

For immediate release

5 May 2010

Business to business payment improve for forth consecutive quarter

- Confidence remains significantly dented by market uncertainty -

A survey of payment experiences among Hong Kong businesses during the first quarter of 2010 – conducted by Coface, the leading international credit insurance and credit management services group – has revealed that though both late and default payments have improved for four consecutive quarters, market uncertainties concern enterprises and affect their confidence regarding the future.

According to the survey, 23.7 percent of respondents experienced late payments from buyers in the first quarter of 2010 – 11 percent less than in the previous quarter, and substantially down from 40.2 percent in the first quarter of 2009; while 4.3 percent of respondents reported default payments by buyers in the first quarter of 2010, virtually identical to the figure of 4.5 percent for the previous quarter – and half the figure of 8.6 percent in the first quarter of 2009.

There are two possibilities for explaining these numbers: either enterprises are tightening credit to customers, or companies are paying better and earlier,” said Richard Burton, Regional Managing Director, Coface Greater China. “In reality it is probably that a combination of these factors is at work.”

Rising cautiousness of enterprises leading to more tightening of credit terms

Among respondents that have reviewed credit terms in the past six months, 82.7 percent have reduced credit terms to buyers – sharply higher than 59.0 percent in the previous quarter.

Of the respondents who anticipate their company’s credit terms will become even tighter in the next six months, 37.5 percent regarded reduced customer confidence as the main cause. This figure is 46.5 percent higher than for the previous quarter.

“These figures demonstrate that enterprises have learnt a lesson from the credit crisis and are more careful in offering credit terms as their market confidence is yet to be built,” said Burton.

Key concerns: poor business performance and rising raw materials costs

According to the survey, 55.6 percent of respondents that experienced late payments attributed them chiefly to their buyers' poor business performance. This is significantly higher than the figure of 48.1 percent in the previous quarter. Buyers' poor business performance was also seen as a key reason for default payments, cited as the main factor by 41.3 percent of respondents that experienced defaults – markedly higher than 34.6 percent in the previous quarter.

The survey also revealed that more enterprises are suffering from continuing increases in the costs of raw materials. Some 36.5 percent of respondents that regarded poor business performance as the key reason for default payments attributed the cause mainly to rising raw materials prices; this figure was 73.8 percent higher than in the previous quarter.

“Enterprises are benefiting from a better environment for bank credits, leading to some lessening of cash flow problems,” said Burton. “However, any rises in costs of raw materials result in higher production costs, further diminishing already-low profit margins. Meanwhile, the current uncertainties regarding trade means business cannot compensate for reduced margins by selling more goods. They are trapped in a difficult situation, so are cautious regarding the business environment during the months ahead.”

Improvement in US buyers' payment performances may be short-lived

The survey revealed a slight improvement in both late and default payment by buyers in the United States. The percentage of respondents experiencing late payments by buyers in the United States during the first quarter of 2010 was 6.3 percent – down from 7.0 percent the previous quarter. Reports of default payments dropped from 1.1 percent in the last quarter of 2009, to 0.7 percent in the first quarter of 2010.

“Despite heartening figures, we have not yet seen a significant improvement in the economy of the United States,” said Burton. “So it is by no means certain there will be a further, strong improvement in payment performances of United States buyers.”

Stable payment behaviour of buyers from Hong Kong and China

In the survey, 9.3 percent of respondents reported late payments by Hong Kong buyers, and 1.7 percent reported default payments, in the first quarter of 2010 – very similar to the figures of 9.6 percent and 1.4 percent, respectively, for the previous quarter.

This situation was echoed for buyers in China: 7.6 percent of respondents experienced late payments, and 1.4 percent experienced default payments, in the first quarter of 2010, compared to 7.2 percent and 1.2 percent, respectively, in the fourth quarter of 2009.

The survey of 1,089 Hong Kong companies was conducted from January to March 2010, by Coface Greater China Services – the business information and credit management services subsidiary of Coface. The survey considered trends in late payments and defaults, as well as credit terms for manufacturing, trading services and contracting companies.

About Coface

Coface's mission is to facilitate global business-to-business trade by offering its 130,000 customers four business lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, factoring, ratings and business information and receivables management. Thanks to the worldwide local service delivered by 6,600 staff in 67 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.

Coface is a subsidiary of Natixis whose share capital (Tier 1) was 12.7 billion Euros end December 2009.

