"Observing the Law"
A Guide for Businessmen in Guangdong and Hong Kong
"Observing the Law"

A Guide for Businessmen in Guangdong and Hong Kong
"A Law-abiding Business Community Breeds Prosperity and Success"

Message from Mr. ZHANG Xuejun, Chief Procurator, Guangdong Provincial People’s Procuratorate
"Observing the Law and Preventing Corruption Bring Success in Business"

Message from Mrs. Lily YAM, Commissioner, Independent Commission Against Corruption, Hong Kong Special Administrative Region
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Foreword

Since the opening up of the People’s Republic of China (PRC), the economic and trade ties between the Hong Kong Special Administrative Region and the Mainland have steadily strengthened. Trade and investment flows continue to show significant annual growth. At present, the Mainland is Hong Kong’s biggest trading partner while Hong Kong is the largest investor in the Mainland. Moreover, Hong Kong plays a key role in attracting foreign investment into Mainland China. The links between Hong Kong and Guangdong Province are particularly strong, as some 50,000 enterprises employing more than five million Mainland workers have been set up in the Pearl River Delta by Hong Kong investors.

Hong Kong and the Mainland have different legal systems. In 1995, the Guangdong Provincial People’s Procuratorate (GDPP) for the first time joined hands with Hong Kong’s Independent Commission Against Corruption (ICAC) to publish a legal guide. Entitled A Legal Guide for Investors in Guangdong and Hong Kong, the publication aims to promote cross-boundary investors’ understanding and observance of the two administrations’ different laws against corruption and bribery so as to safeguard their rights and interests. The publication proved to be a valuable and useful reference for investors.

With the Mainland resuming the exercise of sovereignty over Hong Kong in 1997, trade and investment across the boundary have continued to grow. Some major changes were also made to the Criminal Law of the People’s Republic of China at the Fifth Session of the Eighth National People’s Congress in March 1997. And many of the amendments are related to corruption and bribery laws and the penalties for these offences. To reflect these changes, the GDPP and the ICAC have decided that it would be opportune to update the guide. Entitled Observing the Law: A Guide for Businessmen in Guangdong and Hong Kong, the new guide stresses that Hong Kong businessmen conducting cross-boundary activities do not only have to comply with Hong Kong’s Prevention of Bribery Ordinance (PBO) but also have to observe the anti-corruption and anti-bribery laws in the Mainland. To further assist the businessmen in dealing with state functionaries and joint venture partners, the new edition also includes guidelines on anti-corruption offences stipulated in the Criminal Law of the PRC.
As the PBO prohibits nationals of any territory from engaging in corruption and bribery in Hong Kong, the guide, apart from assisting Hong Kong businessmen, also aims at helping mainlanders. Through the guide, employees of state and private enterprises or units can get a better understanding of the PBO so that they can fully observe its provisions. The guide shows clearly that mainlanders remain subject to the sanctions of the PRC’s anti-corruption and anti-bribery laws even when in Hong Kong because the Criminal Law follows the principle of *lex personalis* (law of the person) as well as that of *lex situs* (law of the place).

Practical in tone and approach, the new edition has incorporated suggestions from businessmen conducting cross-boundary investment. It contains three parts:

Part I - “Observing the law” - explains the Hong Kong’s PBO and the PRC’s anti-corruption and anti-bribery laws as well as using illustrative cases to reinforce key points of law.

Part II - “Taking precautions” - introduces the measures to prevent corruption with the aim of protecting the legal rights of investors and enhancing their competitive edge. The information in this part applies to Hong Kong, Guangdong and other Mainland provinces and municipalities.

Part III - “Obtaining help” - provides a ready source of information on anti-corruption organizations and advisory channels in Guangdong Province and Hong Kong for investors who encounter corruption in the course of their business. It aims at helping them identify the right channels for assistance and resolve problems lawfully, hence succeeding in business.

Guangdong Provincial People’s Procuratorate

Independent Commission Against Corruption,
Hong Kong Special Administrative Region
of the People’s Republic of China
Part I

Observing the Law
Section 1

Hong Kong's anti-corruption laws
Section 1   Hong Kong’s anti-corruption laws

A well-established legal system and clean society have contributed to Hong Kong’s economic success by providing a level playing field for businesses. To maintain Hong Kong’s stability and prosperity, every businessman has to conduct his affairs even-handedly, with integrity and in full knowledge of what the law requires of them.

Corruption and the law

In Hong Kong, corruption and bribery constitute the same offence. As far as business is concerned, the Prevention of Bribery Ordinance (PBO), governing both the private and the public sectors, is the law acting against corruption.

"Corruption" includes both offering and accepting a bribe. Offering a bribe takes place when an individual offers an advantage to an agent. Accepting a bribe means that an agent or entrusted party (normally an employee) abuses his official position by accepting a bribe in relation to the business of his principal or entrusting party (normally the employer) without obtaining his principal’s permission.

The party charged with accepting bribes can be anyone who is employed in the private sector, in a government department or by a public body or who acts for another, while any person can be charged with offering a bribe.

Any private sector employee who uses false documents with the intent to deceive or mislead his principal also contravenes the PBO.

(1) Throughout this guide he” and “his” are used purely for the sake of brevity and convenience and to reflect existing legal formulations. No gender preference is intended.
Corruption and bribery offences involving the private sector

- Private sector employees accepting bribes
- Offering bribes to a private sector employee
- Private sector employees using false documents to deceive an employer

Corruption and bribery offences involving the public sector

- Offering bribes to a public servant
- Offering an unlawful advantage to a public servant in the course of business contacts even though there is no apparent intention to bribe

(2) Since businessmen in Hong Kong may need to deal with public servants, the relevant anti-corruption laws they should observe when they do business in Hong Kong are included in this guide for ease of reference.
Overview of the Prevention of Bribery Ordinance (PBO)

The objective of the PBO is to keep society fair and free from corruption, safeguarding the interests of employers and punishing employees who abuse their power or position for personal gain.

The following chart highlights the provisions of the PBO as they relate to people doing business in Hong Kong (see Appendix I, page 86 for details of the Ordinance).

Commercial bribery

<table>
<thead>
<tr>
<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
</tr>
</thead>
</table>
| Private sector employees accepting bribes [Section 9(1) of the PBO] | • Any agent  
• without the permission of his principal  
• soliciting or accepting any advantage  
• so as to affect his doing or forbearing to do anything relating to his principal’s affairs | • Employees should not solicit and accept any advantage related to their work without permission |
## Commercial bribery

<table>
<thead>
<tr>
<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
</tr>
</thead>
</table>
| Offering bribes to a private sector employee [Section 9(2) of the PBO]  | • Any person  
• without the permission of the agent's principal  
• offering an advantage to any agent  
• as an inducement to or reward for doing or forbearing to do anything relating to his principal's affairs  | • Before offering an advantage to a private sector employee, make sure the employee has the prior permission of his employer to receive such an advantage  
• Do not offer bribes to secure business  
• Any element in an act of bribery that takes place in Hong Kong can be pursued under the PBO  
• A company can also be charged with offering bribes                                                                                                                                                                                  |
| Private sector employees using false documents to deceive an employer [Section 9(3) of the PBO] | • Any agent  
• using any false, erroneous or defective receipt, account or other document in respect of which his principal is interested  
• to deceive his principal  | • It is also an offence to use false documents to deceive an employer even though no advantage is offered or accepted                                                                                                                                                                       |
Bribery involving the public sector

<table>
<thead>
<tr>
<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
</tr>
</thead>
</table>
| Offering bribes to a public servant [Section 4(1) of the PBO] | • Any person  
• in Hong Kong or elsewhere  
• without lawful authority or reasonable excuse  
• offering an advantage to any public servant  
• to affect that public servant’s decision to perform or abstain from performing his official duties | • A civil servant or an employee of a public body is normally not allowed to accept any advantage on account of his official duties  
• Businessmen should not offer tips or advantages to a public servant to assist business or to speed up services, e.g. their applications for connection to a public utility, for the granting of a restaurant licence, etc  
• Even though the act of bribery takes place outside Hong Kong, the offender is still liable to prosecution |
| Offering an unlawful advantage to a public servant in the course of business [Section 8 of the PBO] | • Any person  
• without lawful authority or reasonable excuse  
• offering an advantage to a civil servant or an employee of a public body in the course of business | • Offering an unlawful advantage to a civil servant or an employee of a public body in the course of business is an offence even though there is no apparent intent to bribe |
Principal or entrusting party - generally an employer. Within the private sector, "employer" often means the owner or the board of directors of a company.

Agent - generally an employee or entrusted party. If a company appoints other people or organizations to act for it in the course of business, that person or organization is the agent or entrusted party whether the appointment is full-time or part-time and whether or not the entrusted party receives a fixed salary or a fee from the company. The term "agent" also includes the individual directors of a company.

Public body - includes the Government, Executive Council, Legislative Council, Urban Council, Regional Council, District Boards and any committees or other bodies appointed by the Chief Executive-in-Council. It also includes organizations franchised by the Government to provide utilities, empowered to use large amount of public funds, in receipt of substantial government financial assistance or specially appointed by the Government.

Public servant - an employee of a public body. The term covers permanent and temporary, paid and unpaid employees.

Advantage - includes money, gifts, loans, rewards, commissions, official position, employment, contracts, service, favours and discharge of liability whether in whole or in part, but excludes entertainment.

Entertainment - food or drink for consumption on the occasion when it is provided and any other entertainment, for example, singing and dancing, provided at the same time. Although the PBO does not prohibit the acceptance of entertainment, many companies nevertheless set out guidelines on the circumstances under which employees may accept entertainment.

Principal's permission - the permission or agreement given by a principal (generally the employer) for an agent (generally an employee) to accept advantage in the course of his duties. Normally, such permission should be obtained before the agent to whom it is intended to offer the advantage solicits it or accepts it. If an agent accepts an advantage without prior permission, he should seek retrospective permission from his principal as soon as reasonably possible.
**Maximum penalty under the Ordinance**

<table>
<thead>
<tr>
<th>Prevention of Bribery Ordinance</th>
<th>Maximum penalty</th>
</tr>
</thead>
</table>
| Corruption and bribery offences involving the private sector  
  • Private sector employees accepting bribes  
  • Offering bribes to a private sector employee  
  • Private sector employees using false documents to deceive an employer | Imprisonment for seven years and a fine of $500,000. Persons convicted of accepting a bribe may also be ordered by the court to compensate their employers |
| Corruption and bribery offences involving public servants  
  • Offering bribes to a public servant  
  • Offering an unlawful advantage to a public servant in the course of business | |

**Corruption and bribery offences involving the private sector**

- Private sector employees accepting bribes
- Offering bribes to a private sector employee
- Private sector employees using false documents to deceive an employer

**Corruption and bribery offences involving public servants**

- Offering bribes to a public servant
- Offering an unlawful advantage to a public servant in the course of business

**Maximum penalty**

- Imprisonment for seven years and a fine of $500,000.
- Persons convicted of accepting a bribe may also be ordered by the court to compensate their employers.
Cases (3)

The following cases illustrate major points of law under the PBO and the consequences of breaking the law. Most of them are based on actual investigations and subsequent prosecutions by the ICAC. A number of scenarios where the PBO is contravened by people doing business in Guangdong and Hong Kong are also included to show how readily corrupt practices can take hold.

Case 1

Offering and accepting a bribe are both offences in law

Two trading company directors frequently entertained a bank manager with whom they had frequent business contacts, taking him out to mahjong and to lavish meals at leading restaurants. They also offered further advantages, paying his travel expenses and finding employment for his son in the United States.

Having softened the bank manager up, the directors then applied for a huge loan without sufficient security, agreeing to give him $140,000 if the deal went through. Mindful of their past generosity and attracted by this large sum the manager gave in, disregarding any possible financial risk to the bank. When the crime was eventually exposed, the bank’s losses were found to have amounted to more than $30 million. The three were all sentenced to imprisonment - the bank manager for accepting bribes and the directors for offering them.

Major points of law

• The bank manager is an employee of the bank, i.e. an agent in the sense of Section 9 of the Prevention of Bribery Ordinance (PBO); the bank is the principal or the employer.

• The bank manager accepted advantages related to his official position - $140,000 and the payment of travel expenses - which were considered illegal under the bank’s house rules. The two directors who offered these illegal advantages committed bribery, showing that it is just as serious to offer an advantage as to accept it.

• Even though it is not an offence under Section 9 of the PBO to accept entertainment, the bank manager compromised his impartiality by accepting frequent and lavish entertainment, and it was this that paved the way for the actual crime.

(3) In the “Cases” in this section all amounts are in Hong Kong dollars unless otherwise specified.
A principal-agent relationship can still exist in the absence of an employment agreement

A self-employed designer used the premises of a trading company which was operated by his friend as an office. He introduced a supplier to the company's owner and was asked by the owner to participate in a business deal with the supplier. Well aware of his role and influence, the designer rejected the supplier’s initial quotation and took part in the subsequent price negotiations. All this led the supplier to believe that the designer was actually employed by the trading company.

Without telling his friend, the designer then asked the supplier for rebates as a condition for helping to clinch the deal. Frustrated at being asked to pay bribes to secure orders, the supplier complained to the ICAC. The designer was subsequently found guilty of bribery for having solicited rebates from the supplier.

Major points of law

• Even though the designer was not employed by the trading company, he became its agent by taking part in the business negotiations with the knowledge that he would act on behalf of the company.

• The designer was in fact soliciting rebates as an agent without having obtained permission from the owner of the trading company, i.e. the principal, breaching Section 9(1) of the PBO.
Case 3

Companies outside Hong Kong offering advantages will also be prosecuted

The assistant purchasing manager of a hi-fi equipment company was responsible for purchasing parts and materials for the production of hi-fi equipment. When handling two purchase orders worth more than $1.5 million from a Shenzhen supplier, she solicited $60,000 in illegal rebates - 4% of each purchase order - at her husband’s instigation. To conceal the crime, she asked the supplier to deposit the rebates into her husband’s bank account in Hong Kong. However, the crime was soon exposed. The couple were found guilty of accepting bribes and abetting bribery and were sentenced to imprisonment for six months. They also had to pay the hi-fi company compensation in the amount of the bribe.

Major points of law

- The illegal rebates were offered by a company based outside Hong Kong. However, if any act of bribery (including promising, agreeing, soliciting, offering or accepting of unauthorized advantages) can be proved to have taken place in Hong Kong, the case can be pursued under the PBO.

- Similarly, if Mainland people request their Hong Kong counterparts to deposit bribes into a Hong Kong bank account, both parties will be in breach of the PBO.

- Both the offeror and acceptor of the bribe may also be prosecuted for breaking the criminal laws of the Mainland.

- If it can be proved that the third party account used for depositing the illegal rebates is controlled by the acceptor of the bribe or that the final beneficiary of the bribe is the acceptor, the acceptor will be considered as having accepted the advantage.
Case 4

Falsifying of accounts or documents constitutes an offence under the PBO

Using four false invoices, the director of an office equipment company deceived the company's accountant by claiming to have ordered a batch of second-hand equipment and parts. The accountant paid the supplier $90,000 in settlement of the invoices but later discovered that price for the equipment was above market rate. On making further enquiries with the supplier's staff, he found out that the supplier had never issued these invoices. Subsequent ICAC investigations showed that the invoices had been falsely uttered by the director. They also revealed that he had used his connections to pocket a rebate of $90,000 from the supplier after the invoices were settled. The court found him guilty of using false documents to deceive his principal and he was sentenced to imprisonment for six months.

Major point of law

• In accordance with the PBO, the term “agent” includes individual directors of a company. In the above case, the director, as an agent of his company, breached Section 9(3) of the PBO by intentionally using false documents to deceive and mislead his principal - the company.
Bribery exists even if the purpose of the bribe is not achieved

The owner of a factory producing spare parts and accessories for local watch manufacturers noticed a gradual decline in the amount of purchases made by one of his regular customers. When he contacted the customer's purchasing supervisor, he found out that the dwindling business was caused by the poor quality of the factory's products. Although he tried to boost orders by making generous gifts to the purchasing supervisor, the supervisor not only failed to increase the number of orders but instead cancelled all of them.

When the watch manufacturer discovered what had been going on, he immediately reported the matter to the ICAC. Both the factory owner and the purchasing supervisor were charged and found guilty of bribery.

Major points of law

• The factory owner is the offeror of the bribe and the purchasing supervisor is the acceptor. The factory owner sent gifts to the purchasing supervisor in the hope of securing purchase orders. Even though the purchasing supervisor subsequently failed to respond to the factory owner's request for more orders, the mere fact of offering and accepting the bribe meant that both of them had already breached the PBO.

