

China Goes Global - II

2006 Survey of Chinese Companies'
Outward Direct Investment Intentions

Prepared by the Asia Pacific Foundation of Canada
The China Council for the Promotion of International Trade
December 2006

Acronyms

APF Canada	Asia Pacific Foundation of Canada
CCPIT	The China Council for The Promotion of International Trade
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operation Officer
EID/CCPIT	Economic Information Department of CCPIT
FDI	Foreign Direct Investment
NAFTA	North American Free Trade Agreement
NBS	National Bureau of Statistics of China
ODI	Outward Direct Investment
Rmb	Renminbi (the Chinese currency)
SOE	State-owned Enterprise
VP	Vice President

Table of Contents

1. Introduction and Executive Summary (with Chinese Translation)

2. Results of Survey

2.1. Existing ODI by Chinese Companies

- Involvement in ODI Rising
- Investment Scale of Existing ODI
- Destination of Existing ODI
- Existing ODI by Methods of Type of Investment
- Area of Existing ODI Business Activity
- Priority Market of Existing ODI
- Satisfaction with Existing ODI Performance

2.2. Future ODI Intentions of Chinese Companies

- Chinese ODI Intentions
- Scale of Potential ODI
- Source of Intended ODI Capital
- Factors Influencing Intended ODI Decision
- Method of Intended ODI
- Business Area of Intended ODI
- Priority Market of Intended ODI
- Destination of Intended ODI

2.3. Is Canada a Destination for Chinese ODI?

- Perception of Openness toward Chinese ODI
- Prospect of ODI to Canada
- SOE's ODI to Canada
- Perceptions of Most Promising Sectors in Canada
- Perceptions of Canada's Investment Environment
- Priority Market of ODI to Canada
- Strength to Achieve Success of ODI in Canada
- Constraints on ODI to Canada

2.4. Description of Sample

- Geographic Representation
- Breakdown by Company Size
- Involvement in Overseas Business
- Breakdown by Ownership Structure
- Breakdown by Industry Sector
- Breakdown by Respondents' Position

Annex:

- A. Questionnaire

1. Introduction and Executive Summary

This report presents the results of an online survey conducted jointly by the Asia Pacific Foundation of Canada and the China Council for the Promotion of International Trade in September-October 2006. This survey is a repeat of one carried out a year earlier. This earlier report is available at

<http://www.asiapacific.ca/analysis/pubs/pdfs/surveys/china_goes_global.pdf>.

The overall objective of this survey is to gain a better understanding of the changes in outward investment intentions of Chinese companies from a year ago. This survey targets CCPIT's member companies as the sample base. An access-controlled, web-based questionnaire¹ was opened for response during the period September 15 - October 2, 2006. All companies that responded to the survey completed the questionnaire either directly or with assistances of the staff at EID/CCPIT.

The survey received 235 valid responses that are used for analysis in the rest of this report. The results are accurate within 6.4 percentage points 19 times out of 20.

The main findings of the survey include:

- Involvement in ODI is on the rise. Over 40% of respondent companies have made some investments outside China, up from 14% last year.
- The existing investment scale remains small. Nearly three-quarters of respondent companies indicate that their existing ODI is less than US\$5 million, while only 3% reported that their ODI is over US\$100 million.
- Asia maintains the hot spot for Chinese ODI. Asian countries are still the destination of the largest proportion of China's existing ODI, followed by Europe and North America.
- M&A has not been a priority for Chinese ODI. Establishing their own sales offices has again been the most common practice among the Chinese companies that currently have ODI operations. Merging with and acquiring foreign firms is becoming one of the options for Chinese companies' ODI, but has not been substantial.
- International trading continues to be a key area of ODI activity. Import-export again is indicated as the top business activity in which Chinese ODI investment has flowed to date, followed by manufacturing and agriculture, agri-business or food processing. Service businesses are least likely to attract Chinese ODI.
- Existing ODI clearly targets foreign markets. A majority of respondent Chinese companies indicate that their ODI is aimed at entering foreign markets, including through

¹ The questionnaire was designed in English (as attached in Annex A). A Chinese version was used to assist Chinese companies to understand the questions. The survey website was developed and maintained by the InSite Survey System, Ltd.

manufacturing and sales in the invested foreign market (57%) and through re-exports from invested countries to other foreign markets (35%).

- Chinese companies are overwhelmingly satisfied with existing ODI. Over 90% of the total respondent companies are either very satisfied or somewhat satisfied with their existing ODI operations, compared to only 6% reporting they are somewhat dissatisfied.
- Chinese ODI tending to increase. Of respondent companies, nearly 53% and 72% respectively have the intention to increase, either substantially or moderately, their ODI within the next 2- and 3-5-year periods, up dramatically from only 23% and 41% in last year's survey results.
- Potential ODI scale is likely to stay relatively small. Over the next 2- and 3-5-year periods, nearly 66% and 56% of respondent companies specify that they intend to invest less than US\$5 million.
- Intended ODI is likely to be funded by state-owned banks. Nearly half of the respondent companies indicate that the capital for their intended ODI will be raised by borrowing from a state-owned bank in China.
- ODI to become a long-term strategic plan. The top three most important determinants of future Chinese ODI are to implement long-term development strategy, to learn advanced management methods and to seek new markets.
- M&A is likely to increase. Establishing sales offices, setting up equity joint ventures with local firms and merging and acquiring foreign assets or firms are the three preferred methods for future Chinese ODI.
- Business areas of intended ODI to go beyond the resource sector. Manufacturing, IT products and services and trading are the top three areas attracting Chinese intended ODI.
- Intended ODI to service foreign markets. Three-quarters of the respondents are outward looking and are targeting foreign markets through ODI. Only 13% indicate that the domestic market is the focus of intended ODI.
- Asian countries are the most attractive for future ODI. Hong Kong and Macao are the top choices, followed by South Korea and Australia as the top likely ODI destinations. Canada ranks No. 4, ahead of the United States and Germany
- Canada is seen as mostly open toward Chinese ODI. Canada gets the highest score of 5.6 on a scale of 1 (least open) to 7 (most open), followed by EU (5.3) and the United States (5.2).
- Chinese ODI to Canada is likely to increase. One-tenth of respondent companies currently have investment projects in Canada, up from 4% last year. The number of respondents considering the possibility of investing to Canada has also increased to 24% from 8% a year previously.

- SOEs are the most likely to invest in Canada. The likelihood of investing in Canada is on the rise for all types of companies, compared with a year ago. Some 46% of SOEs are considering investment to Canada, compared with 17-23% for other types companies.
- Chinese companies are keen on the energy sector in Canada. Respondent companies consider energy, ICT and agri-food as the most promising sectors for investment in Canada, followed by forestry, biotech, mining/minerals and autos/auto-parts. Tourism is seen as the least promising sector in Canada.
- Canada is seen as a gateway to the US and other key markets. Nearly half of the respondent companies indicate that their ODI to Canada will be to tap into NAFTA markets, including Canada. Respondents consider the following three factors as the most important attractions for investment in Canada:
 - Canada offers access to the US and other key markets;
 - The quality of life in Canada is among the highest in the world;
 - Canada has abundant and reliable energy resources.
- Chinese companies are confident on their strengths. Respondent companies regard their established sales and distribution network, strong corporate management and capacity of technological innovations as the top three strengths to achieve success in ODI in Canada.
- Constraints on ODI to Canada are varied. There are seen to be a wide range of constraints on both the Chinese and Canadian sides, including:
 - Lack of financial resources/capital;
 - Lack of knowledge about the Canadian market;
 - Lack of experienced management skills applicable to Canada;
 - Too complicated an approval process in China;
 and
 - Political and social instability in Canada;
 - Difficulty of getting a visa to Canada;
 - Insufficient transportation and infrastructure in Canada;
 - Difficulty of finding business partners in Canada.

