...
- Take unique products and have them manufactured to your specifications and create functional samples
- Report product development timetable
- Trouble shoot supply chain management issues
- Supervise logistics
- Offer low MOQs
- Negotiate payment terms and conditions
- Prepare documents for obtaining L/C
- Handle documentations for customs clearance
- Translate product specifications and supplier's marketing material into English
- Conduct factory audits
- Monitor production quality
- Dismantle products and test components
- Verify compliance of industrial testing certificates
- Negotiate the lowest possible freight charges whether by sea or air
- Arrange marine insurance
- Perform pre-shipment inspections
- Advise on market trends
- Gain access to new product inventions

Furthermore, because this outsourced buying agent has maintained a stable relationship with a network of factories and have syndicated orders from other customers, you'll be able to enjoy quotations that are the most competitively available anywhere, even for orders below the standard MOQs of most factories.

Is there such a buying agent in China that can do all of the above and more?

Absolutely! That company is my company: **Orion Worldwide Ltd.**

We are not a reseller of products nor are we wholesalers. Simply put, we represent the interests of our overseas clients who want to connect with the best sources in China for low-cost products without middlemen and their markups.

For some manufacturers, we are the sole agents. Meaning we can offer you the same prices as buying directly from the factories themselves. For others, because of our long standing relationships, we are able to offer the same prices the factories give to their best customers.

If there is a product you'd like to have created, customized or manufactured in consumer electronics, computer accessories, home appliances or related markets, then allow us the opportunity to serve as your China purchasing agents. You won't be disappointed.

There is no cost or obligation to initiate a search for a supplier matching your product specifications.

We'll send you a report and analysis of potential suppliers, quotations, special industry reports and do it all without charge. In addition, you can pick our brains about China trade, market opportunities and ask us to get you some samples.

Why are we willing to go the extra mile for you? The answer is simple...

You only make money when you secure the quotes and terms you want.

We only make money when you place an order.

Fair enough?

I'm not interested in fulfilling one order from you, no matter how large or small. I'm interested in helping your company grow faster than you ever thought possible as your secret (China Import) weapon.

That's my promise. I hope you found this report useful. I look forward to hearing from you.

Sincerely,
Howard Hui
Orion Worldwide Ltd.

P.S. Sometimes a client will ask me what the difference is between doing business with me or another sourcing agent.

The biggest difference is my company **guarantees** the goods that arrive at your doorstep (on time) will be identical to the samples you've received before hand.

(Many factories in order to improve their profit margins will often time cut

corners during the manufacturing process. For example, they'll replace original components with parts of inferior quality.)

I will ensure your goods have not been altered in any way that will cause a discrepancy between the agreed upon specifications you've made with the supplier and the final shipment of goods you receive. In the event there is any "funny" business going on, your money will be happily refunded.

Moreover, we will also replace defective units by ocean freight (or air freight if necessary), or otherwise give credit for the value of the defective goods.

Just so you know, many factories will not guarantee their shipment. So, why am I willing to bear such risks?

Apart from dealing with reputable suppliers with a good track record based on my many years of business dealings with them—which virtually eliminates problems of this kind—I'm in this business to supply my clients (you) for years to come.

Therefore, earning your trust is of paramount importance to me. Hence, the reason for extending you a unique: **"No-Risk Order Guarantee."**

Bonus Section: Common Import/Export Terminology Explained

Freight Forwarders

A freight forwarder is an agent who handles export shipments for a fee. Freight forwarders play an important role for both importers and exporters. Here are a few of the many activities a freight forwarder will provide:

- International documentation and packaging
- Carrier and routing information
- Export license assistance
- Marine insurance rates and coverage
- Warehouse and distribution services
- Hazardous materials shipping compliance information

Freight costs can easily eat into the profits of an importing business unless it is carefully monitored. Here are a few traps you should be on the look out for:

Never accept verbal quotations. Freight forwarding salespeople will frequently quote attractive rates over the phone, but seldom, if ever, get around to giving you a written confirmation when you ask for it.