• Under Section 11 of the PBO, if it is proved that the acceptor believes that the advantage given is a reward for favours done to the offeror, the acceptor of the bribe, here the purchasing supervisor, cannot use the defence that (a) "he did not actually have the power so to do", (b) "he accepted the advantage without intending so to do" or (c) "he did not in fact do so".
Case 6

Even when advantages are solicited implicitly and indirectly an offence is still committed

An employee of a Guangdong company appointed to work in Hong Kong hinted to a Hong Kong businessman that he hoped the businessman would pay for his children’s expenses to study overseas. Although there was never any clear indication that such payment would be a condition of business with his company, the businessman actually subsidised the education expenses for the Mainland employee’s children in order to gain favours. Under such circumstances, both the businessman and the Mainland employee contravened the PBO.

Major points of law

• According to the PBO, the implicit soliciting of advantages (in this case the education expenses) is still regarded as an act of soliciting advantages. Although it was the Mainland employee’s children, not the employee, who actually received these advantages, he remained the ultimate beneficiary of the advantages and so was regarded as having accepted them himself.

• The Mainland employee solicited advantages related to his official capacity without the permission of his employer. He was therefore open to the charge of soliciting and accepting bribes. The Hong Kong businessman who offered the bribes was also open to the charge of bribery.
Custom in any profession, trade, vocation and calling is no defence

A Hong Kong businessman found out that an employee of his Guangdong counterpart was very eager to visit Hong Kong. He therefore arranged free tours to Hong Kong for this employee and his colleagues. He knew that his counterpart had a very strict policy against the acceptance of advantages by staff, yet he still entertained these visitors at expensive restaurants and showered them with lavish gifts, considering his acts a “custom of his trade”, i.e. normal business practice in return for prior favours. Both the offeror and the acceptors of the advantages were considered to have breached the PBO.

Major points of law

• Free tours and gifts are both considered advantages. If the Mainland employees accepted these advantages in Hong Kong without the permission of their employer, they would be in breach of the PBO.

• The Hong Kong businessman cannot use “custom in any profession, trade, vocation and calling” as an excuse for offering advantages. According to Section 19 of the PBO, such custom shall not be a defence in court against a charge of bribery for offeror or acceptor. The court will consider only whether the acceptor’s employer has given him permission to accept the advantage.
Section 2

Mainland's anti-corruption and anti-bribery laws
Section 2  Mainland’s anti-corruption and anti-bribery laws

Maintaining society clean and prosperous is not only the duty of state functionaries, it is also the obligation and responsibility of every member of society.

Corruption and bribery under the PRC’s Criminal Law

Corruption and bribery in the Mainland are different offences (see the chart entitled “The essence of the PRC’s anti-corruption and anti-bribery laws” on page 27 for full details).

The term "corruption" refers to any act whereby state functionaries take advantage of their office to misappropriate, steal, swindle or use other illegal means to acquire state property.

Thus the subjects(1) of corruption offences are generally state functionaries - individuals or units. However, if non-state functionaries are alleged to have conspired with state functionaries to commit a corruption offence, they will be considered accomplices.

"Bribery" refers broadly to an act whereby state functionaries abuse their authority in return for soliciting or accepting advantages. Any person or unit which offers a bribe or introduces bribery to a state functionary will also be subject to a charge of bribery.

Much as in Hong Kong, the provisions of the Criminal Law of the PRC prohibit offering and accepting bribes in connection with commercial transactions. In such transactions, the party accepting the bribes can be the employee of a company or an enterprise; while the party who offers bribes can be any individual.

(1) In Chinese law, the "subject" of an offence is a person who commits that offence and can also be held criminally responsible for doing so.
Corruption

- Embezzlement by state functionaries
- Embezzlement through dereliction of duty by employees of enterprises
- Illicit division of state-owned assets
- Illicit division of fines, confiscated money or property
- Misappropriation of public funds
- Misappropriation of a unit's funds
- Misappropriation of specific funds and materials

Bribery

- Acceptance of bribes by state functionaries
- Acceptance of bribes by a unit
- Members of intermediary organizations deliberately providing false testifying papers
- Offering bribes to state functionaries
- Unit offering bribes
- Offering bribes to a unit
- Introducing bribery
- Acceptance of bribes by employees of companies and enterprises
- Offering bribes to employees of companies and enterprises

Others

- Failing to explain significant excess of property or expenditure over lawful income
- Concealing savings outside the territory of China
Gist of anti-corruption and anti-bribery laws governing state bodies, private companies and enterprises

The provisions of the Criminal Law of the PRC against corruption and bribery seek to uphold the economic order, to maintain a level playing field and to punish those who abuse their authority for personal gain.

These provisions prohibit state functionaries and units from committing acts of bribery and corruption, forbid employees of companies and enterprises to embezzle funds and property by dereliction of duty, and forbid offering or accepting advantages. Since people doing business in the Mainland will often need to deal with such state functionaries and units, they should be aware of what the law says and realize the possible consequences if ever they become involved in such illegal activities.

For ease of reference, those articles of the Criminal Law that relate to corruption and bribery are now highlighted. An English translation of these articles can be found in Appendix II on page 89.

Corruption offences

<table>
<thead>
<tr>
<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
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<tbody>
<tr>
<td>Embezzlement by state functionaries</td>
<td>• State functionaries taking advantage of their office</td>
<td>• Refrain from taking part in corrupt activities since this could make you an accomplice to a corruption offence</td>
</tr>
<tr>
<td>[Articles 382, 394, 183(2), 271(2)]</td>
<td>• by illegal means</td>
<td></td>
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<tr>
<td></td>
<td>• to appropriate public money or property</td>
<td></td>
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<tr>
<td></td>
<td>• State functionaries assigned to non-state-owned institutions for official duties</td>
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</tr>
<tr>
<td></td>
<td>• taking advantage of their office</td>
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</tr>
<tr>
<td></td>
<td>• to take possession of their institutions' property illegally</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• State functionaries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• accepting gifts (of a relatively high value) when discharging official duties</td>
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<tr>
<td></td>
<td>• failing to hand over the gifts to the state as required by state regulations</td>
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### Mainland’s anti-corruption and anti-bribery laws

<table>
<thead>
<tr>
<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
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</table>
| **Embezzlement through dereliction of duty by employees of enterprises**  [Article 271(1)] | • Employees of a company, enterprise or other similar unit taking advantage of their position  
• to take possession of the money or property of their own units unlawfully                                                                                   | • Any employee, whether posted from Hong Kong or employed in the Mainland, can be the subject of a corruption offence |
| **Illicit division of state-owned assets**  [Article 396(1)]            | • In the name of a unit  
• violating state regulations by  
• dividing up state-owned assets among individuals in secret                                                                                                    |                                                                                           |
| **Illicit division of fines, confiscated money or property**  [Article 396(2)] | • Judicial or administrative law enforcement organs  
• violating state regulations by  
• dividing up in secret any fines or confiscated money/property among individuals which by right should be turned over to the state                                         |                                                                                           |
| **Misappropriation of public funds**  [Articles 185(2), 272(2), 384]     | • State functionaries  
• taking advantage of their position  
• to misappropriate public funds for personal use  
• or for loaning to others  
• or for illegal or profit-making activities                                                                                                               |                                                                                           |
| **Misappropriation of a unit’s funds**  [Article 272(1)]                | • Employees of companies, enterprises or other units  
• taking advantage of their position  
• to misappropriate funds of their own units for personal use or for loaning to others  
• or for illegal or profit-making activities                                                                                                                | • Any employee of a unit named in this provision, whether posted from Hong Kong or employed in the Mainland, can be the subject of a corruption offence |
| **Misappropriation of specific funds and materials**  [Article 273]      | • Any unit  
• misappropriating funds and materials for disaster relief and aid-the-poor programmes, etc  
• jeopardising the interests of the state and the public                                                                                                       |                                                                                           |
### Bribery Offences

(I) Offences committed when a state functionary or unit accepts bribes and when any person offers bribes to a state functionary or introduces bribery

<table>
<thead>
<tr>
<th>Offence</th>
<th>Summary of the Law</th>
<th>Key Points for Businessmen</th>
</tr>
</thead>
</table>
| **Acceptance of bribes by state functionaries** [Articles 385, 163(3), 184(2), 388] | • State functionaries  
• taking advantage of their position  
• to extort money or property from other people  
• or to accept advantages illegally from another party in exchange for benefits to that party  
• State functionaries  
• in violation of state regulations  
• accepting and pocketing any form of rebate or service charge  
• State functionaries  
• taking advantage of the convenience arising from their official authority or position  
• through the act of other state functionaries during the discharge of their duties  
• to extort or accept money or property from an entrusting person for securing illegitimate gain | • If a state functionary solicits a bribe, the request should be refused and the incident should immediately be reported to the proper authorities |
### Offence

#### Acceptance of bribes by a unit
[Article 387]
- State organs and state-owned enterprises
- Extorting or illegally accepting property from other people in exchange for gain
- Or secretly accepting a bribe in the form of a kickback, rebate, service charge, etc
- Members of intermediary organizations who provide legal, accounting or auditing services, etc
- Demanding or illegally accepting money or property from other people
- In return for providing false testifying papers

**Key points for businessmen**
- If a state body or state-owned enterprise solicits any form of bribe, the request should be refused and the incident should immediately be reported to the proper authorities

#### Members of intermediary organizations deliberately providing false testifying papers
[Article 229(2)]
- Members of intermediary organizations who provide legal, accounting or auditing services, etc
- Demanding or illegally accepting money or property from other people
- In return for providing false testifying papers

#### Offering bribes to state functionaries
[Article 389]
- Any person
- Offering money or property
- To state functionaries
- For the purpose of securing illegitimate benefits
- Any person
- In violation of state regulations
- Offering money or property/rebates or service charges in any form to state functionaries

**Key points for businessmen**
- Bribes should not be offered to a state functionary in exchange for illegitimate gain or to secure business
- If a state functionary uses extortion to force someone to offer money or property and at the same time that individual receives no illegitimate benefit, the individual will not be deemed to have committed bribery
<table>
<thead>
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<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
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<tbody>
<tr>
<td><strong>Unit offering bribes</strong></td>
<td>• Any unit&lt;br&gt;• for the purpose of securing illegitimate benefits&lt;br&gt;• or in violation of state regulations&lt;br&gt;• offering rebates or service charges to state functionaries</td>
<td>• When a bribe is offered in the name of a company or an enterprise, it remains an offence</td>
</tr>
<tr>
<td>[Article 393]</td>
<td></td>
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</tr>
<tr>
<td><strong>Offering bribes to a unit</strong></td>
<td>• Any person&lt;br&gt;• for the purpose of securing illegitimate benefits&lt;br&gt;• or in violation of state regulations&lt;br&gt;• offering money or property/rebates and service charges in any form to state organs or state-owned enterprises</td>
<td>• Even the soliciting party accepts the bribes in the name of a state organ or state-owned enterprise, it remains a bribery offence</td>
</tr>
<tr>
<td>[Article 391]</td>
<td></td>
<td></td>
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<tr>
<td><strong>Introducing bribery</strong></td>
<td>• Any person&lt;br&gt;• introducing bribery&lt;br&gt;• to state functionaries</td>
<td>• Anyone who lines up a bribe for state functionaries commits a criminal offence</td>
</tr>
<tr>
<td>[Article 392]</td>
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</table>
(II) Offences committed when employees of companies or enterprises offer or accept bribes in the course of commercial dealings

<table>
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<tr>
<th>Offence</th>
<th>Summary of the law</th>
<th>Key points for businessmen</th>
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</table>
| Acceptance of bribes by employees of companies and enterprises [Article 163] | • Employees of companies and enterprises  
• taking advantage of their position  
• demanding money or property from other people  
• or illegally accepting advantages from other people in exchange for benefits for the other party | • To combat bribery in the commercial sector, the Mainland’s Criminal Law contains highly specific provisions  
• Employees of companies or enterprises, whether posted from Hong Kong or employed in the Mainland, must not abuse their authority by soliciting or accepting bribes |
|                                              | • Employees of companies and enterprises  
• in violation of state regulations  
• accepting rebates, service charges in any form for personal use                                                                                                                                               |
| Offering bribes to employees of companies and enterprises [Article 164] | • Any person  
• offering money or property to employees of companies and enterprises  
• in order to seek illegitimate benefits                                                                                                                                                                      | • Pay attention to all laws which seek to combat bribery in the commercial sector  
• Do not offer bribes to non-state functionaries                                                                                                                                                            |
### Others

<table>
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<tr>
<th>Offence</th>
<th>Summary of the law</th>
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| **Failing to explain significant excess of property or expenditure over lawful income** [Article 395(1)] | • State functionaries whose property or expenditure significantly exceeds their lawful income  
• failing to explain the source of such property or expenditure             |                             |
| **Concealing savings outside the territory of China** [Article 395(2)]    | • State functionaries  
• deliberately concealing their savings outside the territory of China                           |                             |
### Terms and definitions

**State functionaries** - all personnel who work in the public services in state bodies, employees of state-owned companies, enterprises, units or people’s organizations who provide public services; employees of state bodies, state-owned companies, enterprises and units deployed to non-state-owned companies, enterprises, units, social organizations delivering public services, and other personnel who work in the public services.

**Taking advantage of office** - the act of taking advantage of a position of authority or of the convenience afforded by that position when appropriating, managing or handling property.

**Taking advantage of the convenience arising from one’s own official authority or position** - the act of taking advantage of one's own authority or position to direct and influence state functionaries of any rank in the same department, in neighbouring departments or in units with close ties.

**In violation of state regulations** - in violation of the laws and decisions made by the National People’s Congress and its Standing Committee, as well as the administrative policies, executive measures and the decisions and orders made and issued by the State Council.

**Property** - money and materials, e.g. currency, gold, silver and other materials that can be measured in terms of value and amount.

**Benefits or gain** - property and various labour services that cannot be measured in terms of value and amount, e.g. job redeployment, allocation of population register, arrangement of employment, etc.

**Public property** - (a) state-owned property; (b) property collectively owned by the masses; (c) community donations or property from the specific funds allocated for aid-the-poor programmes and other public welfare services; also private property under the management of, use of or in the course of transportation by state bodies, state-owned companies, enterprises, collective enterprises and people’s organizations.

**Misappropriation of public funds for personal use** - the use of embezzled public funds by the embezzlers themselves or by other individuals; also the offer of embezzled public funds to enterprises, units, bodies or organizations in the name of an individual for the purpose of securing personal gain.

**Company, enterprise or other unit** - "company" - a non-state-owned limited liability company and holdings company limited set up in accordance with the Company Law of the PRC; "enterprise" - any non-state-owned economic organization (other than a "company") engaging in lawful economic transactions; "other unit(s)" - any non-state-owned social or economic organization(s) other than a "company" or an "enterprise" as defined.
### Maximum penalties under the PRC’s Criminal Law

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<tr>
<th>Corruption and bribery offences</th>
<th>Maximum penalties</th>
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<td>Capital punishment</td>
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<td>Acceptance of bribes by state functionaries</td>
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<td>Misappropriation of public funds</td>
<td>Imprisonment for life</td>
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<td>Offering bribes to state functionaries</td>
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<tr>
<td>Embezzlement through dereliction of duty by employees of enterprises</td>
<td>Imprisonment for 15 years</td>
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<tr>
<td>Acceptance of bribes by employees of companies and enterprises</td>
<td></td>
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<tr>
<td>Misappropriation of a unit’s funds</td>
<td>Imprisonment for ten years</td>
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<tr>
<td>Offering bribes to employees of companies and enterprises</td>
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<td>Members of intermediary organizations deliberately providing false testifying papers</td>
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<td>Illicit division of state-owned assets</td>
<td>Imprisonment for seven years</td>
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<td>Illicit division of fines, confiscated money or property</td>
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<tr>
<td>Misappropriation of specific funds and materials</td>
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<tr>
<td>Unit offering bribes</td>
<td>Imprisonment for five years</td>
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<tr>
<td>Acceptance of bribes by a unit</td>
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<tr>
<td>Failing to explain significant excess of property or expenditure over lawful income</td>
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<tr>
<td>Offering bribes to a unit</td>
<td>Imprisonment for three years</td>
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<tr>
<td>Introducing bribery</td>
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<td>Concealing savings outside the territory of China</td>
<td>Imprisonment for two years</td>
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In addition, the funds or articles constituting the advantage in a corruption or bribery case may be traced and recovered. Criminals may also be fined and their property confiscated as prescribed by law. Where offences are committed by units, the offenders will suffer the penalty while the units themselves will be pursued for criminal liability.
Cases

Case 1

Conspiracy with state functionaries to corrupt equals corruption

A contractor for a Guangdong trading company conspired with an accountant of a state body whereby the accountant corruptly took advantage of his office to utter false remittance bills stamped with a company chop. Armed with these remittance bills, the accountant was able to remit the sum of RMB1.2 million to the contractor's account. The money was later shared between them.

