

# Monthly China Anti-Bribery Update Report — September 2016

Article By:

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## 1. New laws or regulations

State level: No developments.

Local level (Beijing & Shanghai): No developments.

Communist Party Rules: No developments.

## 2. Upcoming laws or regulations

No developments.

## 3. Government Action

(1) On September 2, 2016, Wei Xinhong (“Wei”), the former Party Secretary of Qinyang Municipal, Henan Province, was sentenced by the Intermediate People’s Court of Jiaozuo Municipal, Henan Province to 13 years in prison and fined RMB 3 million (USD 449,879) for taking bribes. The court determined that Wei received and solicited from others RMB 9.504 million (USD 1.42 million), USD 20,000, and shopping cards valued at RMB 10,000 (USD 1,499) on 74 occasions in return for seeking benefits for them in real estate developments, business operations, land expropriations, position adjustments, etc.

(2) On September 8, 2016, Wu Xilin (“Wu”), the former Director of Department of Outbound Investment and Economic Cooperation of Ministry of Commerce of China, was sentenced by the No. 2 Beijing Intermediate People’s Court to 10-years in prison plus a fine of RMB 500,000 (USD 74,979) for taking bribes. Wu was found guilty of taking advantage of his position to provide assistance for bribe-givers in business operations, awards of contracts, and mitigation of the accident liabilities of enterprises from 2005 to 2009. In exchange, Wu received in the aggregate RMB 3.42 million (USD 512,862) from these enterprises.

(3) On September 9, 2016, Huang Shaoru (“Huang”), the former Director and Deputy Manager of Hainan State Farms Group Co., Ltd., as well as the former General Manager and Chairman of the board of Hainan State Farms South China Investment Co., Ltd., was sentenced by the Intermediate People’s Court of Sanya Municipal, Hainan Province to 13 years in prison for taking bribes and

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received a fine of RMB 2 million (USD 299,919). The related press release highlighted that Huang was accused of offering help to several individuals in approving project funds, project cooperation, project tendering and bidding, etc. in return for bribes of RMB 14.32 million (USD 2.147 million) and USD 30,000 from the said persons between 2003 and 2013.

(4) It was reported on September 18, 2016 that Zhang Suzhou (“Zhang”), the former President of Anhui Broadcast and TV Station (the “Station”), was sentenced by the Intermediate People’s Court of Huainan Municipal, Anhui Province to 14 years’ imprisonment for bribery and corruption and further subjected to a fine of RMB 2.5 million (USD 374,899). Allegedly, Zhang took advantage of his position to accept bribes in forms of cash, including RMB 11.23 million (USD 1.68 million), USD 47,000, EUR 2,000 (USD 2,237), shopping cards valued at RMB 179,000 (USD 26,842), and gold bars, jade, and watches valued at RMB 1.06 million (USD 158,957) from a number of entities and individuals during his term of office from 2006 to 2014. In addition, Zhang was found to have illegally embezzled public property amounting to RMB 3.39 million (USD 508,364) by means of fabricating bonuses and reimbursements for personal consumption.

Zhao Hongmei (“Zhao”), the Former Vice President of the Station, was sentenced to imprisonment for 12 years and received a fine of RMB 1.6 million (USD 239,935) for the same charges on the same day. Zhao was charged with taking advantage of her position to embezzle public property totaling RMB 1.61 million (USD 241,339) and taking bribes of RMB 5.69 million (USD 852,931).

(5) On September 27, 2016, Ren Jincheng (“Ren”), a former Member of the Standing Committee of the Municipal Committee of Dalian, Liaoning Province and a former Party Secretary of Changxing Island Economic and Technological Development Zone, was sentenced to 13 years in prison by the Intermediate People’s Court of Benxi Municipal, Liaoning Province for taking bribes. Ren also received a fine of RMB 2 million (USD 299,829).

During his term of office from 1998 to 2015, Ren was found to have received bribes on 37 occasions amounting to RMB 22.21 million (USD 3.32 million) in the form of cash, shopping cards, calligraphy, and paintings. In exchange, Ren provided assistance to bribe-givers in bank loan approvals, business operations, the reform of state-owned enterprises, etc.