前言及报告摘要

继 2005 年的调查之后（该调查报告可从加拿大亚太基金会的网站免费下载：http://www.asiapacific.ca/analysis/pubs/pdfs/surveys/china_goes_global.pdf），2006 年 9-10 月间，加拿大亚太基金会和中国国际贸易促进委员会联合进行了第二次中国企业对外投资意向的调查。本研究报告概括了本次调查的主要结果。

这次研究的目的是对中国企业对外投资意的动态有更全面、更深入的了解，即旨在了解近一年来中国企业对外投资意向有何新的变化。

本调查以中国国际贸易促进委员会的会员企业为样本对象。调查采用直接在有登陆控制的互联网上填写问卷²的方式进行，网上问卷从 2006 年 9 月 15 日到 10 月 2 日期间开放接受填写。所有参与调查的企业或是直接完成或由中国国际贸易促进委员会经济信息部工作人员协助完成网上问卷的调查。

此次调查共收到有效问卷 235 份。调查结果的误差率在正负 6.3%，可信度为二十分之十九。

调查的主要结果包括：

- 涉及对外直接投资的中国企业呈现上升趋势。在今年应答的企业中，逾 40%的企业已有对外投资项目，比去年的 14%有较大上升。
- 中国企业现有的对外直接投资规模仍然较小。约 3/4 的应答企业的现有对外直接投资额不超过 500 万美元，仅有 3%的企业其投资规模超过 1 亿美元。
- 亚洲仍然是中国企业对外直接投资的首选之地。在已有对外直接投资的企业中，约 45%的选择了亚洲为其投资地，其次为欧洲（40%）和北美洲（25%）。
- 兼并收购还未成为中国企业对外直接投资的主要方式。近半数的现有对外直接投资是通过建立直属销售部的方式进行，约三成是通过建立合资企业的方式进行，采用兼并收购的仅占一成半。
- 国际贸易仍然是中国企业对外直接投资的主要领域。近 1/3 的应答企业将现有对外直接投资与进出口贸易领域，占各个行业的首位，其次是制造业，农业和食品加工业，对各种服务行业的投资不多。

²问卷设计采用了英文（请参见附录 A），并翻译成中文调查以帮助中国企业理解问卷的问题。网站的设计和维护是由加拿大的 InSite Survey System, Ltd. 承担。

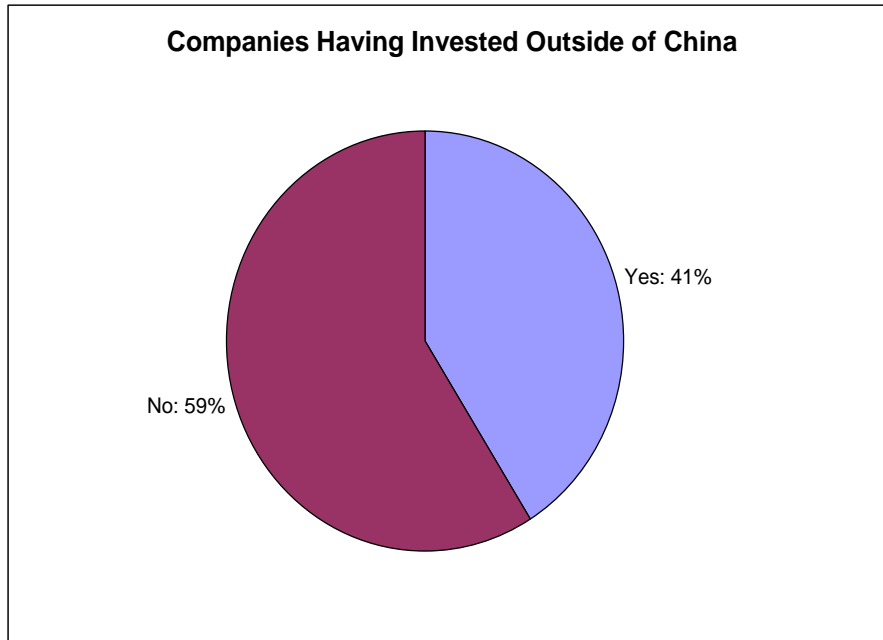
- 现有对外直接投资明显以外国市场为目标。近六成的应答企业表示其对外直接投资的目的是在投资所在地进行生产和销售，另外三成半是通过投资地生产再出口其他国家。
- 中国企业对现有的对外直接投资进行状况普遍表示满意。超过九成的应答企业表示非常满意或基本满意，只有 6%的企业表示不尽如人意。
- 中国企业对外直接投资意向呈上升趋势。约 53%和 72%的应答企业表示有意向分别在未来的 2 年和 3 至 5 年时间内增加（包括明显增加和有所增加）对外直接投资，分别比去年调查的 23%和 41%对外投资意向有较大幅度的上升。
- 中国企业意向中的对外直接投资规模仍然偏小。约 66%和 56%的应答企业表示在未来的 2 年和 3-5 年时间内的对外直接投资规模不会超过 500 万美元。
- 中国企业对外直接投资的资金来源可能主要来源于国有银行贷款。近半数的应答企业表示会通过向国有银行贷款的方式获得其对外直接投资的资金。
- 对外直接投资正成为实现中国企业长期发展战略计划的需要。决定中国企业未来对外直接投资意向的三大要素是：实行企业长期发展战略计划、学习国际先进的管理方法和开拓新兴市场。
- 兼并收购可能呈上升趋势。建立直属销售部、建立合资企业和兼并收购是中国企业对外直接投资意向中最可能采取的三种方式。
- 中国企业未来对外直接投资不只是局限于能源和自然资源领域。制造业、信息技术产业和贸易是中国企业未来对外直接投资欲望最强的三大领域。
- 对外直接投资将主要服务于国外市场。近 3/4 的应答企业表示其未来的对外直接投资将以国外市场为目标，而仅有 13%的企业认为其意向中的对外直接投资是以服务中国市场为目标。
- 亚洲地区将仍然是中国企业未来对外直接投资的主要目的地。港澳地区是中国企业对外直接投资意向的首选之地，其次是韩国和澳大利亚。加拿大排名第四，领先于美国和德国。
- 加拿大被中国企业认为是对中国企业投资最开放的国家。在以 1（最不开放）到 7（最开放）的评分标准中，加拿大获得了平均 5.6 的最高分，名列榜首。其次是欧共体国家（5.3）和美国（5.2）。

- 中国企业对加拿大的直接投资意向可能出现上升趋势。十分之一的应答企业表示已经在加拿大有投资项目，比去年的 4%有较大的上升。表示正在考虑投资加拿大的企业则从去年的 8%增加到今年的 24%。
- 国有企业对加拿大的投资机会似乎更有兴趣。与一年前的调查相比，各类企业对加拿大的直接投资的可能性均呈上升，但国有企业仍然是独占鳌头，近半数的应答国有企业表示正考虑投资加拿大，其他类型的企业考虑投资加拿大的则分别占 17-23%。
- 中国企业对加拿大的能源行业踌躇满志。应答的中国企业认为能源、信息通讯和农业食品业是加拿大最具有投资前景的三大行业，其次分别是林业、生物技术、矿产资源和汽车及汽配业，旅游业排名最后。
- 加拿大被视为通向美国和其它国际主要市场的门户和走廊。近半数的应答企业表示，他们意向中的对加拿大投资目的是为了涉足北美自由竞争区市场，包括加拿大。应答的中国企业认为加拿大最具有投资吸引力的因素依次为：
 - 加拿大可进入美国等其他国际主要市场
 - 加拿大是世界上生活质量最高的地方之一
 - 加拿大具有丰富可靠的能源和自然资源
- 中国企业对他们的优势充满自信。应答企业表示它们完善的销售网络、公司管理和技术创新能力是保证其投资加拿大成功的三大主要因素。
- 对加拿大投资的局限性源自于加中双方的因素。应答企业表示，对加拿大投资受到局限的因素来自与中国和加拿大两个方面，包括：
 - 投资资金短缺
 - 对加拿大市场的了解缺乏
 - 适用于加拿大的管理经验的缺乏
 - 在中国的投资审批手续过于烦复
 以及
 - 加拿大的政治社会因素的不稳定性
 - 难以获得赴加拿大的签证
 - 加拿大的交通和基础设施不足
 - 难以找到在加拿大的商业伙伴