The contractor and the accountant fled to Hong Kong and on to Taiwan to hide. The contractor was arrested and sentenced for corruption.

Major points of law

- When the state functionary took advantage of his office to appropriate funds, he committed an embezzlement offence.

- Although the contractor employed by the trading company was not a state functionary, it was still possible to charge him with being an accomplice of a state functionary.
The driver of the Sino-foreign joint venture was not a state functionary and thus could not be charged with the offence of embezzlement by state functionaries. However, by taking advantage of his position to embezzle the property of his own unit unlawfully, he also contravened the law.

The offence committed by the accused in this case is applicable to a general subject. Employees posted from Hong Kong to the Mainland and those working for joint venture companies or enterprises can also be the subject of such an offence.

Case 2

It is a criminal offence for a Sino-foreign joint venture employee to embezzle a unit's property

Hearing that a Sino-foreign joint venture garment factory was planning to give a company car to another unit, the driver of the car systematically removed the vehicle’s audio equipment and accessories, valued at RMB8,200, and hid them in his quarters ready to take home for his own use.

The employee was found guilty of taking advantage of his office to embezzle his company’s property. He was sentenced to imprisonment for three years and six months.

Major points of law

- The driver of the Sino-foreign joint venture was not a state functionary and thus could not be charged with the offence of embezzlement by state functionaries. However, by taking advantage of his position to embezzle the property of his own unit unlawfully, he also contravened the law.

- The offence committed by the accused in this case is applicable to a general subject. Employees posted from Hong Kong to the Mainland and those working for joint venture companies or enterprises can also be the subject of such an offence.

(2) In Chinese law, a “general subject” is a person deemed of sufficient age, mental disposition and understanding to be held responsible for a crime.
Case 3

The concept of "introducing bribery"

An unemployed person discovered that if he could arrange for certain goods to be imported via the Jiangmen customs checkpoint in such a way as to escape the tariffs, he could "earn" RMB180,000. He jumped at the chance and immediately contacted a Jiangmen customs officer. He promised the officer RMB100,000 if he would stamp the Jiangmen customs chop on the bill of lading so that the goods could be imported without a tariff being imposed. Later, the officer let him secretly collect the goods.

After the crime took place, the unemployed person received RMB180,000 from the owner of the goods. He then gave RMB100,000 to the customs officer, keeping the rest of the bribe for himself.

The offence committed by the unemployed person was that of introducing bribery. He was sentenced to imprisonment for three years, suspended for four years.

Major points of law

- In the Mainland, introducing bribery is also an offence.
- The unemployed person who carefully lined up the situation in full readiness for the actual act of bribery, committed the offence of "introducing bribery".
Never accept or offer bribes when doing business

Three salesmen from Da Cheng County in Hebei Province visited a chemical fibre plant to promote energy saving products for boilers. After a trial period, the plant decided to use the salesmen's products on a regular basis.

During negotiations, the salesmen promised several times to offer advantages to the purchaser. For his part, the purchaser sought to gain by allowing the salesmen to inflate the price of their products. The plant unwittingly paid an extra RMB400,000 for the goods and the purchaser accepted a total of RMB140,000 from the salesmen.

To boost sales, the salesmen also used sales incentives to persuade the production team leader to furnish false information about the extent to which the energy saving products were being used. On three occasions, the team leader accepted RMB25,000 from the salesmen. The purchaser and the team leader thus committed the offence of acceptance of bribes by employees of companies and enterprises.

The court sentenced the purchaser to imprisonment for eight years and the team leader to imprisonment for three years, suspended for four years.

Major point of law

- The staff members of the chemical fibre plant, i.e. the purchaser and the team leader, were not state functionaries and thus could not be charged with the offence of acceptance of bribes by state functionaries. However, by taking advantage of their office to accept bribes they committed the offence of acceptance of bribes by employees of companies and enterprises. The difference between these two offences lies in the fact that their subjects are different.
Case 5

Anyone who offers unauthorized rebates commits bribery

To boost sales and keep in with his business contacts, a trading manager with a company in Guangzhou inflated the list price of his company’s computer products. He rebated the difference, passing on a total of RMB58,000 to a number of clients, some of whom were state functionaries. The manager was later found guilty of offering bribes and was punished by the judicial authority.

Major points of law

- Any person who offers any form of rebate to state functionaries during business contacts in exchange for illegitimate benefits is subject to prosecution for bribery.

- Even if the person offering the bribe is not seeking illegitimate benefits, he can still be pursued under the criminal law for the liability incurred by his offer.
Case 6

A cross-boundary act of bribery can offend the laws of both the Mainland and Hong Kong

An assistant manager and some other staff members of a state-owned motor vehicle tools manufacturer in Jiangsu were invited by a Hong Kong company to visit the territory on business.

On two occasions during their trip, the delegation unlawfully accepted bribes totalling HK$23,000 from that company. The assistant manager’s share came to HK$7,700. Members of the delegation also unlawfully accepted a HK$25,000 bribe from the business manager of another company. This time, the assistant manager received HK$12,000 and a camera.

The assistant manager was charged by the Procuratorate with acceptance of bribes even though he had returned the bribes after the case was exposed.

Major points of law

- Employees of state-owned companies who accept unlawful advantages in whatever form for their personal ends can be prosecuted for acceptance of bribes.

- Even though the actual offence takes place outside the Mainland, the case can form the basis of criminal proceedings in the Mainland.

- A Mainland employee who accepts advantages in the course of business dealings in Hong Kong without his employer’s permission can be charged in Hong Kong with an offence contrary to Section 9 of the Prevention of Bribery Ordinance. The person offering such advantages also contravenes the law.
Case 7

Sino-foreign joint venture enterprises should guard against staff misappropriating of unit’s funds

A cashier in the finance department of a Sino-foreign joint venture refrigerator manufacturing company took advantage of his office to use remittance documents stamped with the company chop to deceive his manager and withdraw RMB624,000 from the bank.

In return for remitting this money to a Shenzhen company for use as a business loan, the cashier received RMB34,000. However, he later surrendered to the authorities, returning the unlawful gains and helping the law enforcement agency to recover the total amount. As a result, he was given a relatively light sentence by the People’s Court for misappropriation of the unit’s funds - imprisonment for three years, suspended for four years.

Major point of law

- The staff of a Sino-foreign joint venture enterprise were not state functionaries. Funds of the enterprise therefore were not public money. Although the cashier would not be charged with misappropriation of public funds, he could still be prosecuted for misappropriation of a unit’s funds as he had misappropriated the enterprise’s money.
Part II

Taking Precautions
Section 3

Advice on cross-boundary business
Section 3  Advice on cross-boundary business

People doing business across the boundary should not merely adhere to their own customs and habits nor simply do what they assume to be right. They should fully understand the laws and the business milieu. Ignorance of important differences in legal systems, economic policies and local customs can provoke disputes and lead to legal proceedings. It may even lead to infringement of anti-corruption and anti-bribery laws.

The following points are thus important to bear in mind when doing cross-boundary business:

Step 1: Observing the laws and regulations of the place where the investment is located
Step 2: Insisting on written contracts and listing out all the terms and conditions
Step 3: Using professional services recognized at law

Step 1

Observing the laws and regulations of the place where the investment is located

To comply fully with the law, Hong Kong businessmen with Mainland investments or people from the Mainland who work in Hong Kong must fully understand the essential differences between the laws and the systems of the two places.

In Hong Kong, in addition to the anti-corruption legislation, a number of laws are in place to govern the business activities, in order to safeguard fair play in the market. Information on such laws and rules can be obtained from the relevant government departments, e.g. the Industry Department, the Trade Department, the Inland Revenue Department, the Companies Registry and the Intellectual Property Department.

In the Mainland, Hong Kong businessmen must be prepared to encounter such unfamiliar but legally sustainable concepts as "Special Regulations" (1) and "Provisional

(1) A "Special Regulation" or "Specific Regulation" is promulgated when departmental laws or regulations must be drafted but when general conditions may not be sufficiently developed to permit the enactment of the whole corpus of laws or regulations. To avoid leaving a gap where no relevant law exists, guidelines are promulgated as special regulations. They have a bearing only on certain aspects of the proposed departmental laws. A special regulation may be promulgated with regard to specific aspect of a departmental law and serves as a supplement to that law. A special regulation may also be promulgated by the legislative bodies of autonomous regions inhabited by ethnic minorities.
Regulations* (2) and to comply with these regulations. In the Mainland, investors must not only comply with state laws, but must also understand and adhere to the many local laws, regulations, policies and systems which affect their investment projects. These include the following:

• **Local laws and regulations** - Since provinces and cities differ greatly in respect of economic growth, local governments are authorized by the respective people's congresses to promulgate district laws and regulations that meet the needs of and apply to a particular province, autonomous region or municipality. Businessmen planning an investment in a particular area must thus first become familiar with all the relevant laws and regulations of that area, checking their contents, their applicability and their impact on business projects.

• **Regional policies** - Some of the provisions governing the trade and the economy of provinces, cities, and autonomous regions may be couched in the form of policies rather than laws. Such policies may affect the kinds of investment, the amount that can be invested, conditions for approval, and even the length of time required for approval of projects open to foreign investors.

Cross-boundary investors engaged in a sole proprietorship or joint venture can consult the reference list of relevant investment procedures in Appendix III on page 97.

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(2) *Provisional Regulations* are groups of laws or regulations promulgated on a trial basis by legislative bodies. In certain circumstances, conditions may not be ripe for the enactment of complete and systematic laws. Provisional regulations may thus be framed with respect to any part, or the whole, of the draft of the complete and systematic law or regulation. While provisional regulations are in force, suggestions and comments are collected for consideration when improvements are made to the draft of the proposed law. Revision of the law will be introduced when conditions are at an optimum. A provisional regulation must be passed by a people's congress and has the same validity as other laws or regulations. The term of a provisional regulation may extend indefinitely.
Insisting on written contracts and listing out all the terms and conditions

In Hong Kong and in the Mainland, businessmen should insist that all terms and conditions of a cross-boundary investment form part of a written contract in order to ensure binding agreements with their Mainland trade counterparts and to safeguard their own interests.

Should it ever appear necessary to offer advantages in the course of business, investors should clarify whether these advantages are lawful and whether they are directly relevant to the investment projects. If the party soliciting advantages is employed by a Hong Kong company, he must obtain his employer’s prior approval to accept lawful advantages. If the recipient is a representative of a Mainland unit, the investor must ensure that the acceptance of an advantage has been endorsed by that unit and that the advantage will accrue to the unit as a whole - not to individuals or a limited number of unit employees.

Investors should observe the following when drawing up a contract for investment projects in the Mainland:

- **Define any offer of advantages in the contract** - An investor may sometimes need to enhance his own competitive edge by proposing specified advantages to a trading partner, whether an enterprise or unit. When he sets up a factory, for example, he may offer to provide buses for workers commuting between workplace and living quarters. He may arrange overseas study tours or training courses for staff of his Mainland trading partners. Such advantages are clearly intrinsic to the project, but the investor should guard against any suspicion of bribery by spelling them out clearly in the contract and limiting himself to offering only those advantages so specified.

- **Define how payments and any commissions are to be made** - Representatives of Mainland trading partners may from time to time ask investors to make deposits or pay commissions in a specific way, for example, depositing money into company accounts held in Hong Kong. To safeguard their own interests, investors should state the method of payment clearly in all contracts and invoices, normally restricting this to
crossed cheques made out to a company. Cash payments should never be made whether directly or via a third party. The contract should also stipulate the circumstances, if any, under which commissions will become payable.

• **Report irregularities in contractual negotiations** - If irregularities are encountered during contractual negotiations, e.g. if a representative solicits personal advantages in return for expediting a business deal, the investor should immediately report the case to a local anti-corruption law enforcement agency.

### Step 3

**Using professional services recognized at law**

If a businessman encounters cross-boundary business problems, he should seek to resolve them through a lawyer, a professional adviser recognized at law or a similar organization providing services to foreign investors.

In Hong Kong, information and technical support services are available from such government departments as the Industry Department and the Trade Department and from other relevant organizations such as the Hong Kong Productivity Council, the Hong Kong Industrial Technology Corporation, the Hong Kong Industrial Estates Corporation, the Hong Kong Trade Development Council and the Hong Kong Export Credit Insurance Corporation. The Business Licence Information Centre under the Industry Department offers one-stop services and provides a wide range of information. Additionally, many business matters can be entrusted to professionals such as lawyers and accountants.
A number of business organizations in Hong Kong provide support for their members. They include the Federation of Hong Kong Industries, the Hong Kong Chinese Enterprises Association, the Chinese General Chamber of Commerce, the Chinese Manufacturer’s Association of Hong Kong, the Hong Kong General Chamber of Commerce, the Hong Kong Management Association, the Hong Kong Exporters’ Association, and various offices of overseas chambers of commerce in Hong Kong. The addresses and telephone numbers of relevant government departments, supporting organizations and chambers of commerce are given in Appendix IV on page 101.

In the Mainland, consultancies and administrative organizations are set up in many provinces and cities to provide assistance for foreign investors. They include:

- **Supporting services** - Businessmen may contact local Foreign Economic and Trade Committees, the Investment Services Centre for Foreign Investors, China Council for the Promotion of International Trade and its branches in cities and provinces, and Business Administration Bureaux, etc. (The addresses and telephone numbers of the China Council for the Promotion of International Trade Sub-councils, CCPIT Branches, and China Chambers of International Commerce Chambers of Commerce in cities of Guangdong Province can be found in Appendix V on page 106).

- **Consultancy services** - Those who do business in the Mainland may need to contact many different units and obtain various types of documents including endorsements and licences, etc. To an investor unfamiliar with the local situation, these procedures may seem to be very complicated, the more so since each locality may appear to have a different routine. If they find such situations difficult to handle, businessmen can always seek the assistance of Mainland professionals recognized at law to save them the trouble of making multiple applications. Professional services including foreign economic legal services and the “one-stop investment consultancy” service are listed in Appendix VI on page 108. Information on other supporting service agencies can be found in Appendices VII to IX on pages 110 to 114.
Section 4

Measures to prevent corruption
Section 4 Measures to prevent corruption

In cross-boundary investment, preventing corruption and bribery is just as important as complying with the law. Taking specific preventive measures can plug corruption loopholes and improve a company’s operations, hence strengthening and protecting its long term competitiveness, profitability and reputation. Measures to prevent corruption include:

- **Measure 1**: Formulating a company code of conduct
- **Measure 2**: Implementing a system of control
- **Measure 3**: Training employees in anti-corruption legislation

### Measure 1

**Formulating a company code of conduct**

An effective company code of conduct not only reduces the incidence of corruption, bribery, fraud and conflicts of interest but also enhances the trust and confidence of customers, suppliers, contractors and all who have business contacts with the company. In formulating and implementing such a code, businessmen should address the following points:

- **Clear guidelines** - Employees should be given clear guidelines and reminded regularly of the need to co-operate with their business counterparts in drawing up operation procedures that accord fully with the law. They must be warned against using bribery to secure business and against accepting advantages. Companies with cross-boundary business should set identical guidelines for both locations. The code of conduct used in the Mainland should be in line with the company’s overall management philosophy as well as respecting local conditions.
• **Comprehensive coverage** - It is recommended that such codes of conduct offer comprehensive coverage as follows:

- Policy on offering and accepting advantages in the course of company business
- Guidelines on conflict of interest
- Measures to prevent disclosure of proprietary information
- Channels of complaint in case of unlawful acts
- Disciplinary action in cases of code violation

The code may further include guidelines on staff offering and accepting entertainment, principles governing outside employment and the company’s policy on gambling. The code should advise staff to consult with management and report to the relevant agencies if they are solicited for or are offered bribes.

• **Effective communication** - The code should be well presented and easily understood. It must be effectively communicated to staff, customers, suppliers and contractors. It may take a number of formats: some companies may issue it as a separate document while others will prefer to incorporate it into a staff manual or letter of appointment. Notices or staff circulars can also be used to explain and reinforce policy on staff accepting advantages including the principles governing the offer and acceptance of gifts, rewards and red packets. With the approach of festivals, staff should be reminded of the key points of the circular.

• **Compliance** - The code of conduct should be implemented with the utmost consistency. All managers and front-line staff should comply fully with its provisions. A channel for reporting malpractices and facilitating the communication with staff on the code can also be set up.

• **Regular review** - The code should be regularly reviewed so that it can be improved in the light of changing needs and circumstances.