## **4. Other**

(1) On September 4 and 5, 2016, national leaders attending the G20 Hangzhou Summit unanimously approved and passed the High-level Principles on International Fugitive Repatriation and Asset Recovery (the “High-level Principles”), the 2017-2018 Anti-corruption Action Plan, and establishment of the Research Center on Fugitive Repatriation and Asset Recovery in China.

The High-level Principles, an international anti-corruption document drafted by China following the release of the Beijing Declaration on Fighting Corruption approved by Asia Pacific Economic Cooperation in 2014, provides that the G20 members will create a cooperative mechanism on fugitive repatriation and asset recovery, such as barring the entry of a corrupt individual and establishing a case-by-case investigation assistance system. The High-level Principles also emphasize joint and cooperative investigation and prosecution of corruption and the inter-state collaborative recovery of ill-gotten gains arising from the crime.

## **5. China-related FCPA Action**

(1) It was reported on September 1, 2016 that AstraZeneca, a UK-based drug manufacturer, agreed

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to pay a fine of USD 5.5 million to settle an investigation instituted by US Department of Justice and US Securities and Exchange Commission (the “SEC”) relating to its violation of Foreign Corrupt Practices Act (the “FCPA”), including disgorgement of USD 4.325 million, prejudgment interest of USD 822,000 and a civil penalty of USD 375,000.

The SEC alleged that for the purpose of promoting and selling AstraZeneca’s drugs, sales and marketing staff of AstraZeneca’s subsidiaries in China and Russia provided gifts, conference support, travel, cash and other benefits to state-employed medical staff since 2005. AstraZeneca’s Chinese subsidiary is also found having bribed local officials for reduction of and exemption from financial sanctions it faced. The abovementioned fees were falsely recorded by AstraZeneca as “bona fide expense.” AstraZeneca was alleged to have turned a blind eye on the above misconducts of its subsidiaries and failed to carry out effective internal audit.

(2) It was reported on September 12, 2016 that Zhang Junping (“Zhang”), former Chairman and CEO of a Chinese subsidiary of Harris Corporation (“Harris”), Hunan CareFx Information Technology Co., Ltd. (“Hunan CareFX”), an information technology company, agreed to pay a penalty of USD 46,000 to settle charges of violating the FCPA.

Zhang, as the supervisor of Hunan CareFX’s sales staff, was alleged to have knowingly permitted or facilitated the sales staff to reimburse fake invoices to generate cash for the purchase of gifts, which would then be offered to government officials of state-owned hospitals and health departments to influence their decisions to buy the products and services of Hunan CareFX. These expenses were improperly recorded as legitimate expense in the book of Hunan CareFX.

Harris will not be charged, due to its prompt self-reporting, active cooperation during the investigation, and its effort to implement its anonymous complaint helpline and integration of Hunan CareFX into its internal accounting controls after acquisition of Hunan CareFX, which led to the discovery of Zhang’s misconduct.

(3) On September 20, 2016, Nu Skin Enterprises Inc. (“Nu Skin”), a Utah-based company, agreed to pay USD 765,688 to settle charges of violating the internal controls and books and records provisions of the FCPA.

In 2013, Nu Skin (China) Daily Use & Health Products Co. Ltd. (“Nu Skin China”), a subsidiary of Nu Skin, was threatened by the local Administration of Industry and Commerce (“AIC”) to be fined RMB 2.8 million (around USD 419,931) for its violation of China laws and regulations on direct selling. Some staff in Nu Skin China then contacted a Party official, to whom the head of the AIC previously reported, to intervene in this matter. In return, Nu Skin China agreed to donate RMB 1 million (USD 149,975) to a charity identified by this official. Nu Skin China received a notice issued by the AIC that it would not be fined or sanctioned for its wrongdoing after the donation. Supporting internal e-mails were found during the investigation, indicating that contacting this official was essential for Nu Skin China to resolve the matter peacefully.

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