2. Results of Survey

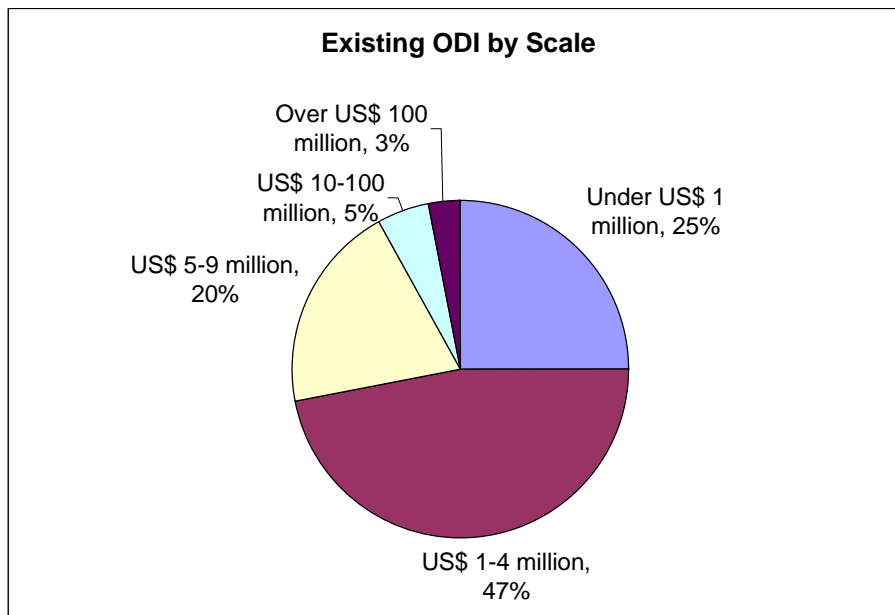
2.1. Existing ODI by Chinese Companies

Involvement in ODI Rising



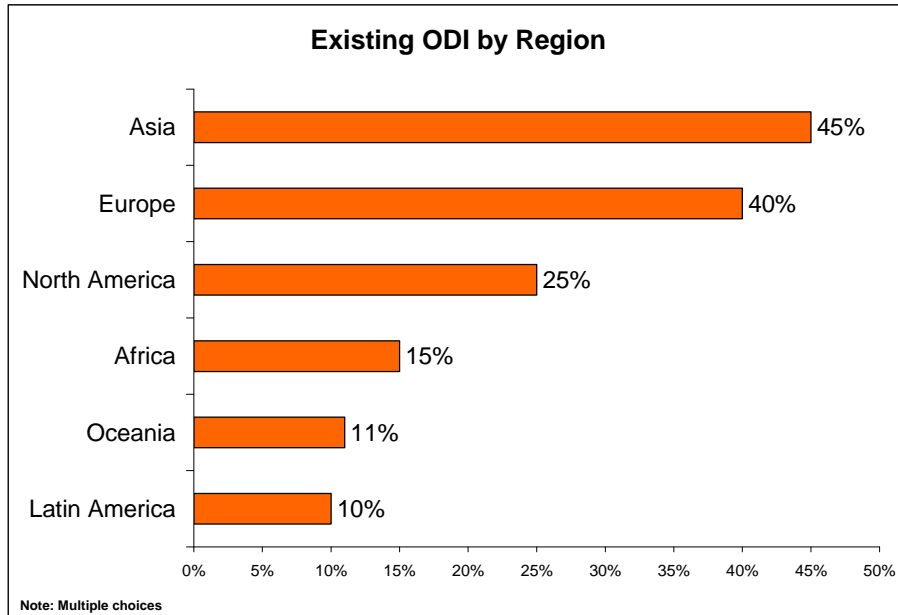
Over 40% of respondent companies have made some investments outside China. This number increased significantly from last year's survey where only 14% of respondent companies reported that they had invested outside China.

Investment Scale Remains Small



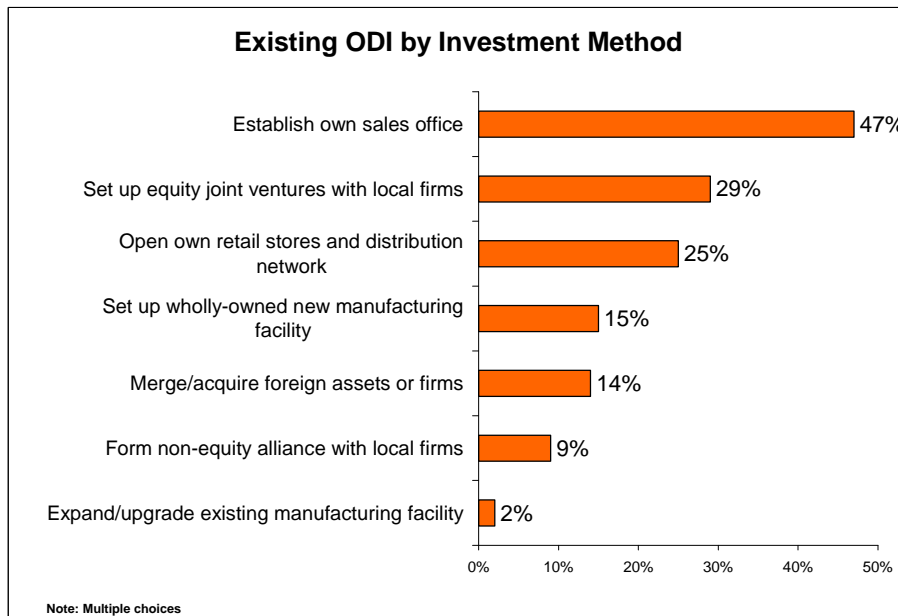
Approximately three-quarters of respondent companies indicate that their existing ODI is under US\$5 million, while only 3% reported that their ODI is over US\$100 million.

Asia Remains a Hot Spot for Chinese ODI



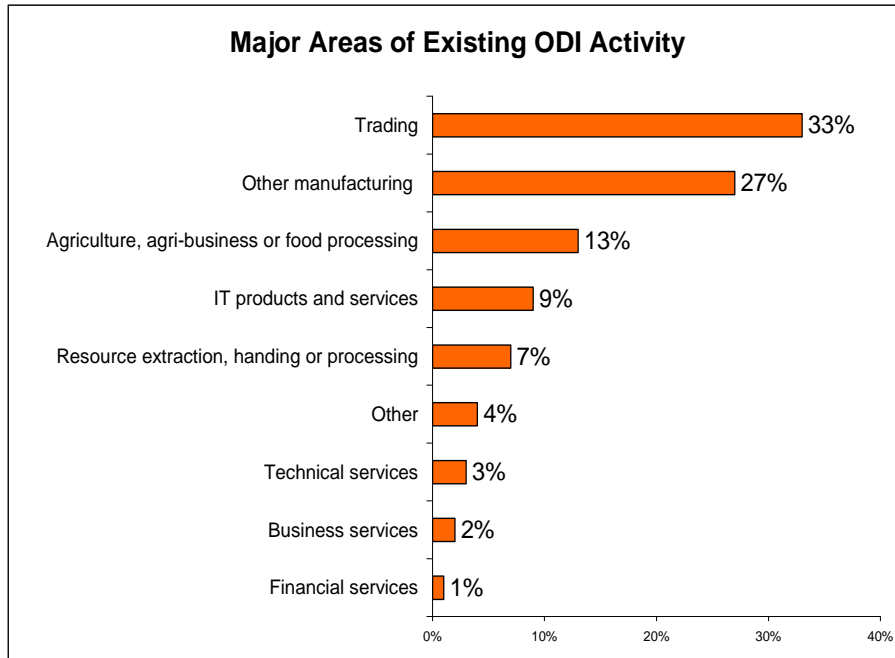
Similar to last year's finding, Asia is still the destination of choice for the largest proportion of China's existing ODI, followed by Europe and North America.

M&A Not Yet a Priority



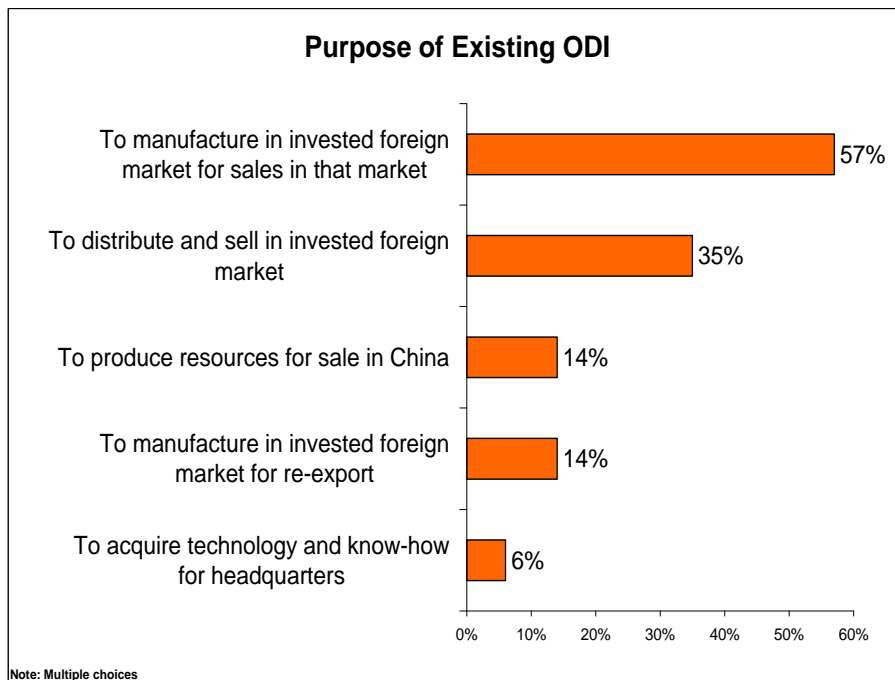
Establishing their own sales office has again been the most common practice, followed by setting up equity joint ventures with local firms, among the Chinese companies which currently have ODI operations. M&A with foreign firms is becoming one option for Chinese companies' ODI, but is not yet substantial.