Then, when the shipment arrives at their storage, they'll tell you the freight is payable before you can receive the goods. Everything's normal so far, right?

Wrong!

Because the rate for the freight they now demand will be substantially higher than the verbal quote they gave you originally. Meanwhile, the goods (which have been paid for) won't be released into your possession until you pay the newly "adjusted" freight forwarded rate.

It goes without saying, but never allow a supplier to ship goods to you without first quoting the precise cost of freight.

Always find out whether your consignment is being charged on a volume (cubic meter rate) or on a weight basis. Bulky goods are charged according to volume, therefore knowing the size of the package is important.

(If you're importing bulky items and time is not of essence, sea freight costs can be very attractive considering air freight on bulky goods often exceed the value of the goods. Compare both modes of freight.)

Next, always negotiate freight charges. It's one of the most negotiable costs in your business. Discounts as high as 50% is normal, provided you ask for it. Even deeper discounts are possible if your freight bill reaches a certain quota over a period of time.

And lastly, rates received by exporters can sometimes be far better than the rates you negotiate on your end. Therefore, be sure to ask your supplier to quote freight charges and compare them to rates you have negotiated.

Clearing Customs

As I'm not a tax or customs lawyer nor do I play one on TV, please consult your own customs specialist for a list of required custom documents for your particular country. However, if you're an importer from the US here's what will be needed to clear customs:

- Commercial Invoice/Customs Pro Forma Invoice (When Commercial Invoice is not available)
- Entry (CF3461)/Entry Summary (CF 7501) (U.S. Customs forms)
- Evidence to make Entry (Bill of Lading or Airway Bill or Carrier Certificate)
- Packing list
- Other agency requirements (Example, FDA, FTC or other agencies to meet the agency's requirement)

TRADE DOCUMENTS

Quotation

An offer to sell goods and should state clearly the price, details of quality, quantity, trade terms, delivery terms, and payment terms. (Prepared by exporter)

Sales Contract

An agreement between the buyer and the seller stipulating every details of the transaction. It is a legally binding document. It is therefore advisable to seek legal advice before signing the contract. (Prepared by exporter and importer)

Pro forma invoice

When a buyer asks for a quotation, almost all *inexperienced* exporters quote the buyer by providing price and shipping information only. The price list is important, but it is only one element of the entire quotation.

As an importer, when you request a quotation the supplier should always provide you with a pro forma invoice (a formal quotation). A pro forma invoice is a negotiable document confirming the quote. Details of the pro forma invoice include prices, sizes,

weights, dispatch dates, freight details, payment terms, expiry date of the quote and other vital specifications of the transaction.

So, as you can see, a pro forma invoice, though similar, is more than just a quotation which, in the majority of the cases, is merely an offer to sell goods at a certain price.

A pro forma invoice is not the same as a commercial invoice either. Even though it may look identical except for the word pro forma. It is sent in advance of the commercial invoice.

The **commercial invoice**, on the other hand, must accompany the imported goods to effect clearance through customs.

What are the benefits of having a pro forma invoice?

Some of the advantages of a pro forma invoice is it allows you to request foreign currency if the currency of your government is not freely convertible. And it allows you to apply for a letter of credit with the bank and finally, it's a record of information on the transaction that can help you plan. An accurate and professionally submitted pro forma-invoice can help importers make better decisions and agree to the quotation.

(Prepared by exporter)

Commercial Invoice

It is a formal demand note for payment issued by the exporter to the importer for goods sold under a sales contract. It should give details of the goods sold, payment terms and trade terms. It is also used for the customs clearance of goods and sometimes for foreign exchange purpose by the importer. (Prepared by exporter)

Packing List

A list with detailed packing information of the goods shipped. (Prepared by exporter)

Inspection Certificate

A report issued by an independent surveyor (inspection company) or the exporter on the specifications of the shipment, including quality, quantity, and/or price, etc; required by certain buyer and countries. (Prepared by inspection company or exporter)

Insurance/Policy Certificate

An insurance policy is an insurance document evidencing insurance has been taken out on the goods shipped, and it gives full details of the insurance coverage. An insurance certificate certifies that the shipment has been insured under a given open

policy and is to cover loss of or damage to the cargo while in transit. (Prepared by insurer or insurance agent or insurance broker)