Please refer to the sample company code of conduct in Appendix XII on page 117.
Measure 2

Implementing a system of control

A system of control is primarily a mechanism that effectively defines job responsibilities and work procedures at all levels. It also includes the requisite checks and balances to ensure that such procedures are being properly followed at all times and in all places. The following suggestions may prove helpful:

- **Formulation** - Each company will need to adapt the general principles of a system of control to meet its own requirement. These general principles may include the following:
  - define clearly job responsibilities, work procedures and terms of reference at all levels;
  - maintain proper records to facilitate random checks. This is particularly important for those who must divide their time between the business in Hong Kong and the Mainland. It allows them to stay in touch with operations in both locations and to determine the causes and repercussions of any problems;
  - protect confidential documents such as information about clients. This prevents staff from exploiting their companies’ data bank for personal gain through corruption or bribery. Confidential data stored in the company’s computers should be strictly protected;
  - incorporate checks and balances to ensure that regulations and procedures are properly followed. Concrete measures include the use of joint signatories, proper allocation of work, spot checks, regular posting of staff, internal audits, etc.;
  - conduct periodic reviews on the system of control to minimize loopholes; and
  - provide channels for complaints from staff, customers and suppliers. This can also help management to uncover procedural loopholes or malpractices early on.

- **The system of control in practice** - Cross-boundary projects sometimes run into problems of operational and management control because of the distance apart. To keep everything running smoothly, the following controls are important as they are targeting at those company systems particularly prone to corruption and malpractice, such as purchasing, accounting, sales and marketing, inventory and stock control, personnel and administration.
Section 4 Measures to prevent corruption

### Purchasing

| Call for several quotations | • In cross-boundary business, it is often necessary to rely on local purchasers when dealing with local suppliers. To deter purchasers from seizing this chance to engage in malpractice for their own benefit, quotations should always be requested from several suppliers for each procurement. Purchasers should declare any conflict of interest with suppliers.  
• Quotations should be approved by designated staff in order to minimize the chances of corruption and malpractice. |
| Conduct random spot checks | • Because it is difficult to exercise control over cross-boundary projects covering a large geographical area, frequent spot checks should be conducted, including random inspections of product quality, quotations, receipts and procurement records. This will help detect early signs of staff malpractice and will prove a deterrent. Where a problem is detected in any products purchased, investigation and follow up action should be carried out as soon as possible. |
| Maintain frequent contacts with suppliers | • Businessmen must maintain frequent contacts with suppliers in order to provide a direct channel for them to express their views and grievances and in order to achieve proper checks and balances.  
• Suppliers should be informed in writing that the company’s staff are under strict instructions not to engage in any form of corruption and malpractice (see Appendix XIII on page 122 for a sample letter to suppliers). |
## Accounting

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<tr>
<th>Comply with the law</th>
<th>• Businessmen should not include such items as &quot;expenditures for establishing relationships&quot; or even the bribes in their operational costs. Any such attempt to conceal or disguise a bribe in the accounts will eventually be uncovered. It is essential to keep honest, truthful accounting records in compliance with the law.</th>
</tr>
</thead>
</table>
| Formulate clear procedures | • Operating on both sides of the boundary can readily create management problems. Staff may easily find an opportunity to defraud the company, for example by approving false expenses, inflating claims, stealing cheques, forging invoices and other documents. It is important for investors to formulate clear internal procedures for making payments, issuance of cheques, collection of outstanding payments, keeping proper documentation, etc.  
• Apart from following internal procedures, staff must be required to state clearly on all invoices, bills and receipts all such information as dates, amounts and names of handling officers. |
| Professional audit | • Though the accounting systems in Hong Kong and the Mainland differ significantly, professional auditing is equally important in both locations. Using local professional auditors allows systematic assessment of a company’s accounting reports and expenditure records. It ensures that accounts are accurate and that they are drawn up in conformity with the approved practice in the place of investment.  
• Audits also help to reveal management and operational problems and allow timely remedial action. |
Sales and marketing

<table>
<thead>
<tr>
<th>Prohibit secret rebates</th>
<th>• Staff members should be forbidden to offer or accept any form of secret rebate or commission. They should be reminded that such behaviour may contravene the anti-corruption and anti-bribery laws.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reward staff fairly</td>
<td>• Implementing a fair business reward scheme can encourage staff in both locations to achieve their sales objectives openly and without breaking the law.</td>
</tr>
<tr>
<td>Relationship marketing strategy</td>
<td>• “Relationships” or “connections” are admittedly an important factor in successful sales and marketing. But the proper way to sustain a good relationship is to gain the confidence, appreciation and goodwill of customers by providing them with the best quality goods and comprehensive after-sales service. These are the core factors that really enhance a company’s competitive edge. They are also the business strategies behind the “relationship marketing” now so popular around the world.</td>
</tr>
</tbody>
</table>
Inventory and stock control

| Keep a master record of all stock | • The company should keep an accurate master record of all stock listing the quantity and state of each item. Staff should be required to immediately update this record whenever goods are delivered or accepted into storage. This will provide a clear picture of stock movements and will prevent theft and other malpractices. |
| Institute checks and balances | • Different employees should be assigned to procure stock and verify its receipt. The responsibilities and powers of staff at all ranks should be clearly defined so that they can make effective decisions on key issues and for situations such as choosing a supplier, they can consult the authorized staff and obtain approvals from them.  
  • Whenever a stock item is written off, the employee responsible must fill in a standard form endorsed by two authorized staff. |
| Conduct spot checks | • Frequent regular spot checks conducted without advance notice will ensure the quality of goods and deter staff from committing unlawful activities. |
**Personnel and administration**

| Management by discipline | • Management by discipline increases operational efficiency. Staff of all ranks should frequently be reminded of the need to observe discipline and to act in accordance with the company code of conduct. A copy of this code should be conspicuously posted in areas frequented by staff (see Appendix XIV on page 123 for a sample declaration of code of conduct).  
• Investors can set up internal communication channels for staff to air their problems.  
• Managers should always be alert to such suspicious signs as reluctance to take up a posting or take leave, extremely close relationships with customers or other people who have business dealings with the company, and over-long telephone conversations conducted secretly or in a hushed voice, etc. These can all be the early signs of malpractice. |
| Spread out recruitment duties | • Any company with branches in both the Mainland and Hong Kong should recruit staff using means which are both legal and locally effective. For example, worker recruitment in the Mainland is normally handled by labour service companies. Different aspects of the recruitment process should be handled by different staff to prevent malpractices and favouritism. Again, different staff should be assigned to take charge of screening and interviewing applicants so that they can monitor each other. |
| Establish vetting system | • Policies and procedures may be drawn up for vetting staff applications for part-time work, postings and overtime allowance. A thorough investigation should be conducted if such applications are frequent or if requests for unusually large reimbursements are received.  
• An independent officer of senior rank may be assigned to oversee such vetting. This can prevent conflicts of interest between companies and thwart staff who attempt to conspire to abuse their official relationships and capacities for private gain. |
Measure 3

Training employees in anti-corruption legislation

Employers and employees who conduct business in Hong Kong and the Mainland should thoroughly understand and scrupulously observe the anti-corruption laws that apply in each place. Employers should provide systematic training to educate employees about anti-corruption legislation to alert them to the consequences of violations; employees should also be made familiar with practical preventive measures. The following factors may be considered in arranging such training:

• **Flexible arrangements** - Training arrangements can be varied to suit available company resources. In addition to alerting staff to the importance of complying with the law, training should enhance communication among employers, management and staff; set out the company’s operational procedures; and explain the company’s expectations with regard to staff behaviour and ethical issues.

• **ICAC preventive education services** - The ICAC provides free tailor-made services to help companies organizing a number of training programmes, for example, introduction to the PBO; differences between the anti-corruption laws in the Mainland and Hong Kong; and corruption prevention measures. Any of the eight ICAC regional offices will be pleased to assist in arranging for these services.

• **Mainland services** - In Guangdong, the People’s Procuratorate provides a wide range of corruption prevention services such as courses on legal systems, visits to anti-corruption exhibitions and compilations of selected anti-corruption cases, etc. It also helps enterprises formulate practical measures to prevent corruption and assign officers to exercise supervision over crucial project procedures, e.g. tendering procedures. Businessmen are encouraged to seek assistance from local People’s Procuratorates in the Mainland.
Section 5

Official anti-corruption initiatives
Section 5 Official anti-corruption initiatives

The Mainland’s full commitment

In the Mainland, the responsibility for the fight against corruption and bribery extends to party, state and judiciary:

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**Party**

Commissions for Discipline Inspection

**State**

Ministry of Supervision, Supervision Bureaus, Supervision Offices

**Judiciary**

People’s Procuratorates

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**Fight Against Corruption and Bribery**

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Commissions for Discipline Inspection

The Commissions for Discipline Inspection, which are organizations under the Communist Party of Mainland China, are responsible for enforcing party discipline. In addition to the Central Commission for Discipline Inspection, similar commissions have been set up within the party at committee and organization level. The prerogatives of these commissions include:

(a) inspecting conduct that amounts to infringement of party discipline by party cadres and party members at various ministries under the State Council or at different levels of party organization; and

(b) receiving complaints, carrying out investigations and determining sanctions against party cadres and party members infringing party discipline at various ministries under the State Council or at different levels of party organization.
As these commissions deal only with infringements of party discipline (including corruption and bribery) by party cadres and members, the cases they handle primarily involve complaints referred by internal units or other state units.

**Supervisory bodies**

Under the State Council, there is a Ministry of Supervision and at each level of local government, similar organizations exist called Supervision Bureaux or Supervision Offices. Their functions are as follows:

(a) supervising and inspecting the implementation of state policies, laws and regulations, and national economic and social development by state administrative bodies, functionaries and leading cadres posted to enterprises and other units;

(b) investigating and dealing with infringements of law and discipline in order to safeguard the integrity of the government; and

(c) preventing corruption and bribery, and improving and strengthening administrative controls in order to enhance efficiency.

Such supervisory bodies are primarily responsible for administrative sanctions against state functionaries who have misbehaved but not committed criminal offences.

**People's Procuratorates**

Accountable to the National People's Congress, the Supreme People's Procuratorate, and under it the People's Procuratorates at different levels, monitor the administration of the law. Among their major functions, the People's Procuratorates are responsible for investigating corruption and bribery offences and for deciding if a suspect should be arrested and if legal proceedings should be instituted against him.

The Supreme People's Procuratorate and the lower level People's Procuratorates have established anti-corruption and anti-bribery working bureaux with the following functions:
(a) handling cases involving economic crimes referred by report centres (1);  
(b) investigating major economic crimes such as corruption and bribery, etc.;  
(c) analysing the circumstances, characteristics, patterns and trends of major economic crimes such as corruption and bribery, etc.;  
(d) researching into investigation procedures, methods and precautionary measures for economic crimes such as corruption and bribery, etc.; and  
(e) formulating provisions and regulations in respect of investigation and preventive measures.  

The Hong Kong ICAC’s three-pronged attack

Established in 1974, Hong Kong’s Independent Commission Against Corruption (ICAC) is committed to combating corruption on three fronts: deterrence, prevention and education. These are tackled by the Commission’s Operations Department, Corruption Prevention Department and Community Relations Department respectively.

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(1) A report centre is directly under the anti-corruption and anti-bribery working bureau and is responsible for receiving complaints from citizens.
Operations Department

The Operations Department, the Commission’s investigative arm, is responsible for receiving, examining and investigating alleged offences related to corruption. Most of the complaints handled by the Commission come from members of the public. They can lodge complaints through a telephone hotline, by mail or by personal visit to the round-the-clock Report Centre or an ICAC regional office.

The main aim of the Commission has always been to fight corruption in government departments. In recent years, however, there has been an upsurge of corruption reports relating to the private sector, representing more than half of the total annual corruption complaints received. These cases are often geographically dispersed and the methods used by criminals have become more and more sophisticated. The Operations Department thus sets up different task forces to deal with different situations. In some cases, investigators have to travel overseas to collect evidence.

When an allegation of commercial bribery is substantiated after investigation by the Operations Department, the case is forwarded to the Secretary for Justice for prosecution. Where there is insufficient evidence, the Advisory Services Group of the Corruption Prevention Department follows up by approaching the units involved with a prevention programme to counter corruption.

Corruption Prevention Department

The work of the Corruption Prevention Department is mainly to examine the systems and procedures of government departments and public bodies, identify possible corruption loopholes and advise on ways to minimize opportunities for corruption.

Since its establishment in 1985, the Advisory Services Group of the Corruption Prevention Department has provided free tailor-made corruption prevention advisory services to private companies and professional bodies on different functional areas such as purchasing, operation, marketing, inventory and stock taking, accounting services, human resources management and administration.

Such advice is free and confidential. It can be accessed by calling the telephone hotline 2526 6363.
Community Relations Department

The Community Relations Department is responsible for educating the public on the evils of corruption and for enlisting their support in preventing corruption.

Commercial organizations have long been the major target of the ICAC’s educational initiatives in corruption prevention. Since the level of corruption reports involving the business sector has remained high in recent years, the Community Relations Department has maintained close contacts with the business sector. It explains anti-corruption legislation and the evils of corruption and urges businessmen to tackle the problem of corruption seriously. In addition to offering the necessary assistance in drawing up codes of conduct for staff and formulating corruption prevention measures, the Community Relations Department also provides free staff training services for business organizations. These training courses familiarize businessmen with anti-corruption laws and company codes of conduct so that they will be fully aware of the importance of observing the law when they work in Hong Kong or in the Mainland. Businessmen are encouraged to contact the regional offices of the ICAC to make arrangements for such services.

Co-operation with anti-corruption agencies in the Mainland

Since its first contact with the Mainland in 1983, the ICAC has liaised closely with various anti-corruption agencies in the Mainland, particularly the Guangdong Provincial People’s Procuratorate (GDPP) and the Supreme People’s Procuratorate in Beijing.

On the operations front, the ICAC’s Operations Department and the GDPP instituted a mutual assistance scheme in 1987 to assist each other in taking evidence and interviewing witnesses in each other’s territory. With the recent strengthening of trade between Hong Kong and the Mainland, cross-boundary corruption and related crimes have increased. To cope with this, the Operations Department has reinforced its co-operation with anti-corruption agencies in the Mainland in handling cross-boundary corruption cases. Investigations in Guangdong Province are conducted with the assistance of the GDPP. In 1996, the ICAC and the GDPP marked the enhanced co-operation between the two sides by signing a framework agreement on mutual case assistance. Frequent meetings led to improved mutual understanding and in 1997 the two sides further co-operated by setting up a Hong Kong
Mainland Operational Liaison Office to strengthen mutual communication in cross-boundary corruption investigations.

The Corruption Prevention Department and Community Relations Department maintain close links with Mainland officials responsible for corruption prevention and education, and frequently exchange views and experiences through visits and training seminars.

The Hong Kong Mainland Liaison Office, a specially formed unit under the Community Relations Department, also acts as an intermediary in arranging exchange study tours with the GDPP and in conducting staff training courses for its counterpart for a better understanding of each other's work. Mutual co-operation has been further strengthened by the joint production of publicity and reference materials for cross-boundary investors on anti-corruption legislation in Hong Kong and the Mainland.
**Section 6   Taking appropriate action**

**Reporting suspected corruption or bribery**

Businessmen who are solicited for advantages by an agent, whether expressly or implicitly, should report the case without delay. If they do not act promptly, they could be suspected of having offered bribes when the case comes to light. In Hong Kong, reports of corruption have been treated in the strictest confidence ever since the ICAC was established in 1974. In Guangdong Province, the "Regulation Protecting Citizens’ Complaints" was adopted by the Guangdong Provincial People’s Congress in June 1989 to keep strictly confidential the names of those who report improper acts by party, government and state functionaries.

Reports may be made by telephone, by mail or in person.

**Guangdong Province**

| Report Centre, Anti-corruption and Anti-bribery Working Bureau, Guangdong Provincial People's Procuratorate | Zhujiang Xincheng Guangzhou City |
| (The telephone numbers of People's Procuratorates in cities in Guangdong Province are given in Appendix X on page 115 ) | Report hotline 8736 2000 |

| Guangdong Commission for Discipline Inspection and Department of Supervision (Combined Supervision Room) | Guangdong Provincial Committee Building Hequn San Malu Dongshan District Guangzhou City |
| | Report hotline 8766 8899 |
Resolving business disputes lawfully

When problems arise in the course of business, they should never be resolved by trying to exploit connections with influential individuals, by taking a back door route or by the indiscriminate use of middlemen. Assistance should instead be sought from the appropriate local government departments. If the request lies outside the remit of a government department, as for example when the case is a civil dispute that has no criminal element, a lawyer can be retained to help obtain justice or claim compensation through a civil lawsuit.