International Trading Continues to Be a Key Area of ODI Activity



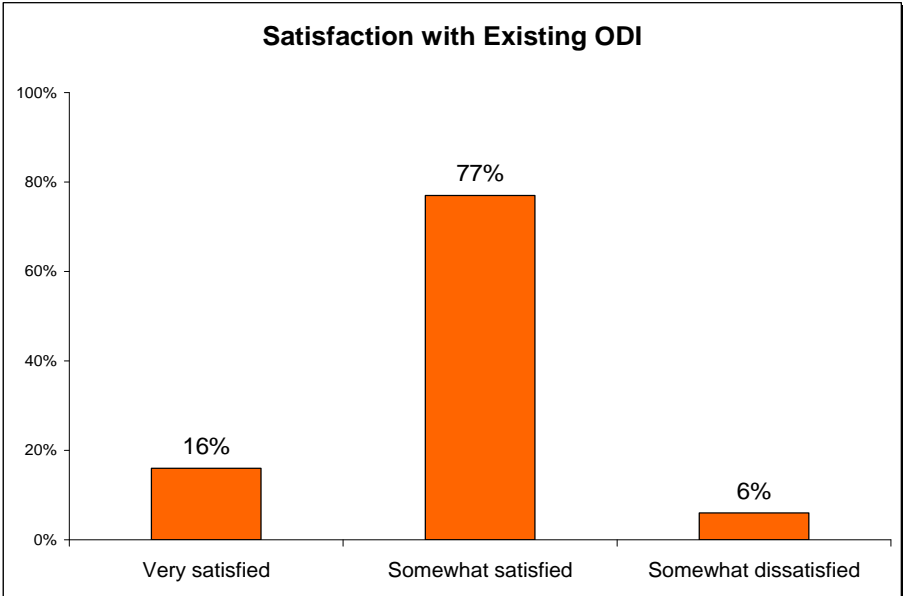
Trading (including import/export) again is indicated as the top business activity in which Chinese ODI has been attracted to date, followed by manufacturing and agriculture, agri-business or food processing. Service businesses are least likely to attract Chinese ODI.

Existing ODI Clearly Targets Foreign Markets



Respondent Chinese companies clearly indicate that their ODI is aimed at foreign markets, including through manufacturing and sales in the invested foreign market and through re-exports from the invested market to other foreign markets.

Investors Overwhelmingly Satisfied with Existing ODI



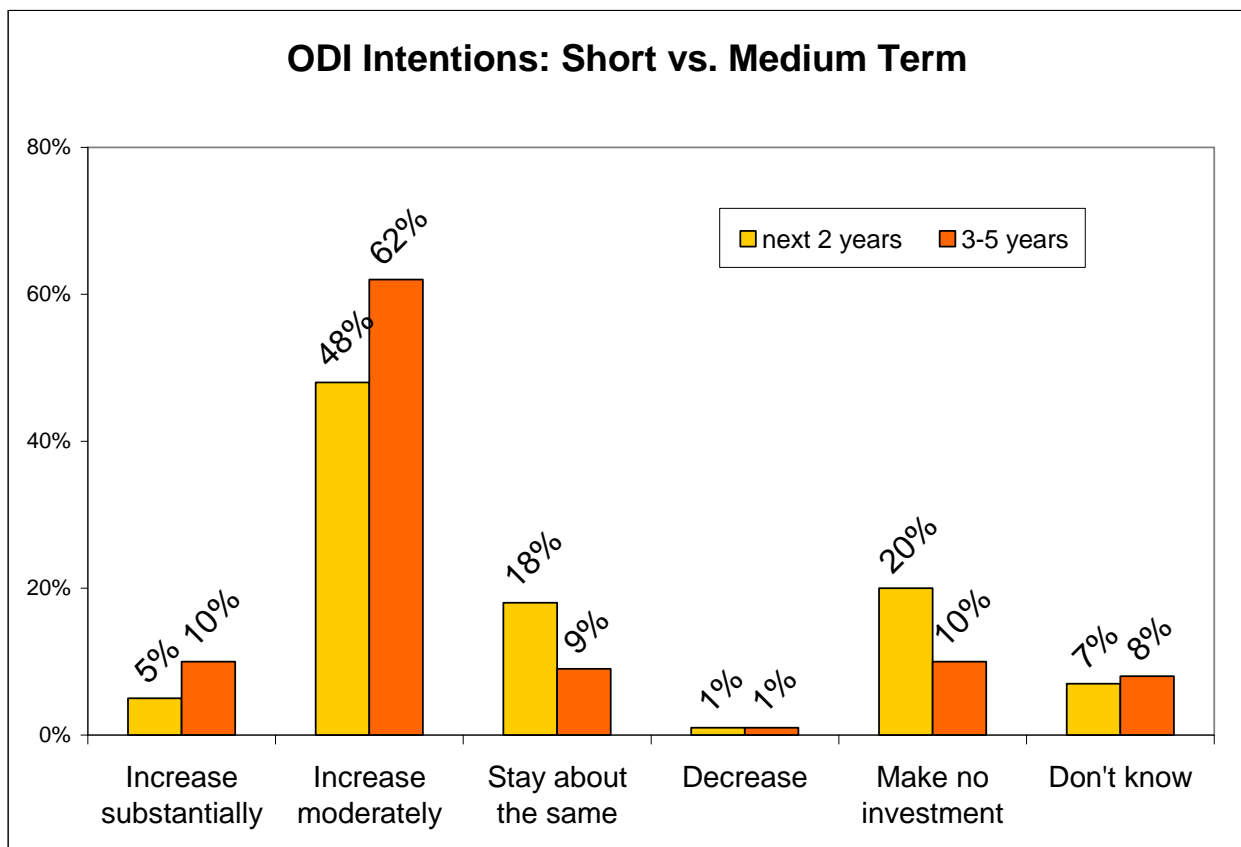
Respondent Chinese companies are overwhelmingly satisfied with their existing ODI operations. Over nine-tenths of the total respondent Chinese companies are either very satisfied or somewhat satisfied, compared to only 6% that say they are somewhat dissatisfied.

2.2. Future ODI Intentions of Chinese Companies

Chinese ODI Tending to Increase

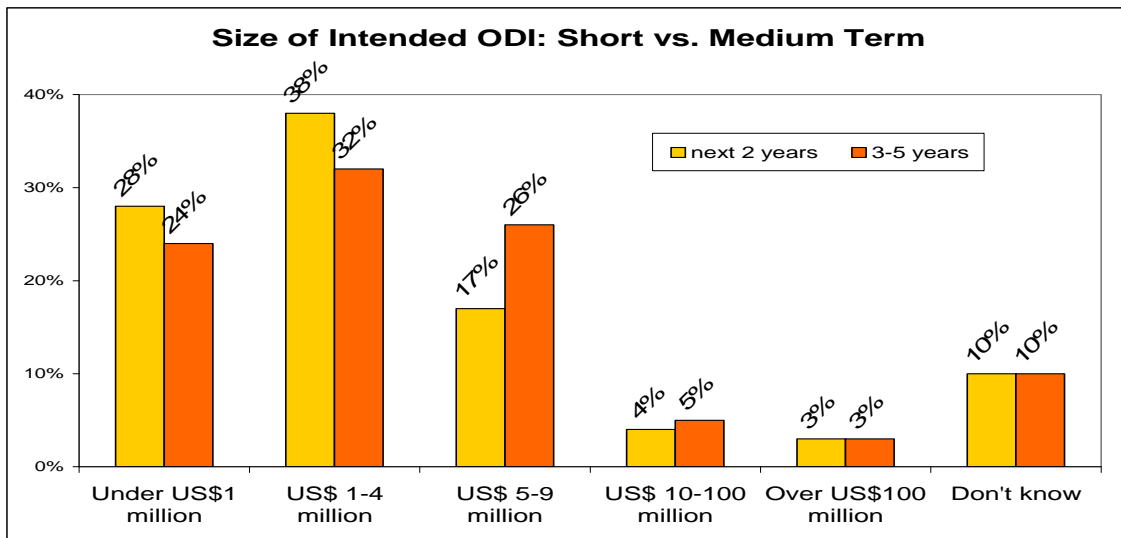
More Chinese companies are likely to increase their ODI in the coming years. Nearly 53% and 72% of respondent companies intend to increase, either substantially or moderately, their outward investment within the next 2- and 3-5-year periods respectively. This intention has increased quite strongly from only 23% and 41% in last year's survey.

