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Your Trusted Sourcing Partner In China

Factory or Middleman? - 4-Step Direct Proof Checklist

A printable field pack for proving a Chinese supplier is the factory, not a broker: the 8-field legal identity pack, the GSXT entity match, the live-video floor script, a blank landed-cost comparison, and the contract stack that locks the result in.

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DISCLAIMER

This checklist is a field tool drawn from LeelineGroup's supplier files and live factory walkthroughs. It is provided for informational purposes only and is not a substitute for licensed third-party inspection, legal counsel or customs advice. LeelineGroup charges a transparent 3%-7% service fee and takes no factory kickbacks and no paid placements. Every figure or entity detail you enter here is your own; verify each certificate and registration against the issuing body before you award business.

1. The 4-Step Proof Sequence

Run the four gates in order. Each one answers a different question, and a fail at any gate stops the supplier before money moves - the sequence is what makes "factory direct" provable rather than claimed.

Step	What it proves	Time	Pass signal
1. Build a controlled intake shortlist	Whether the supplier can answer as a manufacturer or only as a reseller	1 day	A complete, internally consistent identity pack, returned without a second prompt
2. Verify the entity in GSXT	Whether the legal party exists, is active, and matches the bank and the contract	1 day	The same legal name on license, invoice, bank beneficiary and contract
3. Run a live video walkthrough	Whether the paper entity actually runs the line you are paying for	1-3 days	Unscripted floor evidence and direct answers on output, materials and tolerances
4. Compare landed cost and lock the contract	Whether "cheaper" survives defect cost, rework risk and freight burden	1-2 days	A line-item quote plus a signed contract stack before any deposit

The whole screen fits inside a working week: one day for documents, one day for entity matching, and one to three days for video or audit proof.

2. Step 1 - The 8-Field Legal Identity Pack

Send the exact same request to every candidate, so quote differences reflect the supplier structure rather than your own instructions. Ask for one PDF containing all eight fields.

Field to request	What it proves	Missing or evasive = red flag
Chinese legal company name	The only name the registry, the bank and the contract can all share.	They answer with a brand name or an English trading name instead.
18-digit Unified Social Credit Code	The registry lookup key. Everything else is verified against it.	They send an old 15-digit number, or refuse to send any.
Business license copy	Carries entity name, legal representative, registered address and scope.	A photo of a screen, a cropped corner, or mismatched fonts.
Primary factory address	An industrial-zone address outranks a city-centre sales office.	A virtual-office tower with no gate, yard or loading bay.
Export entity name if different	Customs paperwork often names a second company in the group.	A third name nobody will explain in writing.
Bank beneficiary name	One wrong character in the beneficiary fails the wire.	A beneficiary that is not the contracting entity, with no legal tie.
Sample lead-time explanation	Shows they know their own tooling, materials and line route.	A bare number with no route behind it.
Top 3 current export markets	A real export desk answers this instantly and consistently.	"Worldwide", or a stall that lasts past the call.

Copy this into email or WeChat - name every field, never say "copy the highlighted part"

> *Please return one PDF with the eight fields above: [Chinese legal company name], [Unified Social Credit Code], [business license copy], [primary factory address], [export entity], [bank beneficiary], [sample lead time], [top 3 export markets].*

3. Step 2 - GSXT Entity and Paper-Trail Match

Skip this and you are buying from a name, not a company. Type the 18-digit Unified Social Credit Code into the official registry, then match every downstream document to the entity it returns.

Check	What good looks like
Registration status	Must read cunxu (active, sustained operation). Stop immediately on revoked, cancelled, abnormal or anything in a grey status.
Business scope	Look for production (shengchan), manufacturing (zhizao) or processing (jiagong) verbs. Trade (maoyi) alone is a clue, not proof - many real factories list sales language too.
Registered address	An industrial zone with a gate is stronger evidence than a city-centre sales office. Check the address type, not just that an address exists.
Bank beneficiary vs license	Compare the strings character by character. A single missing dot or a swapped word has failed real wires and is the cheapest fraud signal to catch.
Contract counterparty and export arm	The contracting party, the invoicing party and the exporting party must be the same legal entity - or the affiliate relationship must be explained in writing.
Chop and scan quality	The same company name everywhere, a crisp chop, clean file naming. Blurry scans, rough edges and mismatched fonts inside one PDF mean an altered document.

Green lights

• The same legal entity appears on the business license, the proforma invoice, the bank beneficiary and the contract.

• The export arm, if separate, is explained in writing and traces back to the registry entity.

Red lights

• A different bank beneficiary with no documented legal tie to the supplier.

• Trading-only business scope plus a city-centre sales address on the license.

4. Step 3 - The Live Video Walkthrough

Schedule this after document review, never before. Ask for a lightly unplanned walk, hold the product up to the camera first, then follow the five stages below in order.

- [ ] 1. Raw-material storage

  Evidence: Are the shelves stocked, or mostly empty? Empty storage plus a full sample room is the trading-company signature.

- [ ] 2. Work-in-progress (WIP)

  Evidence: Ask to see semi-finished goods sitting on the line, not a sample table. No WIP during working hours means the line is not running your order.

- [ ] 3. Finishing

  Evidence: Watch how operators handle tolerances and trim, then ask which tolerances cause the most rejects. Vague answers here are the tell.

- [ ] 4. Packing

  Evidence: Request the packing area, not the showroom. Cartons, inserts, labels and pallets should all be on site and in use.

- [ ] 5. Warehouse

  Evidence: Ask for a date-stamped sample or a current PO reference from a live order. A real line can produce one inside the call.