The following mechanisms should be considered when it is necessary to resolve disputes relating to business undertakings in the Mainland:

<table>
<thead>
<tr>
<th>Discussion and mutual compromise to settle business disputes of a general nature</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Here, the parties concerned normally engage in direct negotiations. They may also enlist the mediation services of the contract administration agency, the appropriate supervisory departments or the administration for industry and commerce at different levels. Once an agreement is reached, both parties should abide by it.</td>
</tr>
<tr>
<td>• This mechanism often brings about an amicable settlement, thus avoiding the cumbersome procedures and expense of arbitration or lawsuits. Because it is flexible, it tends to preserve goodwill and friendly working relationships.</td>
</tr>
</tbody>
</table>
| Arbitration to secure a binding effect | • Arbitration is frequently employed in foreign economic disputes. The parties concerned agree in writing to refer their dispute to an arbitration organization or to a third party acceptable to both sides for adjudication and a binding verdict.  
• There are two main foreign economic arbitration organizations in the Mainland, namely, the China International Economic and Trade Arbitration Commission; and the China Maritime Arbitration Commission, both of which are standing, non-government arbitration bodies.  
• The binding effect of arbitration agreements is also confirmed by international treaties. Most treaties and protocols signed between Mainland China and foreign countries on commercial and maritime matters, trade agreements and delivery terms contain provisions for arbitration. Arbitration agreements are now widely accepted and recognized by most countries.  
• Courts may however reject cases that involve arbitration agreements. Article 257 of the Civil Procedure Law specifies clearly that no person who is party to a dispute concerning foreign economic relations, trade, transportation and maritime matters shall put his case to the people's courts if the dispute involves a contract that contains an arbitration clause or if the parties concerned have already entered into a written agreement to the effect that the dispute be referred to a PRC foreign economic arbitration organization or any other arbitration organization. |
| Litigation to settle disputes | • The aggrieved party may file in a court which exercises the appropriate jurisdiction and resolve his dispute through the judicial process. According to Chinese law, intermediate people's courts are the courts of first instance in such cases, so legal proceedings in these disputes should be instituted in such courts.  
• If, however, the case involves an economic crime, this should be reported to the appropriate authorities. |
Section 7

Answers to queries
Section 7  Answers to queries

A clear understanding of the anti-corruption and anti-bribery laws in the Mainland and in Hong Kong and of related corruption prevention measures is vital for those undertaking cross-boundary business, since it helps to ensure that they do not break the law or suffer inadvertent losses.

This section answers some of the questions that businessmen frequently ask.

Doing business in Hong Kong and in the Mainland

1. Q: What must Hong Kong people doing business in the Mainland know about its criminal law as far as anti-corruption and anti-bribery issues are concerned?
   A: • Hong Kong people and their employees doing business in the Mainland must:
     (1) understand the provisions of those laws and regulations specific to the area where the investment is located; (2) refrain from giving advantages to anyone in the Mainland in exchange for convenience in business dealings; (3) pay attention to the anti-corruption and anti-bribery provisions of the Criminal Law.
     • Since the principles of lex situs (law of the place) and lex personalis (law of the person) apply to the Criminal Law of the PRC and cover all offences committed in Chinese territory, all businessmen, including those from Hong Kong engaging in trade activities in the Mainland, will be punished in the same way and to the same extent as any person from the Mainland if they break anti-corruption and anti-bribery laws.

2. Q: What should people from the Mainland remember about Hong Kong’s Prevention of Bribery Ordinance (PBO) when they conduct business in Hong Kong?
   A: • All people in Hong Kong are bound by the provisions of the PBO regardless of their nationality. If people from the Mainland in Hong Kong intend to offer an advantage to another party, they must first establish exactly who they are dealing with. If the other party is a government servant, they must not offer him any advantages because it is an offence under the law. If the other party is an employee of a private business organization, they should clarify whether the employer has given that employee permission to accept advantages. If he has not done so, the employee will be in breach of the PBO.
• People from the Mainland working in Hong Kong who accept advantages in relation to their duties must first obtain prior approval from their employers, otherwise such acceptance will constitute an offence in law. People who offer or accept illegal advantages will be in breach of the PBO. Mainland state functionaries who accept illegal advantages in Hong Kong may also be in breach of the Criminal Law.

3. Q: What concerns should people have about offering commissions or rebates to the employees of trade partners in the course of business dealings?

A: • According to Hong Kong’s PBO, commissions and rebates are both considered advantages. The party accepting advantages must first seek approval from his principal, i.e. his employer, if such acceptance is to be legitimate. In order to avoid breaking the law in Hong Kong, a person who intends to offer advantages to an employee of a trade partner should first ascertain if that particular company allows its employees to accept advantages.

• In the Mainland, businessmen who buy or sell products are permitted to offer explicit discounts or intermediary commissions to trade partners. However, details of any such offers should be included in the business contract. To offer rebates or handling fees in any kind or form secretly and without written approval is a criminal offence that contravenes the Mainland’s commercial anti-bribery laws.

4. Q: How can individuals avoid breaking the law if they wish to offer gifts to the employees of their trade partners at festivals?

A: • According to Hong Kong’s PBO, offers of gifts, red packets or tips (regardless of value) to others are all considered “offers of advantages”. If the offer of such gifts is related to the acceptor’s business dealings, the acceptor must seek the prior approval of his employer or principal for the acceptance to be legitimate. This principle still applies during festivals. If it cannot be confirmed whether the acceptor has been given prior permission to accept a gift, the gift should instead be sent direct to the person in charge of the company for appropriate action.
Mainland law stipulates that state functionaries who have accepted gifts in the course of economic activities should turn them back to their own units for appropriate action. They should not keep the gifts for personal use, otherwise they will breach Article 394 of the Criminal Law. In any company or enterprise unit, staff members must not be secretive when accepting gifts, i.e. they must report to their unit leaders and seek their opinion on how to dispose of the gifts.

5. Q: What liabilities are there under the law if businessmen offer gifts or tips to Mainland officials to speed up approval procedures when they apply for telephone lines, electricity supply or certificates of approval? What is the comparable situation in Hong Kong?

A: In the Mainland, all officials handling applications of telephone lines, electricity supply or certificates of approval are state functionaries. They are thus not permitted to accept any advantages from their clients, otherwise they will be in breach of Article 385 of the Criminal Law. People who offer advantages to state functionaries breach Article 389 of the Criminal Law. Both parties will be pursued for criminal liability.

In Hong Kong, companies providing electricity and gas supply, etc. are public bodies bound by Section 4 of the PBO. Since public bodies generally forbid their employees to accept any advantages in relation to their duties, applicants for such services will commit bribery if they offer advantages to these employees.

6. Q: What should businessmen do if they wish to subsidise their Mainland business partners’ overseas working trips and travel allowances?

A: In drawing up the contract or conditions of co-operation, businessmen should consider incorporating clearly all the advantages related to the investment project, including any provision of overseas working trip subsidies and allowances to their business partners. All Mainland-related contracts should be written in full accordance with the law (including provincial and city laws and regulations). This will protect the legitimate interests of businessmen if problems arise.
7. Q: What sort of legal sanctions will Hong Kong businessmen have to face if they employ intermediaries to deliver advantages or favours in exchange for greater business convenience in the Mainland?

A: • Under Article 389 of the Criminal Law, Hong Kong businessmen who employ intermediaries to deliver advantages or favours in order to enhance convenience in economic dealings will be liable to charges of bribery if the state laws are breached. Either the action of such intermediaries will constitute the crime of introducing bribery or the intermediary will become an accomplice to that crime. The party accepting the bribe will also be held criminally liable.

8. Q: Does treating trade partners or their employees to a banquet during business negotiations in Hong Kong or in the Mainland constitute an offer of advantages?

A: • In Hong Kong, offers of entertainment are common. Treating trade partners to a banquet does not constitute an offer of advantages according to the PBO, but businessmen should not rely on entertaining their trade partners and their employees to stimulate business. In the long run, they should aim to strengthen competitiveness by improving product quality, etc.

• In practice, the Mainland adopts the same criteria as Hong Kong.

9. Q: How can a company avoid erosion of its interests if its employees frequently receive business entertainment?

A: • It is inevitable that employees, as representatives of their company, will be offered some degree of business entertainment. However, if employees are entertained too frequently or in an over-lavish manner, their impartiality in business dealings could be compromised and this could damage their company's interests. The company therefore should spell out clear guidelines for its employees on receiving or offering business entertainment and should constantly remind them to abide by the rules.

• In the Mainland, the discipline inspection authorities specify that no leaders of state-owned enterprises can attend any banquet which might have an effect on the impartial execution of their duties.
10. Q: What recourse do Hong Kong businessmen have if state enterprises and units from the Mainland solicit advantages from them?
A: • Article 387 of the Criminal Law of the PRC specifies that state bodies, state-owned companies, enterprises, units or people’s organizations that illegally solicit property from other people in exchange for gain may be charged with accepting bribes by units if the circumstances are serious. If Hong Kong businessmen are so solicited by Mainland units, they should immediately report the matter to the People’s Procuratorates.

11. Q: What recourse is there if the employees of one’s business partners solicit advantages during business negotiations?
A: • If the advantages solicited by the opposite party are not specified in the contract and are not accompanied by official receipts issued by the relevant authorities, the request should be refused and the matter reported at once.
• In the Mainland, corruption reports can be filed with the respective People’s Procuratorates or public security bureaux according to the location of the work unit concerned, the location where the crime took place or the place where the subject of the crime resides.
• In Hong Kong, corruption reports can be filed with the ICAC Report Centre or the eight ICAC regional offices.
• Whether in the Mainland or in Hong Kong, corruption reports can be filed by mail, by phone or in person. All reports must be factually correct since legal liabilities will be pursued if false reports are made.

Hong Kong and Mainland anti-corruption authorities

12. Q: How are the duties of the ICAC in Hong Kong separate from those of departments specializing in the investigation of commercial crimes?
A: • The Operations Department of the ICAC is mainly responsible for investigation of alleged offences against the Prevention of Bribery Ordinance, the Independent Commission Against Corruption Ordinance and the Corrupt and Illegal Practices Ordinance. ICAC investigators are empowered to investigate and to execute arrests
in relation to alleged offences against the Theft Ordinance and the Criminal Procedure Ordinance and offences related to perverting the course of justice if such crimes are uncovered during their investigations into corruption offences. The Hong Kong Police Force and other relevant law enforcement departments are empowered to handle other non-corruption related commercial crimes.

13. Q: How are the duties of the Mainland public security bureaux separate from those of the People’s Procuratorates in the control of crimes?

A: • The People’s Procuratorates are responsible for investigating corruption and bribery, dereliction of duty by state functionaries, and crimes of state functionaries who abuse their power to infringe on civil rights by such means as unlawful detention, forced confession by torture, false accusations for revenge, unlawful searches and other crimes which violate civil and democratic rights. Major crimes committed when state functionaries take advantage of their office must be directly dealt with by the People’s Procuratorates. Subject to the decision of the People’s Procuratorates at the provincial level or above, Procuratorates of appropriate level can proceed with the investigation of such cases. All other crimes must be dealt with by the Public Security Bureaux.
Appendices
Excerpts from the Prevention of Bribery Ordinance

1. Corruption and bribery offences involving the private sector (offering bribes, accepting bribes and deceiving one’s employer by furnishing false documents)

Section 9

(1) Any agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for or otherwise on account of his -
   (a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or
   (b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,
   shall be guilty of an offence.

(2) Any person who, without lawful authority or reasonable excuse, offers any advantage to any agent as an inducement to or reward for or otherwise on account of the agent's -
   (a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or
   (b) showing or forbearing to show, or having shown or forborne to show, favour or disfavour to any person in relation to his principal's affairs or business,
   shall be guilty of an offence.

(3) Any agent who, with intent to deceive his principal, uses any receipt, account or other document -
   (a) in respect of which the principal is interested; and
   (b) which contains any statement which is false or erroneous or defective in any material particular; and
   (c) which to his knowledge is intended to mislead the principal,
   shall be guilty of an offence.
(4) If an agent solicits or accepts an advantage with the permission of his principal, being permission which complies with subsection (5), neither he nor the person who offered the advantage shall be guilty of an offence under subsection (1) or (2).

(5) For the purposes of subsection (4) permission shall -
(a) be given before the advantage is offered, solicited or accepted; or
(b) in any case where an advantage has been offered or accepted without prior permission, be applied for and given as soon as reasonably possible after such offer or acceptance,

and for such permission to be effective for the purposes of subsection (4), the principal shall, before giving such permission, have regard to the circumstances in which it is sought.

2. Offering bribes to a public servant

Section 4(1)

(1) Any person who, whether in Hong Kong or elsewhere, without lawful authority or reasonable excuse, offers any advantage to a public servant as an inducement to or reward for or otherwise on account of that public servant's -
(a) performing or abstaining from performing, or having performed or abstained from performing, any act in his capacity as a public servant;
(b) expediting, delaying, hindering or preventing, or having expedited, delayed, hindered or prevented, the performance of an act, whether by that public servant or by any other public servant in his or that other public servant's capacity as a public servant; or
(c) assisting, favouring, hindering or delaying, or having assisted, favoured, hindered or delayed, any person in the transaction of any business with a public body,
shall be guilty of an offence.
3. Offering advantages to a public servant without authorization

Section 8

(1) Any person who, without lawful authority or reasonable excuse, while having dealings of any kind with the Government through any department, office or establishment of the Government, offers any advantage to any Crown servant employed in that department, office or establishment of the Government, shall be guilty of an offence.

(2) Any person who, without lawful authority or reasonable excuse, while having dealings of any kind with any other public body, offers any advantage to any public servant employed by that public body, shall be guilty of an offence.

(1) The PBO was enacted before Hong Kong became a Special Administrative Region of China. Subsequent legislation makes it clear that the term "Government" is to be construed as referring to the "Government of the Hong Kong Special Administrative Region".

(2) See footnote 1 above. "Crown servant" is to be construed as a "servant of the Government of the Hong Kong Special Administrative Region".
Appendix II

Excerpts from the Criminal Law of the PRC on anti-corruption and anti-bribery (1)

(1) Embezzlement by State functionaries

Article 382
- Any State functionary who, by taking advantage of his office, appropriates, steals, swindles public money or property or by other means illegally takes it into his own possession shall be guilty of embezzlement.
- Any person authorized by State organs, State-owned companies, enterprises, institutions or people's organizations to administer and manage State-owned property who, by taking advantage of his office, appropriates, steals, swindles the said property or by other means illegally takes it into his own possession shall be regarded as being guilty of embezzlement.
- Whoever conspires with the person mentioned in the preceding two paragraphs to engage in embezzlement shall be regarded as joint offenders in the crime and punished as such.

Article 394
- Any State functionary who, in his activities of domestic public service or in his contacts with foreigners, accepts gifts and does not hand them over to the State as is required by State regulations, if the amount involved is relatively large, shall be convicted and punished in accordance with the provisions of Articles 382 and 383 of this Law.

Articles 183, Clause (2)
- If an employee of a State-owned insurance company or any person who is assigned by a State-owned insurance company to an insurance company that is not owned by the State to engage in public service commits the act prescribed in Clause (1) of this Article, he shall be convicted and punished according to the provisions in Articles 382 and 383 of this Law.

Article 271, Clause (2)
- If an employee who is engaged in public service in a State-owned company, enterprise or any other State-owned unit or if a person who is assigned by a State-

(1) The text is extracted from the “Criminal Law of the People’s Republic of China” translated by the Legislative Affairs Commission of the Standing Committee of the National People’s Congress of the People’s Republic of China. Should any discrepancy exist, the Chinese version should prevail.
owned company, enterprise or any other State-owned unit to a company, enterprise or any other unit that is not owned by the State to engage in public service commits the act mentioned in Clause (1) of this Article, he shall be convicted and punished in accordance with the provisions of Articles 382 or 383 of this Law.

(2) Misappropriation of public funds

**Article 384**

- Any State functionary who, by taking advantage of his position, misappropriates public funds for his own use or for conducting illegal activities, or misappropriates a relatively large amount of public funds for profit-making activities, or misappropriates a relatively large amount of public funds and fails to return it after the lapse of three months, shall be guilty of misappropriation of public funds and shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention; if the circumstances are serious, he shall be sentenced to fixed-term imprisonment of not less than five years.

Whoever misappropriates a huge amount of public funds and fails to return it shall be sentenced to fixed-term imprisonment of not less than 10 years or life imprisonment.

- Whoever misappropriates for his own use funds or materials allocated for disaster relief, emergency rescue, flood prevention and control, special care for disabled servicemen and the families of revolutionary martyrs and servicemen, aid to the poor, migration and social relief shall be given a heavier punishment.

**Article 185, Clause (2)**

- If any employee of a State-owned banking institution or any person who is assigned by a State-owned banking institution to a banking institution that is not owned by the State to engage in public service commits the act mentioned in Clause (1) of this Article, he shall be convicted and punished according to the provisions in Article 384 of this Law.

