



PRESS RELEASE

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Fierce competition and lack of financing gives rise to extended terms of payment for companies in China

Terms of payment between companies in China are continuing to be extended, according to the 5th edition of the Coface Survey "Corporate Credit Risk Management in China".

Increased market competition forces companies to grant credit by extended terms of payment to their customers. This tense financial situation leads to a worrying increase in overdue accounts.

Rising raw material prices and the recent freeze on bank credits could make the situation worse in 2008.

Open account is the main financing source for Chinese companies

The 5th edition of the survey underlines that the use of open account is more and more frequent among companies established in China. More than half of the companies interviewed are using open account as their most favourite payment term, when the letter of credit, still widely used some years ago, is now hardly abandoned.

Furthermore, payment terms are being extended. Companies are granting payment terms of an average of 90 days, whereas "the norm in 2004 was more for 60 days".

From here on out, open account is the main financing source for companies. The open account is now used as a major strategy to expand market share through acquisition of new customers in a highly competitive market, and it is a way to manage tight liquidity for the companies whose margins are significantly reducing.

An evolution to be closely watched is overdue accounts that are now more frequent, as 90% of the companies are facing them, among which 20% of the respondents have to deal with overdues of more than 60 days.

« More than 80% of the respondents use amicable negotiation as their main recovery action » indicates Yves Zlotowski, chief economist of Coface. « Business climate in China, and specially creditor protection, is weaker than in the other emerging countries. China is rated A3 whereas the Business Climate Rating is B, » reminds Yves Zlotowski, referring to the new Business Climate Rating, launched by Coface on the 22d of January 2008. Indeed, the survey shows a growing concern about corporate governance and risks of fraud.

Methodology :

This was the fifth annual survey by Coface on corporate credit risk management in China. It was conducted from October to December 2007, with responses from 547 companies in mainland China, of which 10% are state owned, 20% private, and 52% are wholly-owned by foreign businesses, 17% are joint ventures and 2% are collective owned companies. Some 65% of the companies are in manufacturing, 10% are in service industries, and 24% are traders or wholesalers. The goal of the survey is to provide a broad understanding of the status of payment experiences, payment trends and credit risk management in companies based in mainland China.

Coface in China and Asia

Since 1994 Coface has established a network of companies and partners in Asia, today active in 10 countries and organised around 3 regional platforms in Singapore, Hong Kong and Tokyo.

With more than 4 500 clients, Coface is leader of trade receivables management in Asia and offers credit insurance, factoring, company information and receivables management to its clients.

Since 2003, Coface is the technical partner and reinsurer of Ping An Property & Casualty Insurance in China, for its offer in domestic credit insurance.

Press contact: Nathalie Ott / ☎ 33 (0)1 49 02 16 29 / nathalie_ott@coface.com

About Coface

Coface, rated AA (stable outlook) by Fitch Ratings, AA (negative outlook) by S&P and Aa3 (stable outlook) by Moody's, is a subsidiary of Natixis whose share capital (Tier 1) was 11.7 billion euros end December 2007. Coface's mission is to facilitate global business-to-business trade by offering its 120.000 customers four product lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, company information and ratings, receivables management and factoring. Coface also offers, in France, management of government export guarantees. Thanks to the worldwide local service delivered by 6,000 staff in 65 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.

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