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FACTORING SERVICES

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Are You Encountering the Following Issues ?

- Increasing open account sales
- Buyers request longer credit periods
- Insufficient import trade facilities
- Limited working capital
- Buyers' credit risk
- Prolonged payments from buyers



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What is Factoring?

- The purchase of open account trade receivables of the client (“the seller”) by Hang Sang Bank Limited. Financing is provided to the seller up to a pre-determined percentage (up to 80%) of the eligible invoice value of the pre-approved overseas or domestic buyer (“the debtors”) against legal assignment of the underlying receivables



Types of Factoring

- Mainly two options: Domestic and Export Factoring depending on where your buyers are located



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Combination of Factoring

- Domestic / Export
- Selective / Entire Accounts Receivable



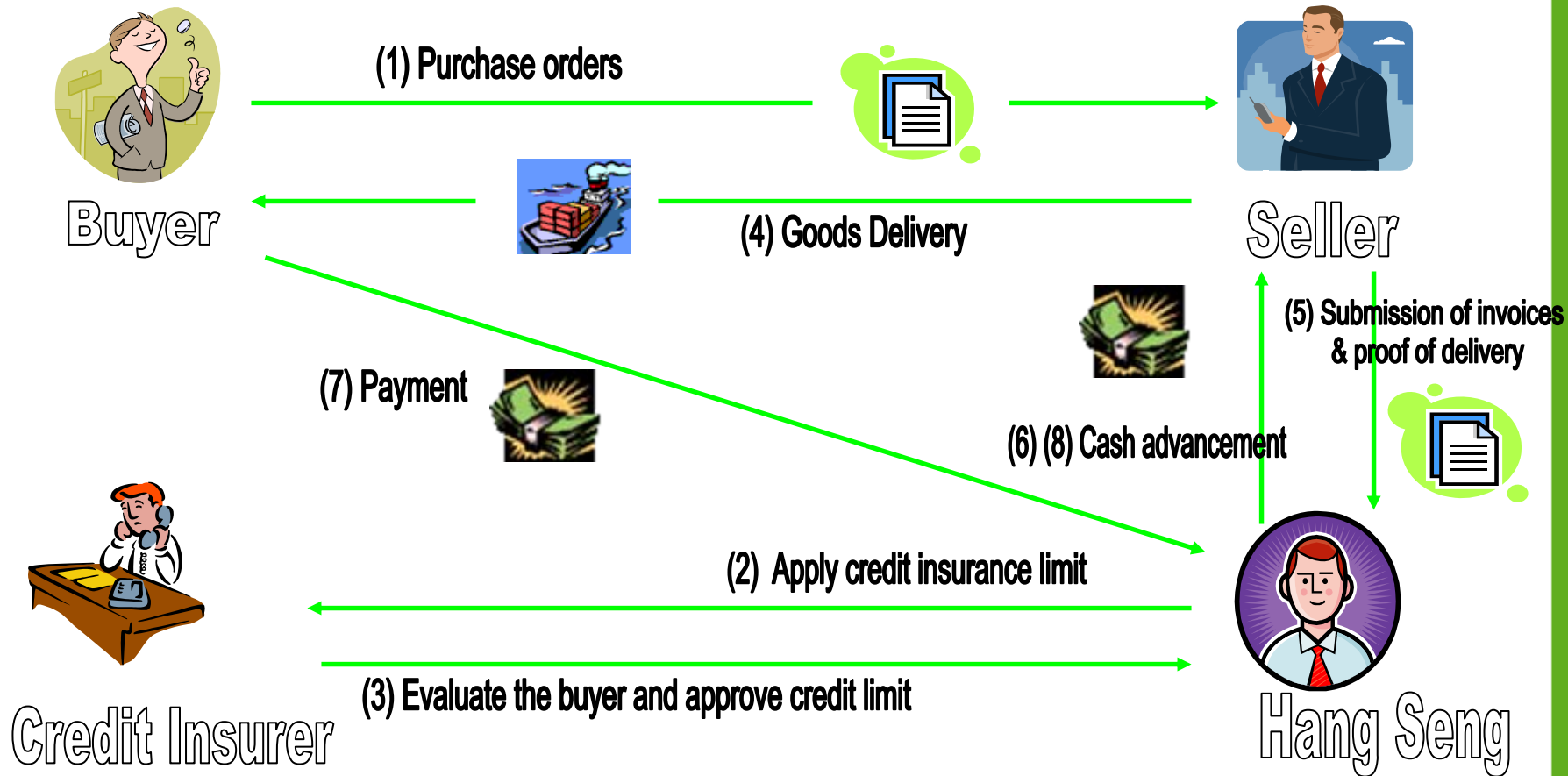
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Workflow of Factoring



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Advantages of Factoring

- Cash advance up to 80% against approved receivables
- Up to 90% credit protection against default of approved buyers due to financial difficulties
- Collection and accounts receivable management services that free you from administrative and debt-collection chores
- Stronger competitiveness by offering longer credit periods than competitor



Potential Clients

- Cannot provide additional collateral to the bank but with active trading, including fast growing and younger business;
- Trade on open accounts on increasing trend;
- Long credit period;
- Trade on “Sell and Forget” terms;
- Dealing with good quality buyers preferred;
- Insufficient working capital and import trade facilities & etc...



Unsuitable for Factoring

- Open account sales to intra-group companies of the client (in-house sales);
- Project finance involving staged payments;
- Existence of two-way trading between the seller and the buyer;
- Consignment sales;
- Contracts / agreements with ban on assignment (BOA) unless written consent / waiver has been obtained from respective buyer;
- Contracts with extended or complex warranties e.g. contracts which the buyer is entitled to claim the seller / request the seller to buy back the goods after invoice settlement & etc...



Lending Criteria

- Company Nature: Registered in Hong Kong
- Business History: Latest 3 years audited F/S
- Annual Factored T/O: Not less than HKD6M
- Sales Terms: Open Account
- Terms of Payment : Up to 120 days
- Track Record with Buyer: At least 6 months
- Funding Ratio: Up to 80 % of approved invoice



Securities

- Legal assignment of accounts receivable
- Personal / Corporate guarantee
- Satisfactory survey against intended factoring buyers
- Credit insurance protection against factored buyers (if applicable)



Pricing

- Two Major Components
- Handling fee: Negotiable subject to the factored volume
- Interest: In line with that of the import trade facilities



Documents Required for Applying Factoring Facility

- Financial statements for the latest 3 years
- Latest 6 months current account and bills account statements with major banker
- Latest facility letter from any bank, if any
- List of major buyers and credit terms
- Latest accounts receivable reports with payment history
- Sample copies of purchase order / invoice / delivery orders or sales contracts



Q&A Session



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