**Article 272, Clause (2)**

- If an employee who is engaged in public service in a State-owned company, enterprise or any other State-owned unit or any person who is assigned by a State-owned company, enterprise, or any other State-owned unit to a company, enterprise or any other unit that is not owned by the State to engage in public service commits any act mentioned in Clause (1) of this Article, he shall be convicted and punished in accordance with the provisions of Article 384 of this Law.
(3) Acceptance of bribes by State functionaries

Article 385
• Any State functionary who, by taking advantage of his position, extorts money or property from another person, or illegally accepts another person's money or property in return for securing benefits for the person shall be guilty of acceptance of bribes.
• Any State functionary who, in economic activities, violates State regulations by accepting rebates or service charges of various descriptions and taking them into his own possession shall be regarded as guilty of acceptance of bribes and punished for it.

Article 163, Clause (3)
• Any employee of a State-owned company or enterprise who, being engaged in public service or who is assigned by a State-owned company or enterprise to engage in public service in a company or enterprise that is not owned by the State, commits any of the acts mentioned in Clauses (1) and (2) of this Article, shall be convicted and punished according to the provisions in Articles 385 and 386 of this Law.

Article 184, Clause (2)
• Any employee of a State-owned banking institution or any person assigned by a State-owned banking institution to a banking institution that is not owned by the State to engage in public service who commits the act mentioned in Clause (1) of this Article shall be convicted and punished according to the provisions in Articles 385 and 386 of this Law.

Article 388
• Any State functionary who, by taking advantage of his own functions and powers or position, secures illegitimate benefits for an entrusting person through another State functionary's performance of his duties and extorts from the entrusting person or accepts the entrusting person's money or property shall be regarded as guilty of acceptance of bribes and punished for it.

(4) Acceptance of bribes by a unit

Article 387
• Where a State organ, State-owned company, enterprise, institution or people's organization extorts from another person or illegally accepts another person's money
or property in return for securing benefits for the person, if the circumstances are serious, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the offence shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention.

- Any of the units mentioned in the preceding paragraph that, in economic activities, secretly accept off-the-book rebates or service charges of various descriptions shall be regarded as guilty of acceptance of bribes and punished in accordance with the provisions of the preceding paragraph.

(5) **Offering bribes to State functionaries**

**Article 389**

- Whoever, for the purpose of securing illegitimate benefits, gives money or property to a State functionary shall be guilty of offering bribes.

- Whoever, in economic activities, violates State regulations by giving a relatively large amount of money or property to a State functionary or by giving him rebates or service charges of various descriptions shall be regarded as guilty of offering bribes and punished for it.

- Any person who offers money or property to a State functionary through extortion but gains no illegitimate benefit shall not be regarded as offering bribes.

(6) **Offering bribes to a unit**

**Article 391**

- Whoever, for the purpose of securing illegitimate benefits, gives money or property to a State organ, State-owned company, enterprise, institution or people's organization or, in economic activities, violates State regulations by giving rebates or service charges of various descriptions shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention.

- Where a unit commits the crime mentioned in the preceding paragraph, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the offence shall be punished in accordance with the provisions of the preceding paragraph.
(7) Introducing bribery

Article 392

• Whoever introduces a bribe to a State functionary, if the circumstances are serious, shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention.

• Any person who introduces a bribe but voluntarily confesses the act before he is investigated for criminal responsibilities may be given a mitigated punishment or exempted from punishment.

(8) Unit offering bribes

Article 393

• Where a unit offers bribes for the purpose of securing illegitimate benefits or, in violation of State regulations, gives rebates or service charges to a State functionary, if the circumstances are serious, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the offence shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention. Any person who takes into his own possession the illegal gains derived from bribing shall be convicted and punished in accordance with the provisions of Articles 389 and 390 of this Law.

(9) Failing to explain significant excess of property or expenditure over lawful income; concealing savings outside the territory of China

Article 395

• Any State functionary whose property or expenditure obviously exceeds his lawful income, if the difference is enormous, may be ordered to explain the sources of his property. If he cannot prove that the sources are legitimate, the part that exceeds his lawful income shall be regarded as illegal gains, and he shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention, and the part of property that exceeds his lawful income shall be recovered.

• Any State functionary shall, in accordance with State regulations, declare to the State his bank savings outside the territory of China. Whoever has a relatively large amount
of such savings and does not declare them to the State shall be sentenced to fixed-
term imprisonment of not more than two years or criminal detention; if the
circumstances are relatively minor, he shall be given administrative sanctions at the
discretion of his work unit or the competent authorities at a higher level.

(10) Illicit division of State-owned assets; illicit division of fines,
confiscated money or property

Article 396

- Where a State organ, State-owned company, enterprise, institution or people’s
organization, in violation of State regulations and in the name of the unit, divides up
State-owned assets in secret among all the individuals of the unit, if the amount
involved is relatively large, the persons who are directly in charge and the other
persons who are directly responsible for the offence shall be sentenced to fixed-term
imprisonment of not more than three years or criminal detention and shall also, or shall
only, be fined; if the amount involved is huge, they shall be sentenced to fixed-term
imprisonment of not less than three years but not more than seven years and shall also
be fined.

- Any judicial organ or administrative law-enforcing organ that, in violation of State
regulations and in the name of the organ, divides up in secret the fines or confiscated
money or property, which should be turned over to the State, among all the individuals
of the organ shall be punished in accordance with the provisions of the preceding
paragraph.

(11) Acceptance of bribes by employees of companies and
enterprises

Article 163

- Where an employee of a company or enterprise who, taking advantage of his position,
demands money or property from another person or illegally accepts another person’s
money or property in return for the benefits he seeks for such person, if the amount
involved is relatively large, he shall be sentenced to fixed-term imprisonment of not
more than five years or criminal detention; if the amount is huge, he shall be sentenced
to fixed-term imprisonment of not less than five years and may also be sentenced to
confiscation of property.
• Any employee of a company or enterprise who, violating State regulations in economic activities, accepts rebates or service charges of various descriptions and takes them into his own possession shall be punished in accordance with the provisions in the preceding paragraph.

• Any employee of a State-owned company or enterprise who, being engaged in public service or who is assigned by a State-owned company or enterprises to engage in public service in a company or enterprise that is not owned by the State, commits any of the acts mentioned in the preceding two paragraphs shall be convicted and punished according to the provisions in Articles 385 and 386 of this Law.

(12) Offering bribes to employees of companies and enterprises

Article 164

• Whoever, for the purpose of seeking illegitimate benefits, gives money or property to any employee of a company or enterprise, if the amount involved is relatively large, shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention; if the amount involved is huge, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than 10 years and shall also be fined.

• Where a unit commits the crime as mentioned in the preceding paragraph, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the crime shall be punished according to the provisions in the preceding paragraph.

• Any briber who confesses the bribery voluntarily prior to prosecution may be given a mitigated punishment or be exempted from punishment.

(13) Members of intermediary organizations deliberately providing false testifying papers

Article 229, Clause (2)

• Any member mentioned in Clause (1) of this Article who commits the crime prescribed in the Clause demands money or property from another or illegally accepts money or property from another shall be sentenced to fixed-term imprisonment of not less than five years but not more than 10 years and shall also be fined.
(14) Embezzlement through dereliction of duty by employees of enterprises

Article 271, Clause (1)

- Any employee of a company, enterprise or any other unit who, taking advantage of his position, unlawfully takes possession of the money or property of his own unit, if the amount is relatively large, shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention; if the amount is huge, he shall be sentenced to fixed-term imprisonment of not less than five years and may also be sentenced to confiscation of property.

(15) Misappropriation of a unit’s funds

Article 272, Clause (1)

- Any employee of a company, enterprise or any other unit who, taking advantage of his position, misappropriates the funds of his own unit for personal use or for loaning them to another person, if the amount is relatively large and the funds are not repaid at the expiration of three months, or if the funds are repaid before the expiration of three months but the amount involved is relatively large and the funds are used for profit making activities or for illegal activities, shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention; if the amount involved is huge, or if it is relatively large but is not returned, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than 10 years.

(16) Misappropriation of specific funds and materials

Article 273

- In cases of misappropriation of funds or materials that are allocated for disaster relief, emergency rescue, flood prevention and control, support to disabled servicemen and families of revolutionary martyrs and servicemen, aid to the poor, migration and social relief, if the circumstances are serious and major harm is caused to the interests of the State and the people, the person who is directly responsible for the offence shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention; if the circumstances are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years.
Notes on Mainland investment procedures (1) to (4)

Procedure 1: Procedure for investment negotiations

1. Letter of intent between both Chinese and foreign parties
2. Project proposal
3. Submit to the concerned authorities for comments and endorsement
4. Feasibility study (1)
5. Project evaluation (2)
6. Apply to establish joint venture or co-operative enterprise; sign contract and articles of enterprise
7. Complete insurance applications
8. Examination and approval by the Department of Foreign Economic Relations and Trade
9. The department issues certificate of approval
10. Administration for industry and commerce issues business licence

(1) The "feasibility study" (budgetary investment including insurance premiums) must be jointly proposed by both parties of the joint venture of co-operative enterprises.

(2) "Project evaluation" means evaluation carried out on the basis of the feasibility study by a consultancy or design unit. The consultant will evaluate each item of the project proposal by means of research and market forecasts and compile an evaluation report. Units and departments concerned will be invited to recommend the optimum scheme to the policy bureaux or departments for approval.
Procedure 2: Procedure for investment negotiations concerning Chinese-foreign joint ventures and co-operative enterprises
Procedure 3: Procedure for investment negotiations concerning enterprises fully under foreign ownership

1. Foreign investor
   - Seek the investment service department to introduce the project
2. Background information on the company to be established
3. Project proposal
4. Apply to the local people's government for examination and approval
5. Articles of enterprise
   - Apply for examination and approval according to the jurisdiction of the authority concerned
   - Amendment to the areas in question

   - Examination and approval
     - approved
     - disapproved

   - Enterprise registration of the country where the investor is located
   - Document of approval issued by the government of the region
   - Bank credit certificate or other certificates
   - Certificate of approval issued by the environmental protection authorities
   - Certificate of approval issued by the public health authorities
   - Articles of enterprises
   - Project proposal
   - List of the board of directors
Procedure 4: Procedure for an enterprise with foreign investment to establish a factory

- Register with the administration for industry and commerce
  - Open accounts with banks
  - Register with the taxation authorities
  - Register with Customs
  - Register with the authorities for exchange control

- Factory building
  - Rent or buy factory buildings
  - Labour recruitment (Labour Bureau)

- Labour
  - Staff quarters and canteen
  - Residence formalities for staff members from other locations (Public Security Bureau)

- Water and power
  - Apply for water and power supply
  - Apply for telephone and telex

- Telecommunications
  - Quarters for administrative personnel
  - Visas for foreigners (Public Security Bureau)
  - Hong Kong and Macau personnel home return certificates

- Employees from other locations
  - Staff training
  - Trial production
  - Officially in production

- Transport
  - Vehicle import licensing (Office of Foreign Economic Relations and Trade, Customs & Transport Departments)
  - Hong Kong and Macau personnel home return certificates

- Staff training
  - Apply to the Customs for import of equipment and materials
  - Registration of trademark

- Build the factory and install the equipment
  - Apply for examination & approval of factory specification & fire-fighting equipment
### 1. Government departments

<table>
<thead>
<tr>
<th>Organization</th>
<th>Function</th>
<th>Address</th>
<th>Tel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Department</td>
<td>Provides assistance to Hong Kong’s manufacturing industry and to industrial development supported by the manufacturing industry; runs the Business Licensing Information Centre, which provides small and medium enterprises with a one-stop information and enquiry source on various services relating to the licensing regulations of different trades in Hong Kong</td>
<td>14/F, Ocean Centre 5 Canton Road Kowloon Hong Kong</td>
<td>2737 2208</td>
</tr>
<tr>
<td>Trade Department</td>
<td>Processes and develops foreign trade relations, administers various trade policies and agreements, and processes Import/Export Licences and Certificates of Origin</td>
<td>Trade Department Tower 700 Nathan Road Kowloon Hong Kong</td>
<td>2392 2922</td>
</tr>
</tbody>
</table>

(1) Information is provided for reference only. Not all government departments, supporting bodies and chambers of commerce are included.
## 2. Supporting bodies for trade and industry

<table>
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<tr>
<th>Organization</th>
<th>Function</th>
<th>Address</th>
<th>Tel</th>
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</thead>
<tbody>
<tr>
<td>Hong Kong Trade Development Council</td>
<td>Responsible for the promotion and development of Hong Kong trade relations with the rest of the world; supports Hong Kong manufacturers and service suppliers to enter the international market; runs four service centres for small and medium enterprises to disseminate news on world trade, and organize trade promotion activities and training courses</td>
<td>38/F, Office Tower Convention Plaza 1 Harbour Road Wanchai Hong Kong</td>
<td>2584 4333</td>
</tr>
<tr>
<td>Hong Kong Productivity Council</td>
<td>Provides extensive consultancy services for enhancing the value of industrial products and services in the pursuit of higher productivity</td>
<td>Hong Kong Productivity Council Building 78 Tat Chee Avenue Kowloon Tong Hong Kong</td>
<td>2788 5678</td>
</tr>
<tr>
<td>Hong Kong Industrial Technology Centre Corporation</td>
<td>Provides assistance to the Hong Kong manufacturing industry for the invention of new technology and the application of the latest technological developments</td>
<td>Hong Kong Industrial Technology Centre 72 Tat Chee Avenue Kowloon Tong Hong Kong</td>
<td>2788 4433</td>
</tr>
<tr>
<td>Hong Kong Industrial Estates Corporation</td>
<td>Provides factory space for manufacturers who cannot operate in multi-storey industrial buildings. The Corporation recovers only the cost of operation, and currently manages three industrial estates</td>
<td>Unit 107 Estate Centre Building 19 Dai Cheong Street Tai Po Industrial Estate New Territories Hong Kong</td>
<td>2664 1183</td>
</tr>
<tr>
<td>Hong Kong Export Credit Insurance Corporation</td>
<td>Provides insurance cover for Hong Kong exporters to protect them from risks arising from business and political incidents and also from losses incurred through bad debts</td>
<td>2/F, Tower 1 South Seas Centre 75 Mody Road Tsimshatsui East Kowloon Hong Kong</td>
<td>2723 3883</td>
</tr>
</tbody>
</table>
3. Chambers of commerce

<table>
<thead>
<tr>
<th>Organization</th>
<th>Function</th>
<th>Address</th>
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<tbody>
<tr>
<td>Federation of Hong Kong Industries</td>
<td>With a membership of over 2,600, it aims to promote and protect the interests of the businessmen and industrialists in Hong Kong. Its services include issuance of Certificates of Origin, implementation of the Q-mark scheme, provision of ISO 9000 quality management advisory services, intellectual property services, answering trade enquiries and conducting industrial research</td>
<td>4/F, Hankow Centre 5-15 Hankow Road Tsimshatsui Kowloon Hong Kong</td>
<td>2732 3188</td>
</tr>
<tr>
<td>Hong Kong Chinese Enterprises Association</td>
<td>With over 1,000 members from Mainland-funded corporations and Mainland-Hong Kong or Mainland-overseas co-ownership corporations, it promotes trade and industry, economic, trading and technological exchanges and co-operation between the Mainland and Hong Kong and other countries</td>
<td>Rm 2104 Harbour Centre 25 Harbour Road Wanchai Hong Kong</td>
<td>2827 2831</td>
</tr>
<tr>
<td>Chinese General Chamber of Commerce</td>
<td>Members include companies set up by Hong Kong Chinese capital, merchants and professionals. With a membership of about 6,000, its services include the issuance of Certificates of Origin, and organizing conferences, exhibitions, trade expositions and other trade promotion activities</td>
<td>4/F 24-25 Connaught Road Central Hong Kong</td>
<td>2525 6385</td>
</tr>
<tr>
<td>Organization</td>
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<tr>
<td>Chinese Manufacturers' Association of Hong Kong</td>
<td>With a membership of nearly 4,000, it aims to encourage manufacturers to extend the variety and improve the quality of their products; the Association's subsidiary quality assessment centre provides a number of technological and supporting services; other services of the Association include issuance of Certificates of Origin, receiving trade-related enquiries, providing trade promotion services, organizing conferences and training courses as well as providing industrial education</td>
<td>Chinese Manufacturers' Association of Hong Kong Building 64-66 Connaught Road Central Hong Kong</td>
<td>2545 6166    2542 8600</td>
</tr>
<tr>
<td>Hong Kong General Chamber of Commerce</td>
<td>With a membership of 4,000, the Chamber provides services such as organizing overseas trade and friendly visits, receiving overseas delegation to Hong Kong, answering trade enquiries, issuance of Certificates of Origin and temporary tax exemption permits for import goods</td>
<td>22/F, United Centre 95 Queensway Hong Kong</td>
<td>2529 9229</td>
</tr>
<tr>
<td>Hong Kong Management Association</td>
<td>With a membership of 11,000, the Association aims at enhancing the functions and efficiency of the Hong Kong management profession by organizing training courses and providing a variety of management services such as organizing exhibitions, award competitions and arranging translation services</td>
<td>14/F, Fairmont House 8 Cotton Tree Drive Central Hong Kong</td>
<td>2526 6516</td>
</tr>
<tr>
<td>Organization</td>
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<tr>
<td>Hong Kong Exporters' Association</td>
<td>With a membership of 400, the Association's services include distributing trade information, offering help in the expression of members' concerns and helping them solve trade problems</td>
<td>Unit 825, Star House Tsimshatsui Kowloon Hong Kong</td>
<td>2730 9851</td>
</tr>
</tbody>
</table>
### Addresses and telephone numbers of the China Council for the Promotion of International Trade (CCPIT) Sub-Councils, CCPIT Branches and China Chamber of International Commerce (CCOIC) Chambers of Commerce