Product Testing Certificate

A certificate to certify the products are conformed to a certain international/national technical standard, such as product quality, safety and specifications, etc. (Prepared by accredited laboratories)

Health Certificate

Document issued by the competent country when agricultural or food products are being exported, to certify that they comply with the relevant legislation in the exporter's country and were in good condition at time of inspection, prior to shipment and fit for human consumption. (Prepared by exporter/ inspection authority)

Phytosanitary Certificate

Frequently an international requirement that any consignment of plants or planting materials importing into a country shall be accompanied by a Phytosanitary Certificate issued by the exporting country stating that the consignment is found substantially free from diseases and pests and conforms with the current phytosanitary regulations of the importing country. Application of the certificate in Hong Kong should be made to the Agriculture and Fisheries Department. (Prepared by exporter)

Fumigation Certificate

A pest control certificate issued to certify that the concerned products have been undergone the quarantine and pre-shipment fumigation by the approved fumigation service providers. It is mainly required by the US, Canada, Australia, New Zealand and UK's customs on solid wood packing material from Hong Kong and the Chinese Mainland. (Prepared by exporter or inspection company)

ATA Carnet

An international customs document used to obtain a duty-free temporary admission for goods such as exhibits for international trade fairs, samples and professional equipment, into the countries that are signatories to the ATA Convention. (Prepared by exporter)

Consular Invoice

A document required by some foreign countries, showing shipment information such as consignor, consignee, and value description, etc. Certified by a consular official of the importing country stationed in the foreign country, it is used by the country's customs officials to verify the value, quantity and nature of the shipment.

(Prepared by exporter)

TRANSPORT DOCUMENTS

Shipping Order S/O

A document to give details of the cargo and the shipper's requirements. It is the basic document for preparing other transport documents such as bill of lading, air waybill, etc. (Prepared by shipper/ transport companies)

Dock Receipt D/R or Mate's Receipt

A receipt to confirm the receipt of cargo on quay/warehouse pending shipment. The dock receipt is used as documentation to prepare a bill of lading. It has no legal role regarding processing financial settlement. (Prepared by shipping company)

Bills of Lading (B/L)

An evidence of contract between the shipper of the goods and the carrier. The customer usually needs the original as proof of ownership to take possession of the goods. There are two types: a STRAIGHT bill of lading is non-negotiable and a negotiable or shipper's ORDER bill of lading (also a title document) which can be bought, sold or traded while goods are in transit and is used for many types of financing transactions. (Prepared by shipping company)

House Bill of Lading (Groupage)

A bill of lading issued by a forwarder and, in many cases, not a title document. Shippers choosing to use a house bill of lading, should clarify with the bank whether it is acceptable for letter of credit purpose before the credit is opened. Advantages include less packing, lower insurance premiums, quicker transit, less risk of damage and lower rates than cargo as an individual parcel / consignment. (Prepared by forwarder)

Sea Waybill

A receipt for cargo which incorporates the contract of carriage between the shipper and the carrier but is non-negotiable and is therefore not a title document. (Prepared by shipping company)

Air Waybill (AWB)

A kind of waybill used for the carriage of goods by air. This serves as a receipt of goods for delivery and states the condition of carriage but is not a title document or transferable/negotiable instrument. (Prepared by airline)

House Air Waybill (HAWB)

An air consignment note issued by an air freight agent to provide the cargo description and records. Again, it is not a title document. (Prepared by forwarding agent)

Shipping Guarantee

Usually a pre-printed form provided by a shipping company or the bank, given by an importer's bank to the shipping company to replace the original transport document. The consignee may then in advance take delivery of goods against a shipping guarantee without producing the original bill of lading. The consignee and the importer bank will be responsible for any loss or charges occurred to the shipping company if fault is found in the collection. It is usually used with full margin or trust receipt to protect the bank's control to the goods. (Prepared by importer's bank/ shipping company/ consignee)