By contrast, only 20% and 10% of respondent companies indicate no outward investment plans, down from 50% and 27% last year. In addition, the number of respondents uncertain over outward investment also declined, from 11% and 20% to this year's 7% and 8%.



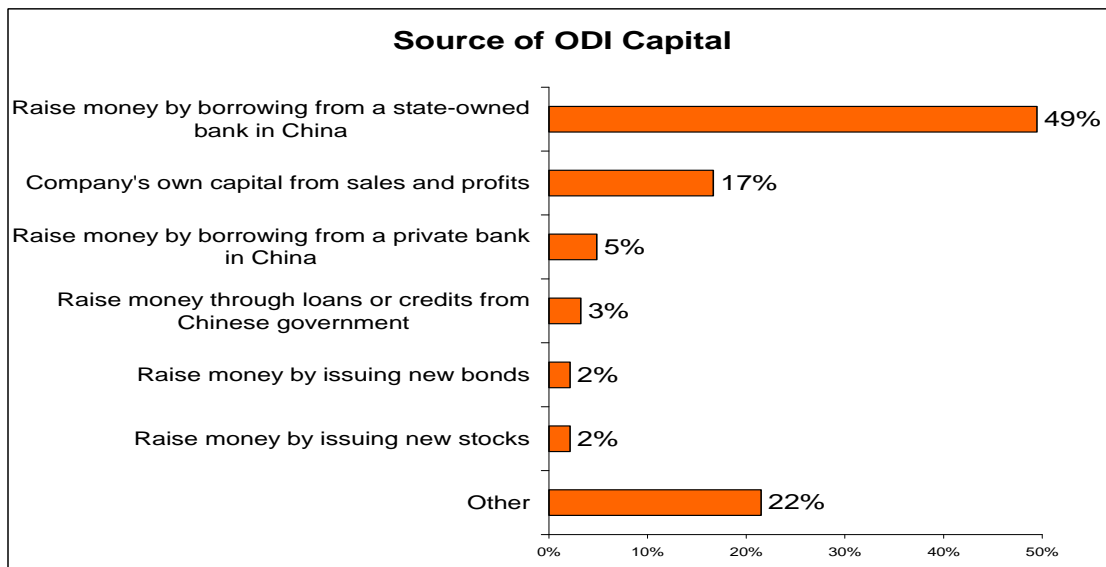
Potential ODI Scale Stays Relatively Small

The survey responses suggest that Chinese companies are quite cautious on their potential ODI as they intend to invest on a relatively small scale. Nearly 66% and 56% of respondent companies specify that they intend to invest less than US\$5 million over the next 2- and 3-5-year periods. Nevertheless, over 20% and 30% indicate they will invest between US\$ 5-100 million, and another 3% will invest over US\$100 million, over the same periods.



Intended ODI is Most Likely to be Funded by State-owned Banks

Nearly half of the respondent companies indicate that the investment capital of their intended ODI will be raised by borrowing from a state-owned bank in China. In addition, another 12% will seek the ODI capital from other financial institutions and capital markets in China. Only 17% will use the company's own capital from sales and profits to invest abroad.

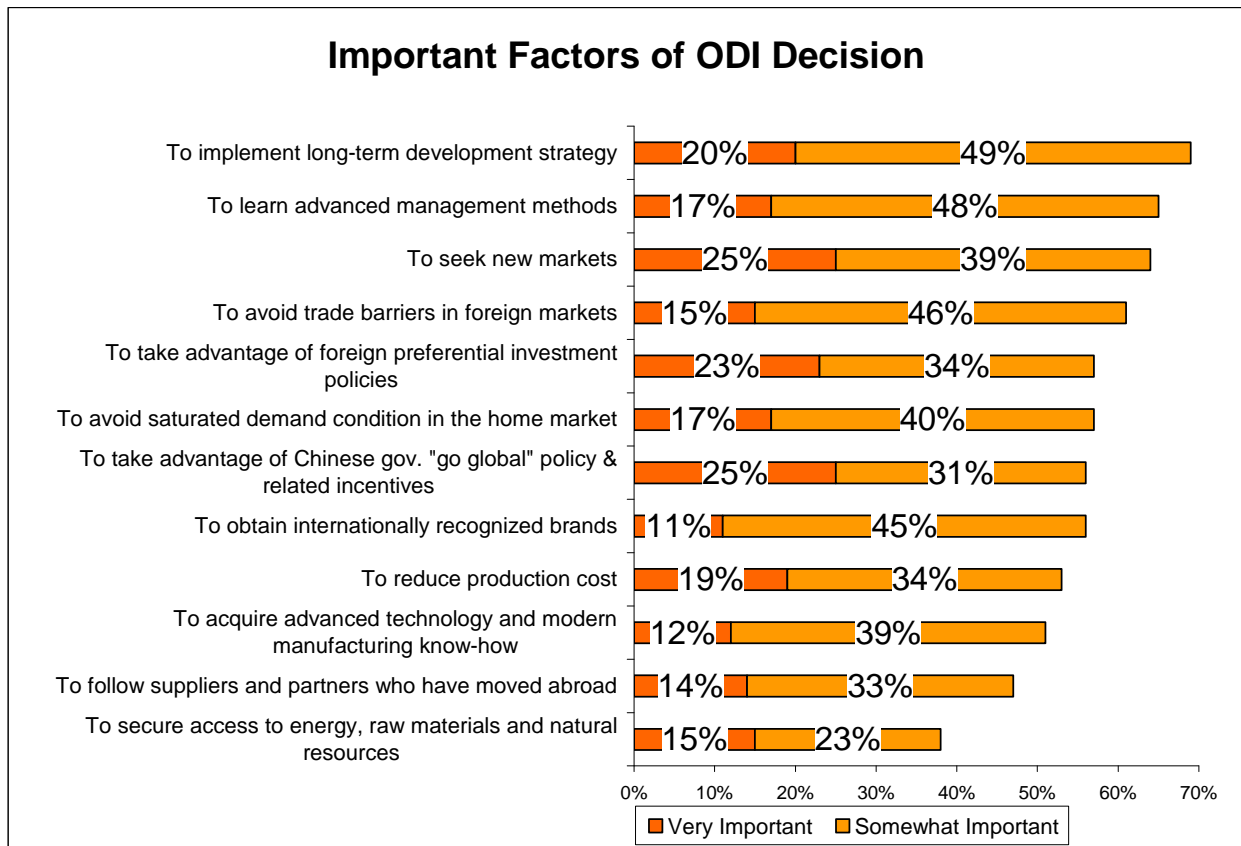


ODI to Become a Long-term Strategic Plan

The respondents consider implementing the companies' long-term development strategy as the most important factor in their ODI decisions, as many as nearly 70% of respondents agree that this is very important or somewhat important in making ODI decisions. Learning advanced management methods and seeking new overseas markets are the second and third most important factors in their ODI decision.

Similar to last year's results, government policy, notably the "go global" policy and its related incentive measures, appears among second tier factors influencing Chinese companies' ODI decisions.