<table>
<thead>
<tr>
<th>Name of CCPIT Sub-Council and Branch</th>
<th>Address</th>
<th>Tel</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCPIT Guangdong Sub-Council</td>
<td>Branch Council Affairs Dept Rm 921, Office Building Central Hotel, Jichang Road Guangzhou</td>
<td>8638 2282</td>
<td>8657 7278</td>
</tr>
<tr>
<td></td>
<td>Liaison Dept</td>
<td>8659 7060</td>
<td>8657 8761</td>
</tr>
<tr>
<td></td>
<td>Information Dept</td>
<td>8657 8331 Ext1901</td>
<td>8657 9117</td>
</tr>
<tr>
<td></td>
<td>Legal Affairs Dept</td>
<td>8657 8331 Ext1919</td>
<td>8658 1343</td>
</tr>
<tr>
<td>CCPIT Guangzhou Sub-Council</td>
<td>Rm 809, 8/F South Tower Guangzhou World Trade Complex 371-375 Huanshidong Road Guangzhou</td>
<td>8775 4818</td>
<td>8776 9011</td>
</tr>
<tr>
<td>CCPIT Shenzhen Sub-Council</td>
<td>10/F Gonghui Building 2 Shangbu Mid Road, Shenzhen</td>
<td>(0755) 332 0360</td>
<td>325 7227</td>
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<tr>
<td></td>
<td>332 0918</td>
<td>332 0918</td>
<td>325 7227</td>
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<tr>
<td>CCPIT Zhuhai Sub-Council</td>
<td>127 Xinguangli, Zuhai City</td>
<td>(0756) 221 8954</td>
<td>222 8640</td>
</tr>
<tr>
<td>CCPIT Shantou Sub-Council</td>
<td>3 Dahua Road, Shantou City</td>
<td>(0754) 827 1884</td>
<td>827 1037</td>
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<td></td>
<td>827 7318</td>
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<td>827 1037</td>
</tr>
<tr>
<td>CCPIT Foshan City Branch</td>
<td>76 Fenjiang Nan Road Foshan City</td>
<td>(0757) 333 5125</td>
<td>333 5179</td>
</tr>
<tr>
<td>CCPIT Huizhou City Branch</td>
<td>3/F, 6 North Street Xiapuda Road, Huizhou City</td>
<td>(0752) 211 3933</td>
<td>210 7907</td>
</tr>
<tr>
<td>CCPIT Dongguan City Branch</td>
<td>1-2/F, Science Museum Xinfen Road, Dongguan City</td>
<td>(0769) 211 3241</td>
<td>211 3240</td>
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<tr>
<td></td>
<td>211 3276</td>
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<td>211 3240</td>
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<tr>
<td>CCPIT Zhaoqing City Branch</td>
<td>49 Chengzhou Road Zhaoqing City</td>
<td>(0758) 223 1184</td>
<td>223 6092</td>
</tr>
<tr>
<td>CCPIT Zhongshan City Branch</td>
<td>57 Zhongshan Er Road Zhongshan City</td>
<td>(0760) 883 7138</td>
<td>883 2961</td>
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<tr>
<td></td>
<td>882 3343</td>
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<tr>
<td>CCPIT Jiangmen City Branch</td>
<td>5/F, 2 Hua’lan Lane Yuejin Road, Jiangmen City</td>
<td>(0750) 335 1703</td>
<td>335 8671</td>
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<tr>
<td></td>
<td>330 0683</td>
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<td>335 8671</td>
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<tr>
<td>CCPIT Nanhai City Branch</td>
<td>Foreign Economic &amp; Trade Bldg, 69 Shidongxia Road Foshan City</td>
<td>(0757) 633 3451</td>
<td>633 3451</td>
</tr>
<tr>
<td>Name of CCOIC Chamber of Commerce</td>
<td>Address</td>
<td>Tel</td>
<td>Fax</td>
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<tr>
<td>CCOIC Duanzhou District Chamber of Commerce</td>
<td>2/F, Duanzhou District Govt. Bldg Gutzazhong Road, Zhaoqing City</td>
<td>(0758)273 8117</td>
<td>273 4786</td>
</tr>
<tr>
<td>CCOIC Dinghu District Chamber of Commerce</td>
<td>5/F, Foreign Trade Building, 22 Shangkeng Road, Yangjiang City</td>
<td>(0662)323 0227</td>
<td>323 5207</td>
</tr>
<tr>
<td>CCOIC Gaoyao City Chamber of Commerce</td>
<td>1 Guangxin Er Road, Nan’an Town, Gaoyao City</td>
<td>(0758)839 2976</td>
<td>839 2975</td>
</tr>
<tr>
<td>CCOIC Qingxin County Chamber of Commerce</td>
<td>2/F, 12 Xuanzhen Road, Qingxin County</td>
<td>(0763)581 3996</td>
<td>581 3996</td>
</tr>
<tr>
<td>CCOIC Xiangqiao District Chamber of Commerce</td>
<td>2/F, Jincheng Bldg Xinyang Road, Chaozhou City</td>
<td>(0768)221 1625</td>
<td>220 8269</td>
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<tr>
<td>CCOIC Cha’o’an County Chamber of Commerce</td>
<td>4/F, Cha’o’an County Govt Bldg Anbu Town, Chao’an County</td>
<td>(0768)581 5292</td>
<td>581 5282</td>
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<thead>
<tr>
<th>Name of CCPIT Branch</th>
<th>Address</th>
<th>Tel</th>
<th>Fax</th>
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<tbody>
<tr>
<td>CCPIT Meizhou City Branch</td>
<td>Foreign Economic &amp; Trade Bldg 99-1 Jiangnan Road, Meizhou City</td>
<td>(0753)224 9770</td>
<td>225 8209</td>
</tr>
<tr>
<td>CCPIT Zhanjiang City Branch</td>
<td>West Gate, 31 Nanfang Road, Chikan District, Zhanjiang City</td>
<td>(0759)333 2442</td>
<td>333 7601</td>
</tr>
<tr>
<td>CCPIT Yangjiang City Branch</td>
<td>5/F, Foreign Trade Building, 22 Shangkeng Road, Yangjiang City</td>
<td>(0662)323 0227</td>
<td>323 0179</td>
</tr>
<tr>
<td>CCPIT Shanwei City Branch</td>
<td>West Wing, 4/F, Donghui Building Street #2, Shanwei City</td>
<td>(0660)332 4803</td>
<td>332 4803</td>
</tr>
<tr>
<td>CCPIT Maoming City Branch</td>
<td>Rm. 215, Building No. 2 City Government, Maoming City</td>
<td>(0668)228 1380</td>
<td>228 1506</td>
</tr>
<tr>
<td>CCPIT Shaoguan City Branch</td>
<td>Rm. 720, City Government Bldg, 125 Fengdu Road Shaoguan City</td>
<td>(0751)888 1508</td>
<td>888 1508</td>
</tr>
<tr>
<td>CCPIT Qingyuan City Branch</td>
<td>9/F, City Government Building Qingyuan City</td>
<td>(0763)336 3829</td>
<td>336 2854</td>
</tr>
<tr>
<td>CCPIT Chaozhou City Branch</td>
<td>Foreign Economic &amp; Trade Building 20 Xihe Road, Chaozhou City</td>
<td>(0768)221 4119</td>
<td>222 3006</td>
</tr>
<tr>
<td>CCPIT Jieyang City Branch</td>
<td>1/F, City Government Building Jieyang City</td>
<td>(0663)876 8007</td>
<td>876 8106</td>
</tr>
<tr>
<td>CCPIT Yunfu City Branch</td>
<td>25 Tianping Road, Yunfu City</td>
<td>(0766)881 3789</td>
<td>882 8535</td>
</tr>
<tr>
<td>CCPIT Heyuan City Branch</td>
<td>1 Kai Feng Road, New District Heyuan City</td>
<td>(0762)332 4103</td>
<td>332 1720</td>
</tr>
<tr>
<td>CCPIT Shunde City Branch</td>
<td>3 Yixin Road, Shunde City</td>
<td>(0765)223 6111</td>
<td>222 2358</td>
</tr>
<tr>
<td>CCPIT Sanshui City Branch</td>
<td>North 43 Bldg, Huaqiao New Village X’nan Town, Sanshui City</td>
<td>(0757)771 3336</td>
<td>773 1404</td>
</tr>
<tr>
<td>CCPIT Guangdong Electronic Industries Branch</td>
<td>172, Haoxian Road, Guangzhou</td>
<td>8333 2830</td>
<td>8333 9227</td>
</tr>
</tbody>
</table>
Services of foreign economic law offices and "one-stop investment consultancy" services

Professional service 1: services of foreign economic law offices

Lawyers in foreign economic law offices are familiar with market regulations and legal provisions. They can thus readily act as a bridge between the government, enterprises and the market, playing the role of professional intermediaries in the Mainland's economic development. They can provide the following services for foreign investors:

- legal consultancy services on international economic relations and trade, technical cooperation, marine matters, trademarks, patents, real estate, finance, share holding companies, taxation and insurance;
- participating in negotiations, assisting in discussions, drafting and examining economic contracts, agreements and other legal documents which involve foreign interests as required by the clients;
- providing legal advice and acting as notaries;
- acting as agents of clients in negotiations, mediation, arbitration and litigation; and
- serving as legal advisers appointed by Chinese and foreign enterprises, organizations and individuals.

(Investors who wish to use investment consultancy services and the services of foreign economic law offices may request assistance from the organizations listed in Appendix VII on page 110)

Professional service 2: one-stop investment consultancy services

Additionally, there are "one-stop investment consultancy" services which have been set up to protect investors' lawful interests and to simplify investment formalities. These are recognized and approved by the Chinese Government. Investors are saved the trouble of having to visit different government departments since they can complete all formalities in one place. Through a single channel, they can complete procedures for business registration, banking services, taxation, insurance, legal services, accounting services, labour matters, staff matters, customs, investment survey and visits, etc.
“One-stop investment consultancy” services are useful not only because they reduce investors’ problems but because they also help to reduce opportunities for corruption and bribery. The Guangdong Investment Services Centre for Foreign Investors, described in Appendix VIII on page 111, and the Guangzhou Investment Promotion Office/the Guangzhou Administration and Service Centre for Foreign Investors, described in Appendix IX on page 113, are two of the places providing such “one-stop investment consultancy” services. These services comprise:

• acting as intermediaries for foreign businessmen intending to invest in the Mainland;
• offering consultancy, co-ordination and investment project presentation services;
• establishing liaison between foreign investors and various government departments; and
• solving a variety of investment problems and questions encountered by foreign investment enterprises.

At most popular locations for foreign investment, units inviting investment normally offer investors “one-stop investment consultancy” services for investment related projects. Hong Kong investors do not need to look further for middlemen to handle their investment concerns.
Addresses and telephone numbers of investment consultancy and legal services organizations in Guangdong Province (1)

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Tel</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangzhou Foreign Economic Legal Office</td>
<td>15/F, Chengyue Building</td>
<td>8338 8055</td>
<td>8315 0222</td>
</tr>
<tr>
<td></td>
<td>448-458 Dongfeng Zhong Road Guangzhou</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shenzhen Xingcheng Legal Office</td>
<td>22/F, Dongfeng Building</td>
<td>324 4725</td>
<td>324 4727</td>
</tr>
<tr>
<td></td>
<td>4 Yiannan Road</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shennan Zhong Road, Shenzhen</td>
<td>324 4732</td>
<td></td>
</tr>
<tr>
<td>Shenzhen Huabang Legal Office</td>
<td>25/F, Block B, Fujian Building</td>
<td>289 4029</td>
<td>289 3897</td>
</tr>
<tr>
<td></td>
<td>Caitian Road South, Futian Region</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shenzhen</td>
<td>289 4332</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>289 4283</td>
<td></td>
</tr>
<tr>
<td>Shenzhen Minyu Xing Legal Office</td>
<td>9/F, Shenzhen Qingnian Building</td>
<td>337 0150</td>
<td>337 1450</td>
</tr>
<tr>
<td></td>
<td>Caitian Road South, Shenzhen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shenzhen Zhengfang Legal Office</td>
<td>Room Nos. 1301 &amp; 1302, 13/F</td>
<td>332 2222</td>
<td>336 3988</td>
</tr>
<tr>
<td></td>
<td>Xili Hotel, 81 Shennan Road Shenzhen</td>
<td>Ext.1318 &amp; 1302</td>
<td></td>
</tr>
</tbody>
</table>

(1) The above organizations are directly under the supervision of Provincial Judicial Department and the Municipal Judicial Bureau, but are financially self-supporting.
Brief introduction to the Guangdong Investment Services Centre for Foreign Investors

The Guangdong Investment Services Centre is a state-owned enterprise authorized by the Guangdong Provincial People’s Government to provide various investment services to foreign investors and to run import and export business. Since its establishment in 1988, the Centre has built up economic and technology co-operation and trading relationships with clients from over 50 countries and regions including the United States, Canada, Europe and the Middle East, etc. The Centre has also formed close working relationships with other provincial or city investment service centres throughout the nation, enabling the Centre to achieve a marked business development.

The Centre’s staff members are fully committed to providing investors with the best possible services and to developing co-operative relationships with trading partners from all over the world. These relationships are based firmly on the principles of fairness and reciprocity.

The Centre’s scope of business:

1. undertaking joint ventures and co-operative production enterprises;
2. undertaking business in supplied sample manufacturing, import materials processing and supplied components assembling, and the import and export of technology;
3. handling declaration procedures of establishment, deferment, amendments for the sub-offices of Taiwan, Hong Kong, Macau and foreign enterprises in Guangdong and applying for necessary approvals for foreign capital enterprises; processing visa applications, customs declarations, insurance matters and handling registrations, e.g. patents, trademarks, business and taxation registration; conducting recruitment exercises for the sub-office of Taiwan, Hong Kong, Macau and foreign enterprises in Guangdong and “three-capital” enterprises, i.e. those run with foreign funds only, Chinese-foreign joint ventures and co-operative enterprises;
4. running import/export business;
5. identifying local and overseas partners for trade, as well as for economic and technological co-operation; providing consultancy services to foreign businessmen on information, legislation and policies; and offering them intermediary services relating to investment and trade;
6. conducting market surveys and feasibility studies; drafting such documents as
agreements, contracts and articles of association; and designing and implementing projects on behalf of the investors;
7. running commodity goods business;
8. organizing seminars on trade and technology, as well as trade negotiation meetings, exhibitions and trade fairs;
9. organizing and arranging business tours to Hong Kong; and
10. providing consultancy, sale and installation services for office computerisation.

Products handled
Oil and food, textile products, silk products, light industry products, arts and crafts products, native products and poultry, metal and minerals products, machinery, electric products and apparatus, medical insurance products and construction materials.