Packing List (sometimes as packing note)

A list providing information needed for transportation purpose, such as details of invoice, buyer, consignee, country of origin, vessel/flight date, port/airport of loading, port/airport of discharge, place of delivery, shipping marks / container number, weight / volume of merchandise and the fullest details of the goods, including packing information. (Prepared by shipper)

FINANCIAL DOCUMENTS

Documentary Credit D/C

A bank instrument began (issuing or opening bank), at the request of the buyer, evidencing the bank's undertaking to the seller to pay a certain sum of money provided that specific requirements set out in the D/C are satisfied. (Prepared by the issuing bank upon an application made by the importer)

Standby Credit

An arrangement between customer and his bank by which the customer may enjoy the convenience of cashing cheques, up to a value. Or a credit set up between the exporter and the importer guaranteeing the exporter will pay the importer a certain amount of money if the contract is not fulfilled. It is also known as performance bond. This is usually found in large transactions, such as crude oil, fertilizers, fishmeal, sugar, urea, etc. (Prepared by exporter/ issuing bank)

Collection Instruction

An instruction given by an exporter to its banker, which empowers the bank to collect the payment subject to the contract terms on behalf of the exporter. (Prepared by exporter)

Bill of Exchange (B/E) or Draft

An unconditional written order, in which the importer addressed to and required by the exporter to pay on demand or at a future date a certain amount of money to the order of a person or bearer. (Prepared by exporter)

Trust Receipt (T/R)

A document to release a merchandise by a bank to a buyer (the bank still retains title to the merchandise), the buyer, who obtains the goods for processing is obligated to maintain the goods distinct from the remainder of his/her assets and to hold them ready for repossession by the bank. (Prepared by importer)

Promissory Note

A financial instrument that is negotiable evidencing the obligations of the foreign buyer to pay to the bearer. (Prepared by importer)

MORE TERMS

CFR (Cost and Freight)

The seller pays for the carriage of goods to the named destination and clears the goods for export. CFR is only used for sea and inland waterway transportation. The buyer undertakes the risk of loss or damage once the goods are delivered to a carrier.

CIF (Cost, Insurance and Freight)

Apart from the same obligations in CFR, the seller must procure cargo marine insurance against the buyer's risks of goods during the carriage. The seller contracts for insurance and pays the insurance premium.

CIP (Carriage and Insurance Paid To)

Apart from the same obligations in CPT, the seller must procure cargo insurance against the buyer's risks of goods during the carriage. The seller contracts for insurance and pays the insurance premium. CIP is used for any mode of transportation.

CPT (Carriage Paid To)

The seller pays for the carriage of goods to the named destination and clears the goods for export. CPT is used for any mode of transportation. The buyer undertakes the risk of loss or damage once the goods are delivered to the first (or only) carrier.

D/A (Documents Against Acceptance)

It is one of common payment methods for international trade. Exporters, via the remitting bank, instruct the banks (collecting bank via remitting bank) to release the title right and other shipping documents to the importers subject to acceptance of the drafts by the importers. Exporters will face the higher risk. Non-payment risk at maturity of the draft.

D/C (Documentary Credit)

It is one of common payment methods for international trade. D/C is an instrument issued by buyer's bank who undertakes to settle payment to the seller when the seller acts and fulfills all terms and conditions of the credit.

D/P (Documents Against Payment)

Exporters instruct the banks (collecting bank via remitting bank) to release the title right and other shipping documents to the importers subject to payment.

DAF (Delivered at Frontier)

The seller fulfills his obligation to deliver when the goods are made available and cleared for export at the named place at the frontier before the customs border of the adjoining country.

DDP (Delivered Duty Paid)

The seller fulfills his obligation to deliver when the goods are made available at the named place in the country of importation. The seller bears all risks and costs including import duties, taxes, delivery charges and clears for importation. DDP is used for any mode of transportation.

DDU (Delivered Duty Unpaid)

The seller fulfills his obligation to deliver when the goods are made available at the named place in the country of importation. The seller bears the risks and costs in bringing the goods thereto except import duties, taxes and other official charges. It is the buyer who has to bear the costs and risks of carrying out all these custom formalities in connection with import.