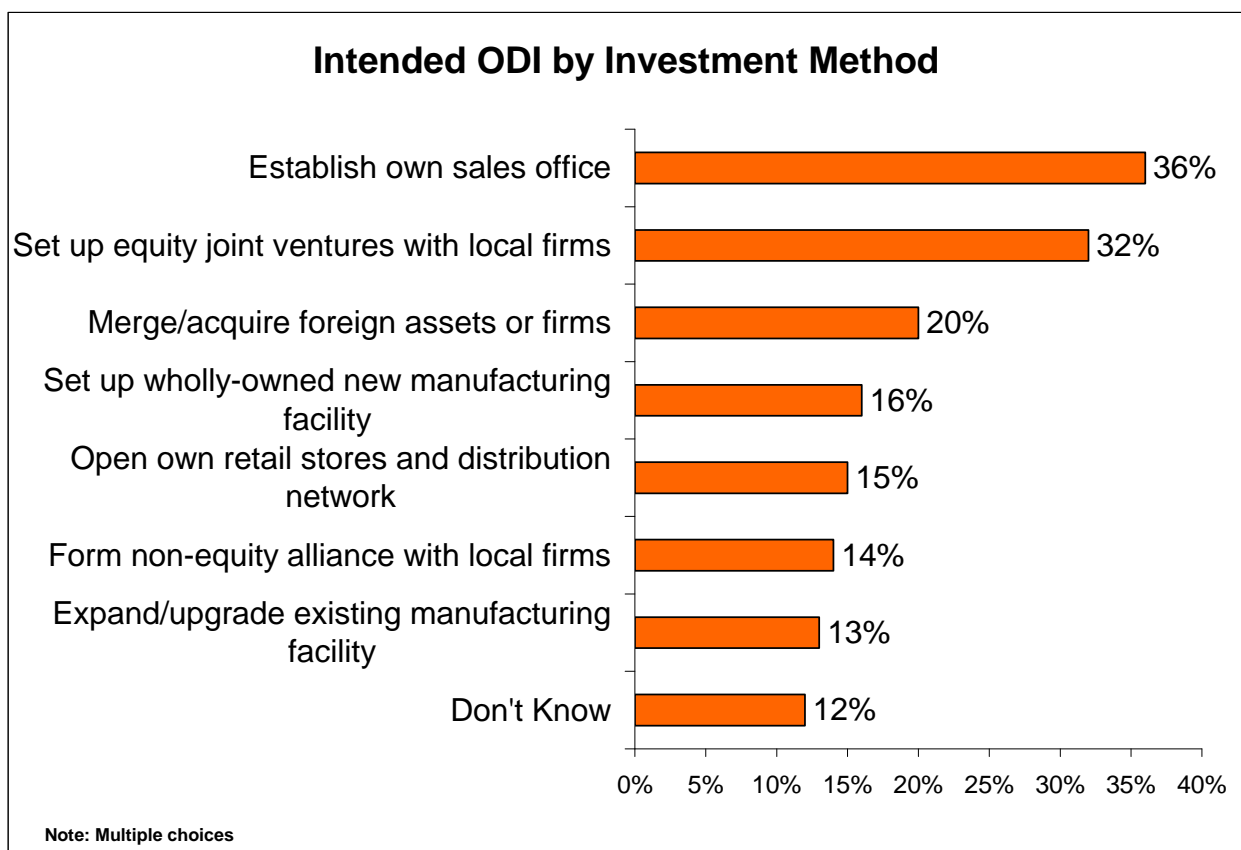
Interestingly, only 38% of the respondents consider securing access to energy, raw materials and natural resources as an important (very or somewhat) factor in the ODI decision, ranking it the least important factor among those listed.



M&A is Likely to Increase

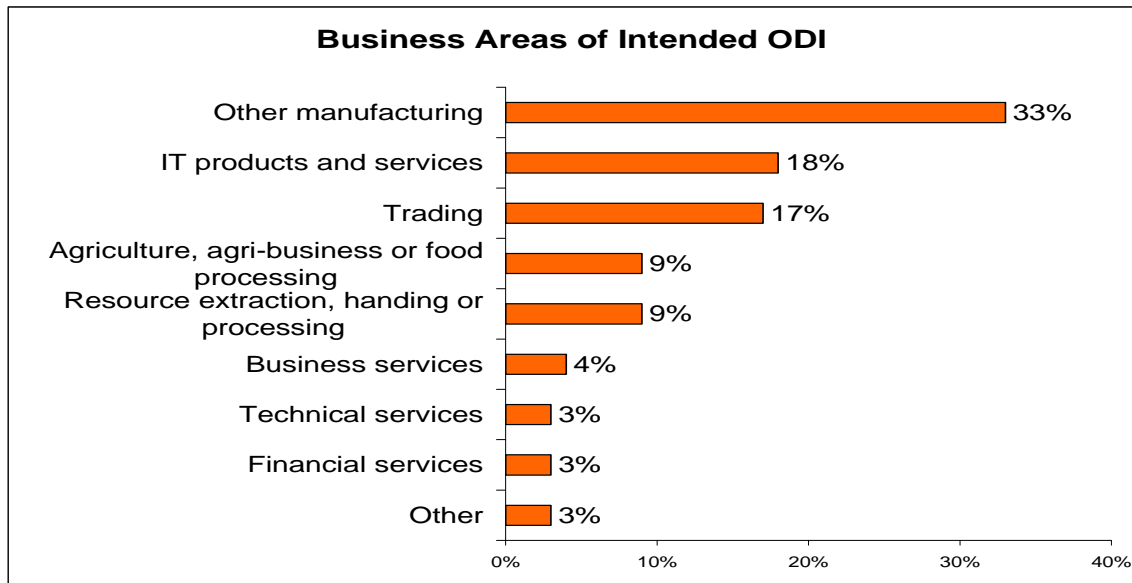
Respondent companies are most likely to establish their own sales offices or set up equity joint ventures with local firms as their preferred methods for intended ODI. However, directly merging with and acquire foreign assets or firms is becoming an increasingly popular ODI method for Chinese companies. It moves up to the third among most preferred methods for intended ODI compared to the fifth-place ranking for past investment methods for existing ODI by the same group of Chinese companies.

Significantly fewer respondent companies (12%) do not have a clear vision on the methods used to accomplish their future ODI in global markets, compared with 56% in last year's survey.



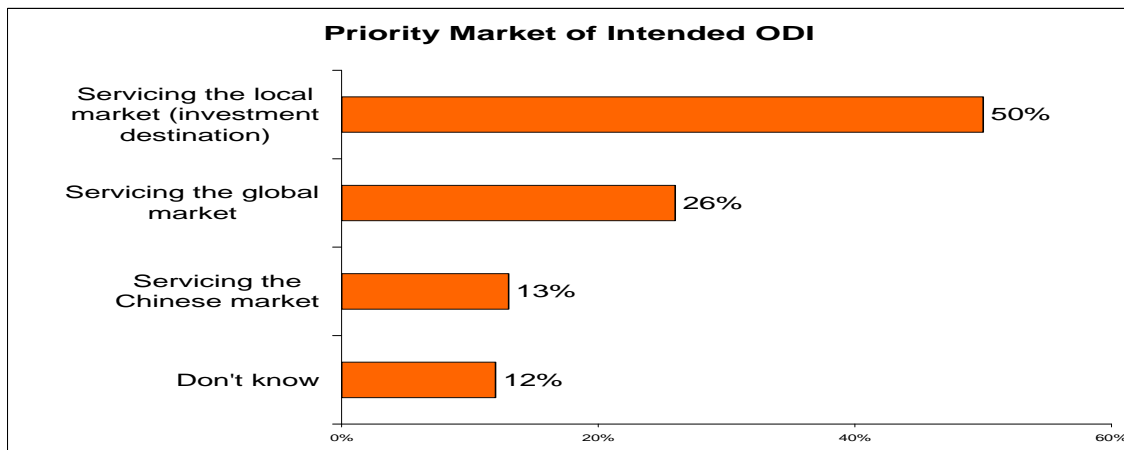
Business Areas of Intended ODI Go beyond Resource Sector

Manufacturing (excluding those sectors specifically listed in the question), is still the key area for intended Chinese ODI, as nearly one-third of the respondent companies indicate that they will most likely invest in manufacturing business. Businesses in IT products and services and in trading are the second and third areas most attractive areas for Chinese intended ODI. Fewer than one-tenth of the respondent companies consider that their intended ODI is most likely to be in the area of resource extraction, handing or processing.



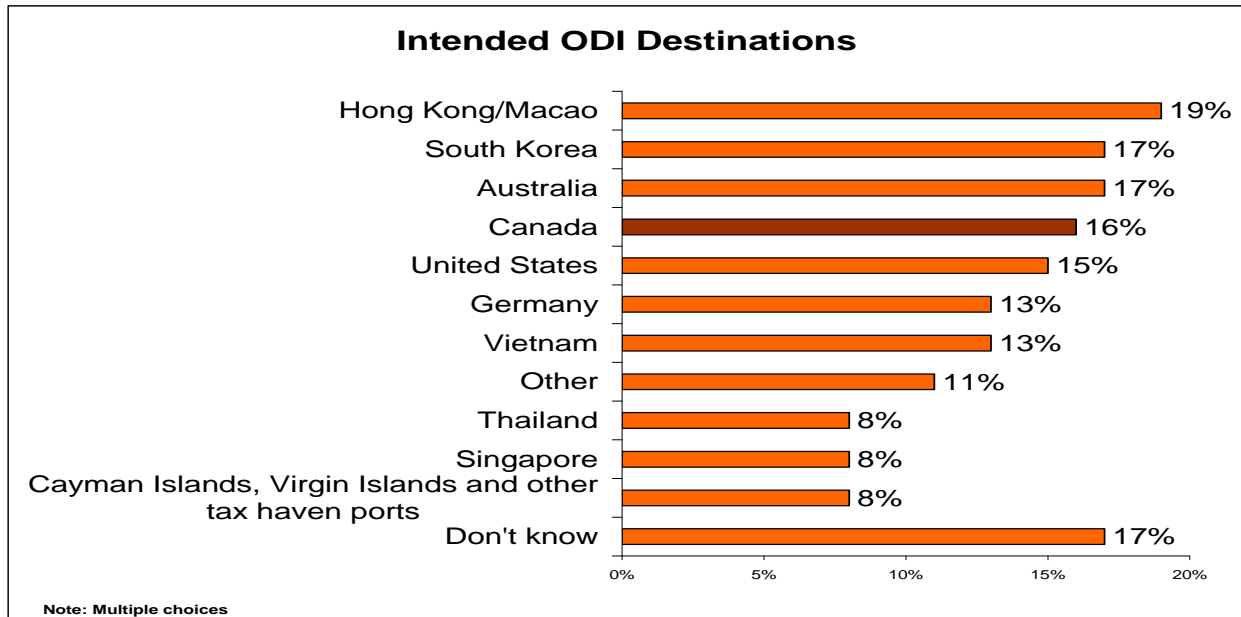
Intended ODI to Service Foreign Markets

Half of the respondent companies agree that the priority market for intended ODI is the local market in the invested destination, while a quarter of the companies indicate that servicing the global market is the priority market of intended ODI. In other words, three-quarters of the respondents are outward looking and targeted at foreign markets through ODI. Only 13% indicate that their priority market of intended ODI is China.