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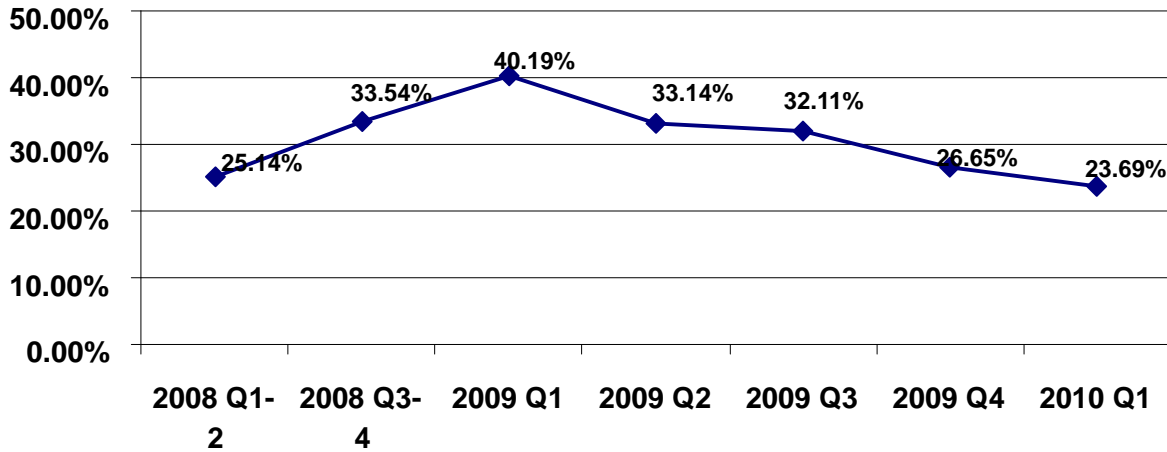
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Appendix

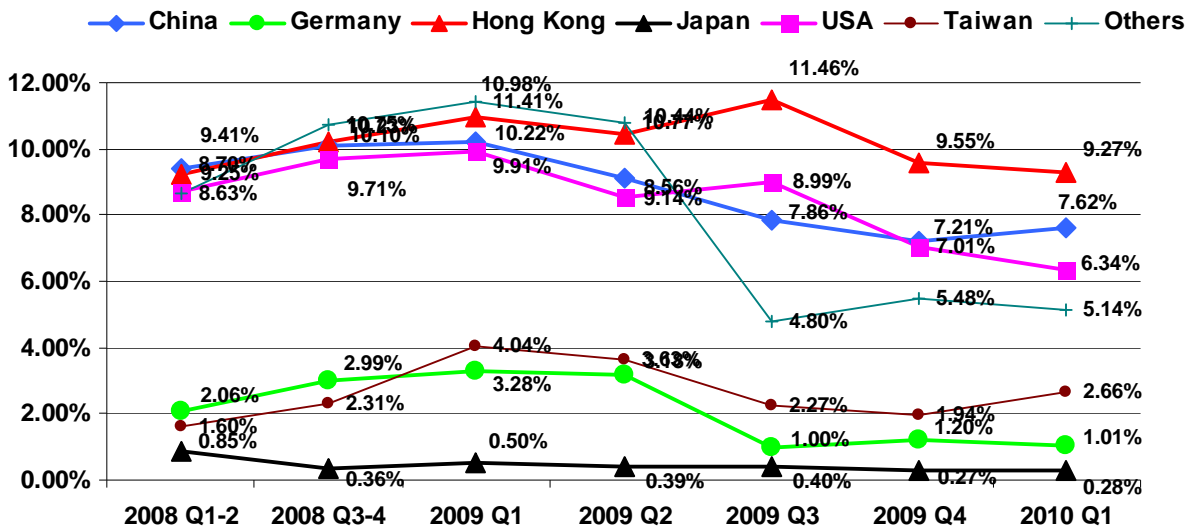
**Coface Payment Survey of Hong Kong Businesses
First Quarter 2010 – Highlights***

* In 2009, the survey period changed from half-yearly to quarterly.