Joint-venture enterprises in the Centre
Guangdong Suoyin Computer Limited
Guangdong Yufu Gig Textile Limited
Guangdong Gaonang Leather Products Limited
Guangdong Yang Long Shoes Machinery Maintenance and Repair Limited

Units in the Centre
General Manager: LI Zirong
Assistant General Manager: LOU Yuzhun, PAN Shiming
General Manager Office Tel.: 8737 9988-2211
Import Division Tel.: 8733 9988-2215
Export Division Tel.: 8737 9988-2215
Consultancy and Services Division Tel.: 8666 9900-2558, 2599
Finance Division Tel.: 8737 9988-2213
Address: No. 2, 4/F, Zhujiang Hotel, Siyouyi Malu
Guangzhou City
Postal Code: 510600
Address: Room 2558, Dong Fang Hotel
Liu Hua Road, Guangzhou City
Postal Code: 510016
Fax: 86-20-866 6960
Brief introduction to the Guangzhou Investment Promotion Office/the Guangzhou Administration and Service Centre for Foreign Investors

The Guangzhou Investment Promotion Office/the Guangzhou Administration and Service Centre for Foreign Investors is an office established by the Guangzhou Municipal People's Government for the purpose of overall planning, co-ordinating, inspecting and supervising of matters concerning foreign investment and co-operation throughout the city. The Centre provides a service counter served by various major government departments to provide an efficient, convenient, comprehensive and outstanding "one-stop investment consultancy" service to foreign investors. Its duties and services are as follows:

1. inviting foreign investors; introducing investment environment, policies, regulations, investment projects and co-operative parties; organizing business negotiations; arranging business visits; acting as intermediary for foreign businessmen intending to invest in the Mainland;

2. handling the declaration of investment projects; seeking approval on large scale projects; assisting investors to select sites and carry out architectural design and construction for their projects;

3. administering aggregated services of the Business Centre of Guangzhou Foreign Economic Relations and Trade (also known as "One Street for Foreign Economic Relations and Trade"); and supervising the work of various government departments in the Centre. The Centre comprises 20 government departments and provides about 50 service counters. Through one single channel, the Centre offers investors comprehensive investment services including business registration, taxation registration, customs registration, legal services and notarization, public security, fire prevention, environment protection, currency exchange, banking services, insurance, accounting services, business inspection, disease prevention, staff and labour matters, travel, reception services, foreign investors' vehicle permits, import and export issues;
(4) collecting charges and taxes submitted by foreign investors on behalf of the Municipal Government, and issuing relevant receipts and documents for such services;

(5) acting as the partner of enterprises solely owned by foreign investors according to the requirement of the Municipal Government;

(6) administering and co-ordinating various government services for foreign investors; assisting enterprises to open up local and overseas markets; marketing products of enterprises; arranging entry and exit visas for enterprises’ personnel and customs declarations for goods; handling foreign investors’ complaints and mediating disputes;

(7) acting as a single channel to handle applications for customs declaration, deferment, alternation and cancellation of the sub-offices of foreign investors; administering and providing services together with other departments concerned with these sub-offices;

(8) acting as an intermediary to provide centralised services for developing, renting, buying and selling of real estate and property;

(9) providing a guide on policies, regulations and work procedures in relation to investment; acting as an agent of foreign investors to handle foreign economic and trade matters.

Address: 2/F, Dong Fang Hotel, Liuhua Road, Guangzhou
Room Nos.: 1234, 1249, 1250, 1251, 1252, 1253, 1260, 1262, 1264
Fax: 8666 0407
Postal Code: 510016
Tel.: 8666 0406, 8666 0407, 8668 1558, 8668 1459
List of telephone numbers for procuratorates in cities in Guangdong Province (1)

<table>
<thead>
<tr>
<th>Unit</th>
<th>Long Distance Area Code</th>
<th>Report Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangdong Provincial People's Procuratorate</td>
<td>020</td>
<td>8736 2000</td>
</tr>
<tr>
<td>Guangzhou City People's Procuratorate</td>
<td>020</td>
<td>8356 2000</td>
</tr>
<tr>
<td>Shenzhen City People's Procuratorate</td>
<td>0755</td>
<td>240 2000</td>
</tr>
<tr>
<td>Zhuhai City People's Procuratorate</td>
<td>0756</td>
<td>261 2000</td>
</tr>
<tr>
<td>Shantou City People's Procuratorate</td>
<td>0754</td>
<td>862 2000</td>
</tr>
<tr>
<td>Shaoguan City People's Procuratorate</td>
<td>0751</td>
<td>876 2000</td>
</tr>
<tr>
<td>Heyuan City People's Procuratorate</td>
<td>0762</td>
<td>333 2000</td>
</tr>
<tr>
<td>Meizhou City People's Procuratorate</td>
<td>0753</td>
<td>232 2000</td>
</tr>
<tr>
<td>Huizhou City People's Procuratorate</td>
<td>0752</td>
<td>224 2000</td>
</tr>
<tr>
<td>Shanwei City People's Procuratorate</td>
<td>0660</td>
<td>336 2000</td>
</tr>
<tr>
<td>Dongguan City People's Procuratorate</td>
<td>0769</td>
<td>233 2000</td>
</tr>
<tr>
<td>Zhongshan City People's Procuratorate</td>
<td>0760</td>
<td>831 2000</td>
</tr>
<tr>
<td>Jiangmen City People's Procuratorate</td>
<td>0750</td>
<td>351 2000</td>
</tr>
<tr>
<td>Foshan City People's Procuratorate</td>
<td>0757</td>
<td>332 2000</td>
</tr>
<tr>
<td>Yangjiang City People's Procuratorate</td>
<td>0662</td>
<td>332 2000</td>
</tr>
<tr>
<td>Zhanjiang City People's Procuratorate</td>
<td>0759</td>
<td>321 2000</td>
</tr>
<tr>
<td>Maoming City People's Procuratorate</td>
<td>0668</td>
<td>288 2000</td>
</tr>
<tr>
<td>Zhaoqing City People's Procuratorate</td>
<td>0758</td>
<td>272 2000</td>
</tr>
<tr>
<td>Yunfu City People's Procuratorate</td>
<td>0766</td>
<td>886 2000</td>
</tr>
<tr>
<td>Qingyuan City People's Procuratorate</td>
<td>0763</td>
<td>336 2000</td>
</tr>
<tr>
<td>Chaohou City People's Procuratorate</td>
<td>0768</td>
<td>228 2000</td>
</tr>
<tr>
<td>Jieyang City People's Procuratorate</td>
<td>0663</td>
<td>823 2000</td>
</tr>
<tr>
<td>Guangzhou Railway Transportation Sub-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procuratorate</td>
<td>020</td>
<td>8712 2000</td>
</tr>
</tbody>
</table>

(1) Similar law enforcement agencies will be found in other provinces and cities of the Mainland. Anyone who wishes to make a report may contact either the Procuratorate or the supervisory bodies of his province or city. If the case is of a criminal nature, it will finally be handled by the Procuratorate regardless of which department receives the case. If it is not a criminal case and if the one against whom the complaint is lodged is a state functionary, it will be handled by the supervisory bodies.
Each office under the Community Relations Department of the ICAC has staff specially trained to receive reports and answer enquiries about corruption. All information is kept strictly confidential. Any person may lodge a complaint or make an enquiry by post, by phone, or by visiting in person at any of the eight offices of the ICAC Community Relations Department (addresses and telephone numbers are as follows):

<table>
<thead>
<tr>
<th>Name of Office</th>
<th>Address</th>
<th>Report and Enquiries</th>
<th>Liaison</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICAC Regional Office (Hong Kong West/Islands)</td>
<td>G/F, Harbour Commercial Building 124 Connaught Road Central Hong Kong</td>
<td>2543 0000</td>
<td>2921 6812</td>
</tr>
<tr>
<td>ICAC Regional Office (Hong Kong East)</td>
<td>G/F, Tung Wah Mansion 201 Hennessy Road, Wanchai Hong Kong</td>
<td>2519 6555</td>
<td>2922 8733</td>
</tr>
<tr>
<td>ICAC Regional Office (Kowloon West)</td>
<td>G/F, Nathan Commercial Building 434-436 Nathan Road Kowloon</td>
<td>2780 8080</td>
<td>2928 6397</td>
</tr>
<tr>
<td>ICAC Regional Office (Kowloon Central)</td>
<td>21E Nga Tsin Wai Road G/F, Kowloon City Kowloon</td>
<td>2382 2922</td>
<td>2926 6200</td>
</tr>
<tr>
<td>ICAC Regional Office (Kowloon East/Sai Kung)</td>
<td>Shop No. 4, G/F, Kai Tin Building 67 Kai Tin Road, Lam Tin Kowloon</td>
<td>2756 3300</td>
<td>2927 4300</td>
</tr>
<tr>
<td>ICAC Regional Office (New Territories South West)</td>
<td>G/F, Foo Yue Building 271-275 Castle Peak Road Tsuen Wan, New Territories</td>
<td>2493 7733</td>
<td>2920 3500</td>
</tr>
<tr>
<td>ICAC Regional Office (New Territories North West)</td>
<td>No. 4-5, G/F North Wing, Trend Plaza Tuen Shun Street Tuen Mun, New Territories</td>
<td>2459 0459</td>
<td>2920 6530</td>
</tr>
<tr>
<td>ICAC Regional Office (New Territories East)</td>
<td>Room 119-122, Level 1 Citylink Plaza 1 Shatin Station Circuit Shatin, New Territories</td>
<td>2606 1144</td>
<td>2929 4554</td>
</tr>
</tbody>
</table>
Code of Conduct  
(Sample)

The Company believes that honesty, integrity and fair play are important assets in business. All directors and employees of the Company must ensure that the Company's reputation is not tarnished by dishonesty, disloyalty or corruption. Regulations stipulated in this Code of Conduct are applicable in Hong Kong and the Mainland.

Bribery, illegal gifts and commissions

Prevention of bribery and corruption
No director or employee is allowed to solicit or accept an advantage in connection with his duties without the permission of the Company.

The term "advantage" means any gift, loan, fee, reward, office, employment, contract, service or favour. Accepting and offering unlawful advantages constitutes an offence under Section 9 of the Prevention of Bribery Ordinance in Hong Kong and contravenes provisions in Articles 163 and 164 of the Criminal Law of the PRC.

Soliciting advantages
It is the policy of the Company to prohibit directors and employees from soliciting any advantage from clients, suppliers or any person in connection with the Company's business.

Accepting advantages
Directors or employees should decline advantages offered in connection with their duties if the acceptance of advantages could affect their objectivity, lead them to act against the Company's interests or lead to complaints of bias.

If the advantages offered meet with the following conditions, directors or employees can consider accepting them:

• the acceptance of the advantages will not influence the performance of the recipient;
• the recipient will not feel obliged to do something in return for the giver;
• the acceptance of the advantages can be openly discussed without reservation; and
- the nature of the advantages, e.g. advertising or promotional gifts, customary gifts or red packets given during festive occasions and not exceeding HK$____ in value, where refusal could be seen as unsociable or impolite.

In case of doubt, the recipient should refer the matter to [name and/or rank of a nominated officer of the Company] for advice and instructions.

Offering advantages
Under no circumstances can a director or employee offer bribes or similar considerations to any person or company for the purpose of influencing such person or company in obtaining or retaining business for, or directing business to the Company.

Any commissions paid or payments made, or favourable terms conceded, or other advantages given by any director or employee in the conduct of the Company's business requires the prior written approval of the Company.

Under no circumstances can a director or employee offer any advantages, including gifts, loans, services or favours, etc. to a government department and an official or his subordinates.

In the Mainland, besides offering an advantage, introducing bribery to a state functionary by facilitating communication between the offeror and the functionary also constitutes an offence under Article 392 of the Criminal Law of PRC.

Observing local laws and legislation when working in another jurisdiction
Any director or employee who conducts business on behalf of the Company in another jurisdiction must abide by the laws laid down by the local government, including laws on anti-corruption and all other regulations.

Personal conduct of directors and employees
Entertainment
Although entertainment is an acceptable form of business and social behaviour, directors or employees should turn down invitations to meals or entertainment that are excessive in nature
or frequency in order to avoid embarrassment or loss of objectivity when conducting Company business. If it is impolite to decline such an invitation, the director or employee may accept on the understanding that he will be allowed to reciprocate.

**Use of proprietary information**

Directors and employees are not allowed at any time to disclose any proprietary information to anybody outside the Company without permission. It is the responsibility of each director and employee who has access to or is in control of proprietary information to provide adequate safeguards to prevent its abuse or misuse.

**Handling of conflict of interest situations**

Conflict of interest situations arise when the personal interests of directors or employees compete or conflict with the interests of the Company. Such situations at best can lead to divided loyalty and at worst can result in corruption or other malpractice.

Every director/employee of the Company should make it his personal responsibility to avoid engaging in situations that may involve conflict of interest. He should at all times ensure that his dealings with customers, suppliers, contractors and colleagues do not place him in a position of obligation that may lead to a conflict of interest.

Where a director or employee or his immediate family might have engaged or considered engaging in business, investments or activities in potential or actual conflict with the company’s interests, it is the responsibility of the director or employee to make a full disclosure in writing to [name and/or rank of a nominated officer].

**Misuse of company assets and resources**

Appropriation of Company property, including raw materials, finished goods and other assets by employees for personal use or for resale constitutes theft and renders the culprit liable to dismissal and prosecution.

**Loans**

A director or an employee or his immediate family should not grant or guarantee a loan to, or accept a loan from or through the assistance of, any individual or organization having
business dealings with the Company. There is, however, no restriction on normal loans from banks or financial units made at prevailing interest rates and terms.

**Personal conduct outside hours of work**

Directors and employees are advised not to engage in frequent and excessive gambling of any kind or form, including games of mahjong, with persons having business dealings with the Company. In social games with clients, contractors or suppliers, directors and employees must exercise judgement and withdraw from any high stake games.

**Outside employment**

Directors and employees should not take up concurrent employment outside the company on a regular or consultant basis, without the prior written approval from the Company. Applications for outside employment should be sent to [name and/or rank of a nominated officer] for consideration.

**Insider trading**

The Company will not tolerate the use of insider information by directors or employees to secure personal advantage at the expense of the Company or those outside the Company. Such a commercially unethical act is against the Company's regulations and is an offence under the law.

**Monitoring of compliance and the means of enforcement**

**Understanding of and compliance with the Code of Conduct**

It is the personal responsibility of every director and employee to understand and comply with the Code of Conduct.

In their day to day supervision, departmental managers should also ensure that their subordinates fully understand and comply with the standards and requirements set out in the Code of Conduct. Problems encountered in enforcement as well as comments or suggestions for improvement of the Code of Conduct should be channelled to [name and rank of the officer responsible for overall co-ordination and monitoring of the implementation of the Code of Conduct] for consideration and action.
Violation of the Code of Conduct

The Company will not tolerate any illegal or unethical acts. Anyone violating the Code of Conduct will be disciplined, including termination of employment. In cases of suspected corruption or bribery, a report will be made to the ICAC in Hong Kong or to the appropriate law enforcement authorities in the Mainland.

Complaints

Channels of complaint are open to all shareholders; customers and consumers; suppliers and contractors and all directors and employees of the Company.

Complaints can be sent directly to [name and rank of the officer designated for receiving and investigating complaints, holding an independent and neutral position]. He is directly answerable to [the Chief Executive Officer or the Board of Directors] for the handling of complaints.

The Company will consider all complaints impartially and efficiently. Unlawful conduct or irregularities that breach the Code of Conduct will be investigated promptly.

All information received will be kept confidential.
Letter to suppliers and companies
(Sample)

We wish to advise you of our policy in regard to staff members soliciting or receiving any gift in connection with business dealings on behalf of the company.

It is our policy not to permit our employees to ask for any advantage in the form of gifts, in money, in rebates or in kind, in their business dealings on behalf of the company. We believe in fair and honest business and feel that gifts between business associates or trading partners are unnecessary and may even be detrimental to the development of a cordial and mutually beneficial business relationship.

All our staff are aware of this policy and they know that any breach will result in disciplinary action. We shall also consider reporting the matter to the relevant law enforcement authorities in the Mainland or the ICAC in Hong Kong.

We should therefore be grateful if you and your associates would report to [name and rank of the designated officer of the company] any attempt by any member of our staff to solicit any advantage from your company.

For your information, a copy of our corporate code of conduct is enclosed.

Encl.
Appendix XIV

Declaration of company code of conduct  
(Sample)

[Name of company] believes that honesty, integrity and fair play are important assets and that they are crucial to the long-term development and achievement of the Company. It is therefore the responsibility of all staff members to observe the regulations of where they are and maintain a high standard of business/professional ethics when conducting business.

It is the policy of the Company to prohibit staff members from soliciting or accepting illegal advantages from clients or suppliers. Staff should also refrain from engaging in situations where personal interests may conflict with their official duties. If such conflicts should arise, a declaration must be made to the Company. It is also the policy of the Company to prohibit such malpractices as the misappropriation of company property and confidential information, falsification of accounts and documents, etc.

Anyone breaching the Company’s code of conduct will be subject to discipline. Where any staff member is suspected of committing corruption, deception or other offences, the Company will report to the anti-corruption agency/law enforcement authority where the offence took place.

For enquiries, please contact [name of Ethics Compliance Officer].
Bibliography

2. *The Prevention of Bribery Ordinance (Cap 201 of Hong Kong Laws)*, 1996
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