China’s outward foreign direct investment (FDI) grew 14% to US$123.1 billion in 2014, making the country the world’s third-largest source of outward FDI for three consecutive years. In fact, in recent years, the Chinese government has substantially relaxed administrative measures dealing with overseas investments and has built platforms to facilitate the “going out” of enterprises to invest overseas. At the same time, many enterprises are actively “going out” in search of brands, technologies or other resources to raise their competitiveness and to help their transformation and upgrading. Subsequently, China’s overseas investments have gradually diversified into different areas. In addition, with the active promotion of its “Belt and Road” development strategy, China is seeking to strengthen economic cooperation with regions along the Belt and Road and foster related construction by leveraging the mainland’s comparative advantages, including those of the Pearl River Delta (PRD), the Yangtze River Delta (YRD) and the Bohai Rim. It is expected that China’s outward investment activities will expand further.

Hong Kong, in particular, is a key destination for the mainland’s outward FDI. In 2013, 58.3% of the mainland’s outward FDI was carried out via Hong Kong. At the end of 2013, Hong Kong was the destination for 57.1% of the mainland’s cumulative outward FDI. These mainland funds are mostly using Hong Kong’s trading platform as a springboard to invest in other regions overseas.

Hong Kong possesses definite advantages in helping mainland enterprises make overseas investments, including the free flow of capital, abundant international communication resources and world-class professional services. To better understand the intent of mainland enterprises as they transform, upgrade and seek new business partners, the HKTDC conducted three questionnaire surveys from 2013 to 2015 in key outward FDI areas of the mainland, and in-depth visits were paid to local enterprises in areas such as the PRD and the YRD. The latest survey was carried out in mid-2015 in the Bohai Rim area.

The surveys found that a vast majority of enterprises, whether in the PRD, the YRD or the Bohai Rim, have already committed to increasing their investment – or would consider doing so – in order to enhance their competitiveness and to adjust their business and operating strategies for the ultimate goals of transformation and upgrading. The main intention of enterprises in the YRD and the Bohai Rim is to enhance their product design and research-and-development (R&D) capability, followed by the development and marketing of their own brands. PRD enterprises, however, are
primarily concerned with the development and marketing of their own brands while product design and technological capabilities are only of secondary concern.

On the other hand, enterprises in both the YRD and the Bohai Rim are more concerned with bringing in overseas advantages in order to develop the domestic markets. This is not quite the same as the strategy of PRD enterprises, which gives equal emphasis to local and overseas markets. Nevertheless, most enterprises in all three areas express the need to look outside for service support, including such professional services as product development and design, branding and promotion strategies, marketing, finance, business consultancy, law and accounting. They are also “going out” to look for business partners overseas. For instance, they will bring in overseas brands to the China market, develop overseas sales networks jointly with foreign enterprises, or engage in technological collaboration with foreign enterprises in an effort to help develop new businesses and new markets.

Moreover, more than half of the enterprises surveyed express keen interest in going to Hong Kong to look for services they need or to identify suitable overseas partners. Indeed, 65% of the surveyed enterprises in the PRD, 56% in the YRD and 60% in the Bohai Rim rate Hong Kong as the most preferred service platform for “going out”. Secondary choices include the United States, Germany and Taiwan.

Hong Kong’s services suppliers are clearly able to render effective support to mainland enterprises in investing overseas. This is particularly true of Bohai Rim enterprises. Although they are geographically farther away from Hong Kong than their counterparts in the PRD and the YRD, many are still willing to go through Hong Kong or even set up office there in order to utilise its cost-effective professional services and to help them solve problems with their outward investments. Their views include:

- As an international financial centre in the region, Hong Kong can help mainland enterprises raise funds and provide trade-related financial services such as credit negotiation and discounting. It can also help them raise funds for offshore investment projects in Hong Kong or international capital markets.

- Other than finding low-cost financing channels for investment projects, Hong Kong’s services suppliers also provide effective due diligence for investors and make appropriate assessments for investment projects to ensure the sustainable development of their investment businesses and to control risks within reasonable confines.

- With its professional accounting and auditing services, Hong Kong can provide appropriate international tax planning for overseas investment projects from the mainland and spare them unnecessary tax burdens.

- Other advantages such as the free flow of international information and the abundance of communication resources also afford mainland enterprises a timely grasp of the latest investment environment, trade barriers and other market situations overseas. This will prove very effective in helping enterprises formulate global investment strategies.

- Hong Kong is also a trading centre for technology in the region. As such, it is an ideal platform for mainland technology enterprises to open up overseas markets,
look for collaboration opportunities with foreign technological partners and raise funds for offshore technology projects.

Over the years, services practitioners in Hong Kong have helped countless mainland enterprises handle their trading and investment businesses in Hong Kong and overseas markets. Other than the services mentioned by Bohai Rim enterprises, Hong Kong also provides professional services in law, branding strategies, risk assessment of sustainable operations, licensing arrangement, international certification and testing, among others. As the mainland quickens its pace of “going out” and “bringing in” and advances its “Belt and Road” initiative, more business opportunities will become available to services practitioners in Hong Kong.

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