Asian Countries Most Attractive for Future ODI

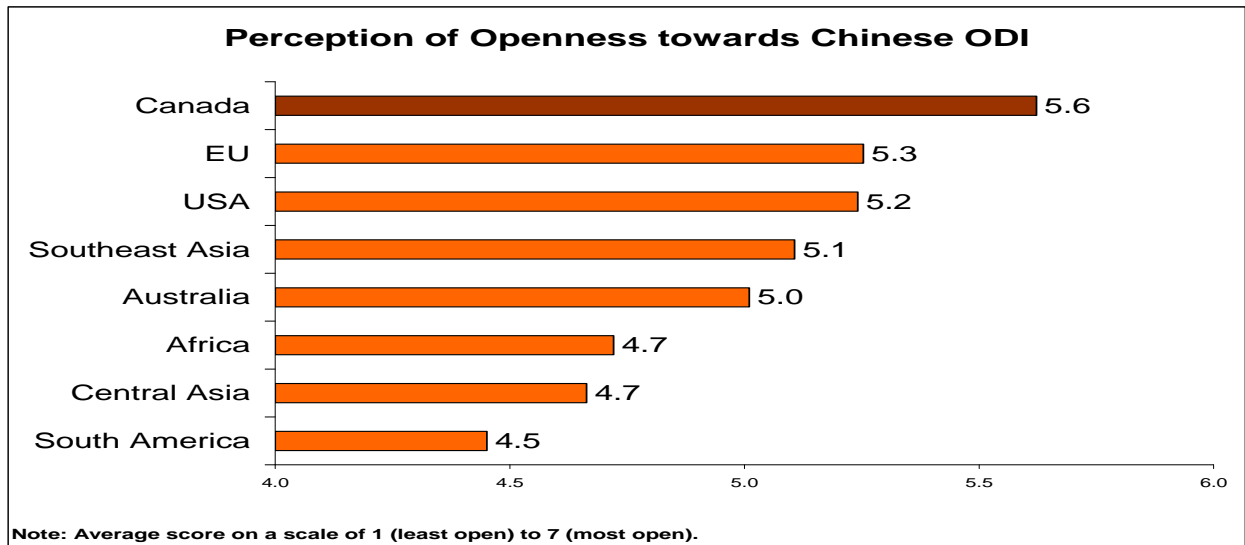
Of 10 likely destinations, based on Chinese ODI in 2005, Hong Kong together with Macao is the top choice, followed by South Korea and Australia as the top three likely ODI destinations. Canada ranks No. 4, ahead of the United States and Germany.



2.3. Is Canada A Destination for Chinese ODI?

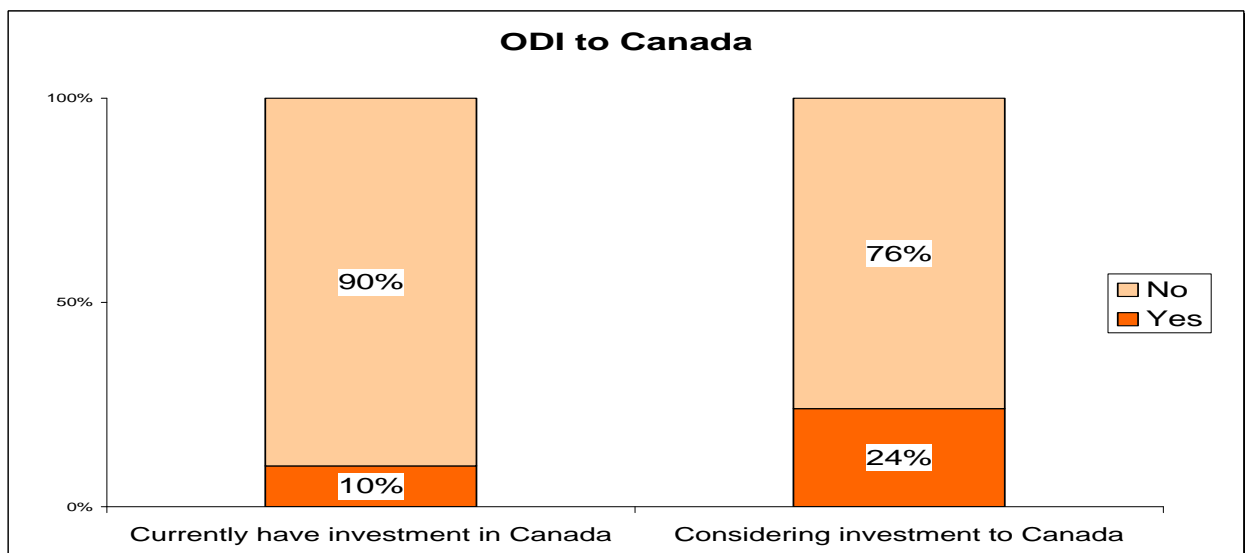
Canada is Seen Mostly Open Toward Chinese ODI

Respondent companies perceive Canada as the most open economy in the world toward Chinese ODI. Canada gets a highest score of 5.6 on a scale of 1 (least open) to 7 (most open), followed by the EU and the United States. South America countries are seen as the least open for Chinese ODI.



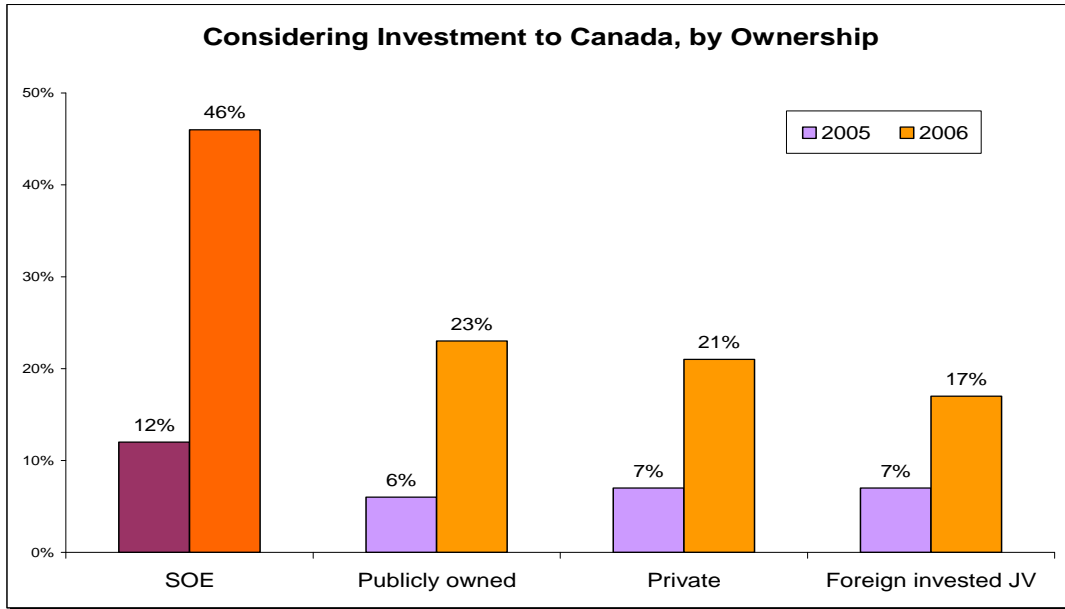
Chinese ODI to Canada Likely to Increase

One-tenth of respondent Chinese companies currently have investment projects in Canada, up from 4% last year. The number of respondents considering the possibility of investing to Canada has also increased to 24% from 8% a year earlier.