HK Firms Experiencing Payment Delays

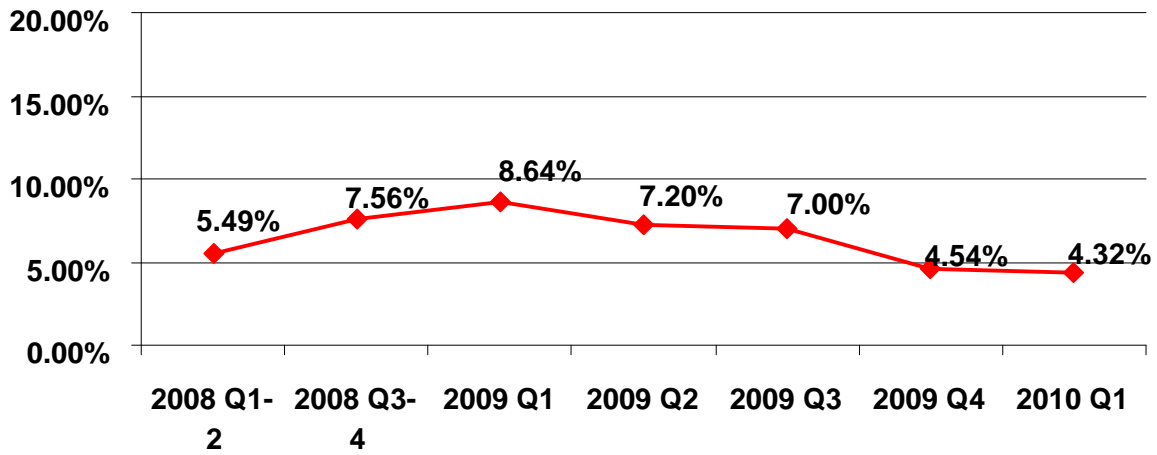


HK Firms Experiencing Payment Delays by Countries

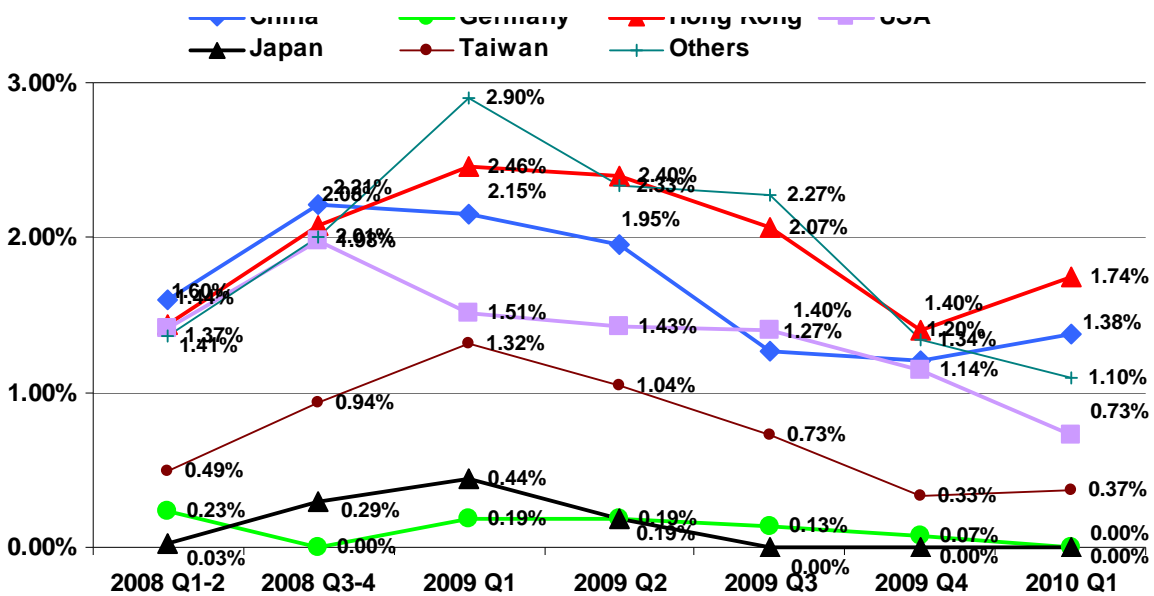


Note: "Others" refers to all countries/area excluding China, Germany, Hong Kong, Japan, USA and Taiwan

HK Firms Experiencing Payment Defaults



HK Firms Experiencing Payment Defaults by Countries



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The quarterly payment survey by Coface Greater China Services studies trends in late payments and defaults, and credit terms for manufacturing, trading services and contracting companies in Hong Kong. The survey in the first quarter of 2010 polled 1,089 Hong Kong companies.