DEQ (Delivered Ex Quay)

The seller fulfills his obligation to deliver when the goods are made available to the buyer on the quay at the named port of destination and cleared for importation. The seller bears those risks and costs including duties, taxes and delivery charges and clears the importation.

DES (Delivered Ex Ship)

The seller fulfills his obligation to deliver when the goods are made available to the buyer on board the ship uncleared for import at the named port of destination.

ETA (Estimated Time of Arrival)

The projected date and time a shipment scheduled to arrive at its destination.

ETD (Estimated Time of Departure)

The projected date and time a shipment scheduled to depart.

EU (European Union)

An economic trade region in Europe comprising 15 members, namely Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland Republic, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

EXW (Ex Works)

The seller makes the goods available to the buyer at the seller's own premises. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.

FAS (Free Alongside Ship)

The seller fulfills his obligation to deliver when the goods have been placed alongside the vessel at the named port of shipment. Buyer bears all costs and risks of goods from that moment.

FCA (Free Carrier)

The seller fulfills his obligation to deliver when he has handed over the goods and cleared for export to the carrier named by the buyer at the named place. FCA is used for any mode of transportation.

FCL (Full Container Load)

A full container load means a container with goods from one consignor to one consignee.

FOB (Free On Board)

The seller fulfills his obligation to deliver when the goods have passed over the ship's rail and cleared for exports, at the named port of shipment. Buyer bears all costs and risks of goods from that moment.

GSP (Generalized System of Preference)

GSP is a framework under which developed countries give preferential tariff (a reduced or zero rate) treatment to manufactured goods from certain developing countries.

HS (Harmonized System of Classification)

The HS code numbers are designed by the World Customs Organisation (WCO) to serve as a multi-purpose classification suitable for use by customs and statistical authorities, traders, carriers and other concerned with international trade. Since 1 January 1992, Hong Kong has adopted the HS in full for trade declaration purpose.

IATA (International Air Transport Association)

An international organization of airline aims to promote the commercial air traffic.

ICC (International Chamber of Commerce)

ICC is a non-government organization of thousands of business associations and companies in more than 130 countries. It represents the world business community at international levels, promotes world trade and investment and provides a range of practical services to trade.

INCOTERMS

INCOTERMS stand for international commercial terms, which are a set of uniform rules codifying the interpretation of delivery trade terms defining the rights and obligations of the exporter and importer in an international transaction. Examples include CIF, FOB, FAS, CFR, etc.

IMDG Code (International Maritime Dangerous Goods Code)

Recommendations on the requirements on dangerous goods regulations by the International Maritime Organisation including emergency procedures, guideline for packing dangerous goods, construction and testing of packagings, etc.

L/C (Letter of Credit)

A common name of a documentary credit (D/C).

LCL (Less than Container Load)

A less container load is a container with goods from more than one consignor to more than one consignee.

MT (Mail Transfer)

A bank transfer made by mail, especially airmail, as opposed to a telegraphic or cable transfer.

SITC (Standard International Trade Classification)

The SITC recommended by the United Nations for classifying trade statistics for economic analysis, is also used in trade statistics reports published by the Hong Kong Government.

TEU (Twenty-foot Equivalent Unit)

A unit for calculating the carrying capacity of container vessels. The unit is based on the twenty foot container.

TT (Telegraphic Transfer)

A remittance via the cable or telegraph sent from an instructing bank to the overseas bank. It is usually initiated by the debtor who instructs his banker by debiting his account to make payment to an identified person or firm in international trade.

UCP (Uniform Customs and Practice of Documentary Credits)

Rules of the International Chamber of Commerce (ICC) governing a letter of credit issued in respect of goods shipped.

UNCITRAL (United Nations Commission on International Trade and Law)

UNCITRAL set up by UN Commission to aid in harmonizing and unifying international trade law. The Commission focuses on four principal international areas : sale of goods, payments, commercial arbitration and legislation pertaining to shipping.

Source of Terms: Hong Kong Trade Development Council