Ask these five questions while the camera is live

- What is the current daily output for this SKU family?
- Which materials are stocked versus ordered per PO?
- What tolerances cause the most rejects?
- Which processes are in-house and which are subcontracted?
- What is the realistic sample path for a custom item?

Never say "look at the machine on the left" - name the equipment, the line number or the process stage. In our audits a real factory completes this walk in about 15 minutes without scripted pauses; a broker takes far longer and shows no active production.

5. Step 4 - Total Landed Cost, Three Structures

A trading company hides its margin inside the unit price; an agent normally shows a visible service fee. Compare all three structures on the same bill of materials, then pick the one with the lowest total - not the lowest unit price.

A. Worked example - 10,000-unit private-label run (trading quote looked $0.43 cheaper per unit)

Cost driver	Tier-3 trading middleman	Direct factory, no local management	Direct factory + on-ground agency
Unit cost	$2.15	$1.72	$1.72
Tooling amortization	$0.04	$0.03	$0.03
Packaging	$0.19	$0.19	$0.19
Inspection	$0.00, claimed	$0.14, third-party	$0.11
Defect cost	$0.09	$0.18	$0.05
Rework risk buffer	$0.08	$0.22	$0.06
Freight coordination burden	$0.05	$0.12	$0.04
Total landed implication	$2.60	$2.60	$2.20

B. Your own comparison - fill in every row before you negotiate

Cost driver	Tier-3 trading middleman	Direct factory, no local management	Direct factory + on-ground agency
Unit cost			
Tooling amortization			
Packaging			
Inspection			
Defect cost			
Rework risk buffer			
Freight coordination burden			
Total landed implication			

Include the costs the quote leaves out: inspection, defect cost, the rework risk buffer and the freight coordination burden. Those four lines are where a hidden mid-layer markup shows up.

6. Lock the Contract Stack Before Any Deposit

A clean quote is not a clean deal. Tick each clause below before the deposit leaves, because every one of them is far cheaper to negotiate now than to enforce later.

- [ ] 1. NNN under Chinese law, with company chop
  Evidence: Signed before molds, drawings or custom packaging files leave your side.
- [ ] 2. Tooling or mold ownership clause
  Evidence: Names the owner of the tool and the conditions for release if the relationship ends.
- [ ] 3. Approved specification attachment
  Evidence: The exact spec and tolerance sheet you approved the sample against, signed and dated.
- [ ] 4. Subcontracting restriction or approval clause
  Evidence: If it is not written, treat any subcontracting as unauthorized and the order as at risk.
- [ ] 5. Payment milestones
  Evidence: Tied to production events, not calendar dates, with the balance held until the report passes.
- [ ] 6. Inspection pass/fail remedy language
  Evidence: States the AQL limit, who inspects, who pays, and what happens on a fail.

Then run the pilot sequence

• Approve the sample against the written spec, not against a photo.

• Place a smaller controlled PO before the full volume.

• Schedule pre-production alignment with the named line and operator list.

• Inspect during production or before shipment, using the agreed AQL limits.

• Score the supplier after receipt, then release the next volume.

7. Red-Flag Screen - Pause the Order

Any single flag below pauses the order until it is resolved in writing. A surface-clean supplier with mismatched entities and production sites is the most common failure, not a forged license.

- ☐ 1. Bank beneficiary and license names differ
  Evidence: Freeze payment and demand written proof linking both entities before anything else.
- ☐ 2. No active WIP visible on the line
  Evidence: A second walk-through, a specific machine question, then a third-party inspection if they stall.
- ☐ 3. The quote rises when you request proof
  Evidence: A price that moves because you asked for a bank name is not a price, it is a markup.
- ☐ 4. No material or tolerance knowledge
  Evidence: A real factory answers with material grades and process limits; a broker says yes to everything.
- ☐ 5. Audit or document delays
  Evidence: Clean factories return matched files inside one working day. Brokers ask why you need them.
- ☐ 6. A scripted tour with nothing running
  Evidence: Cutting tables that never move, workers who never appear, and no machine noise on the call.
- ☐ 7. The same floor walked twice from two angles
  Evidence: Ask for the line number and the machine running your component. Scripted tours cannot answer.
- ☐ 8. A bank account in a different jurisdiction with no legal tie
  Evidence: A foreign trading entity holding the account while the license names a mainland factory.

8. Sources & Official Verification Programs

Verify every registration, certificate and audit claim against the issuing body - never against a forwarded PDF or a cover page.

• GSXT / NECIPS - official Chinese company registry

Confirm the legal entity name, the 18-digit Unified Social Credit Code, the registered address, the business scope and the live registration status (cunxu = active). (https://www.gsxt.gov.cn/)

• China customs (GACC) - export registration

Cross-check that the export entity named on the customs paperwork is the same legal party that signed the contract. (http://english.customs.gov.cn/)

• amfori BSCI - social compliance audit program

The audit program behind the BSCI reports a factory may offer as compliance evidence. Verify the audit date and corrective-action status directly. (https://www.amfori.org/amfori-bsci/)

• ISO 2859-1 - sampling procedures for inspection by attributes

The AQL sampling standard behind the pre-shipment accept/reject limits (for example AQL 1.5/2.5) you write into the contract. (https://www.iso.org/standard/1141.html)

• ISO 9001 - quality management systems

The quality-management standard behind a factory quality system claim. A certificate is only evidence if it is in scope, in date and issued by an accredited body. (https://www.iso.org/iso-9001-quality-management.html)

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Want Someone On The Ground Running These Checks?

Run this checklist yourself, or have it run for you: registry entity checks, bank-beneficiary matching, a live factory walkthrough and an AQL pre-shipment inspection on your own PO. We charge a transparent 3%-7% service fee and take no factory kickbacks. Free quote, no obligation.

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