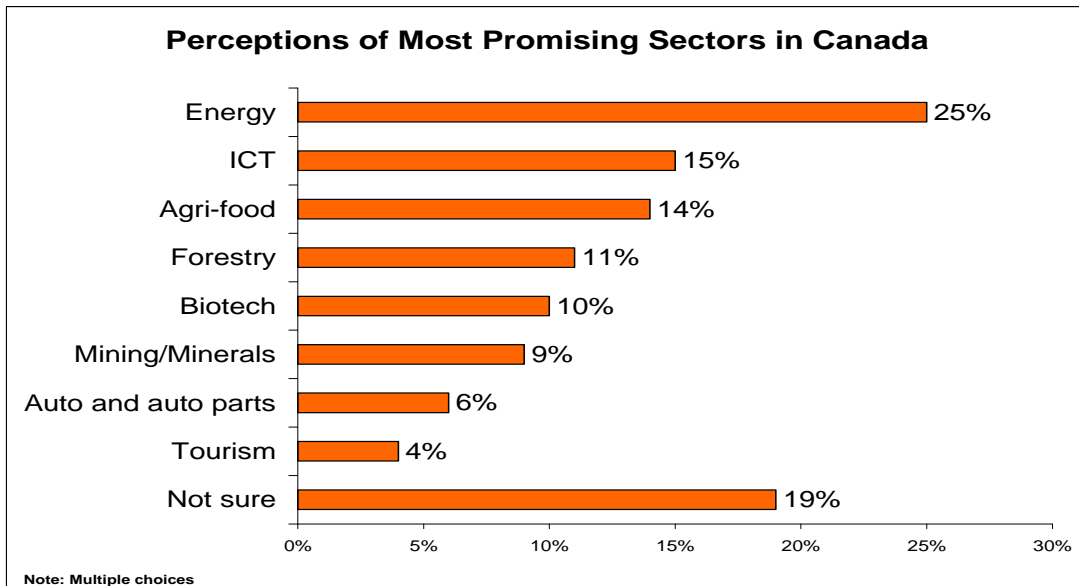
SOEs Are More Likely to Invest in Canada

The likelihood of investing in Canada is on the rise for all types of companies, compared with a year ago. There is a much higher possibility of Chinese SOEs investing in Canada than for other types of companies. Some 46% of SOEs are considering investment to Canada, compared with 17-23% for other types companies.



Chinese Companies are Keen on Energy in Canada

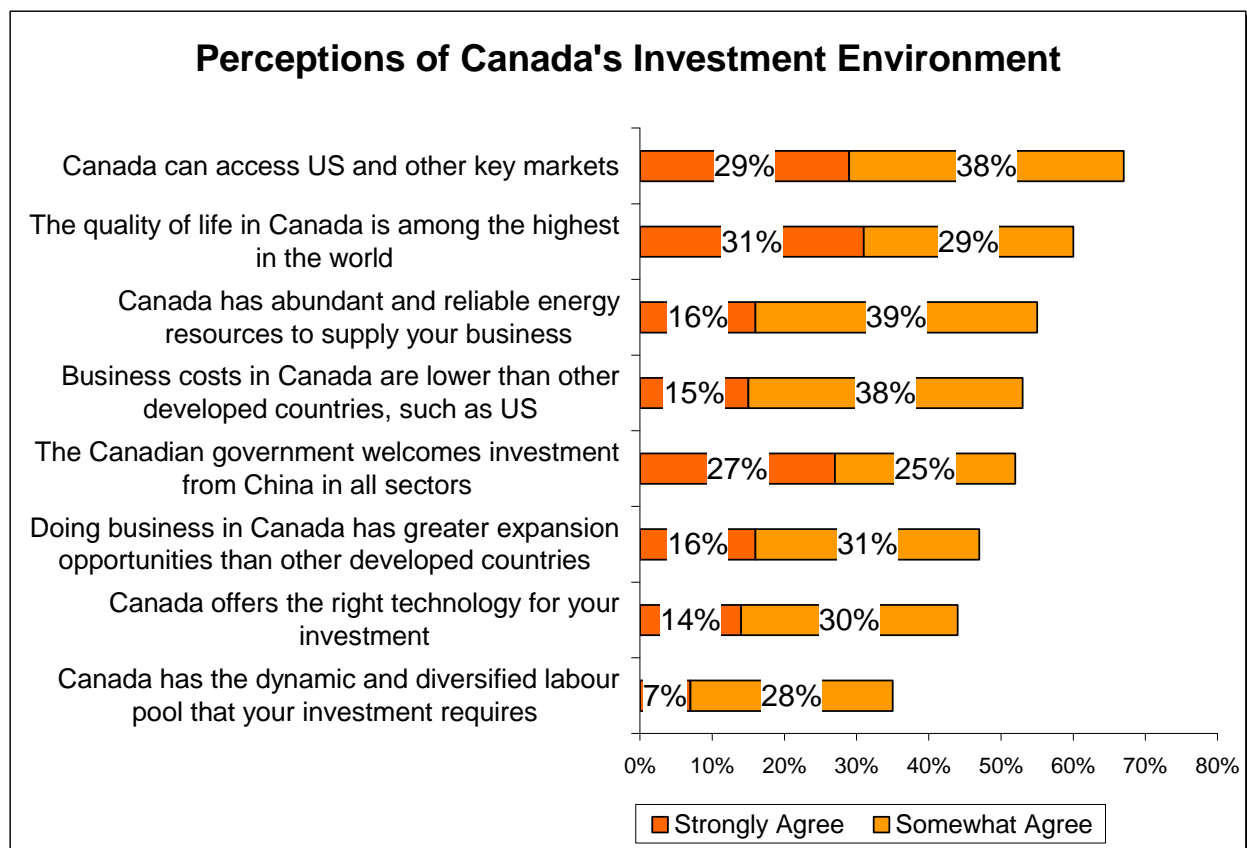
Respondent companies consider energy, ICT, and agri-food as the most promising sectors for investment in Canada, followed by forestry, biotech, mining/minerals and autos/auto-parts. Tourism is seen as the least promising sector in Canada of the industries listed in the survey.



Canada is Seen as a Gateway to US and Other Key Markets

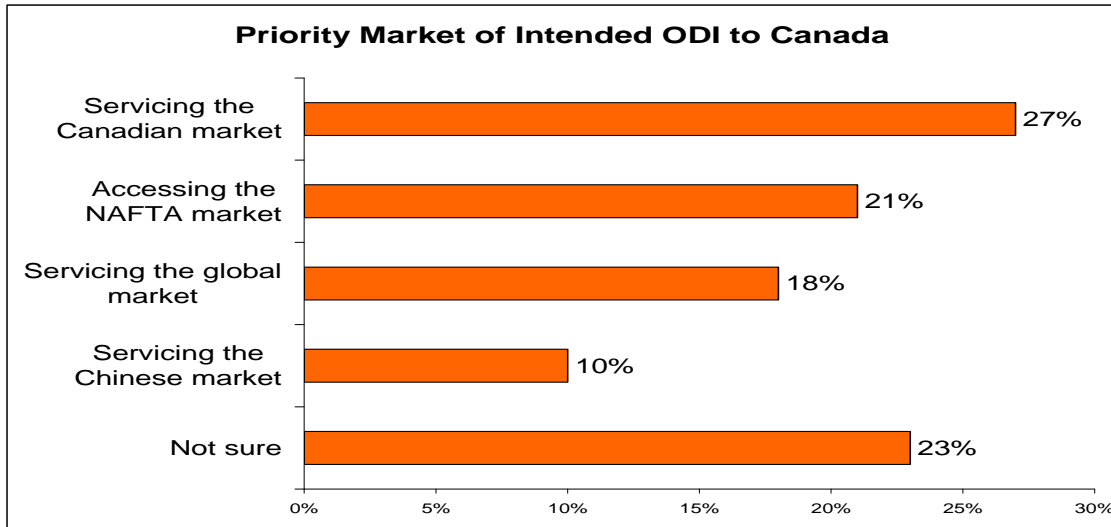
Similar to last year's results, "Canada can access US and other key markets," "The quality of life in Canada is among the highest in the world" and "Canada has abundant and reliable energy resources to supply your business" are among the top three factors in Canada's investment environment perceived by respondent Chinese companies.

However, this year, "Canada can access US and other key markets" moves up to the first place. Nearly two-thirds of respondents agree (strongly or somewhat) with this statement. This reflects Canada being seen increasingly as a gateway to US and other key markets in the world. "The quality of life in Canada is among the highest in the world" slipped to second place, although 60% of respondents agree with this statement. About 55% agree that "Canada has abundant and reliable energy resources to supply your business," which remains at the third place.



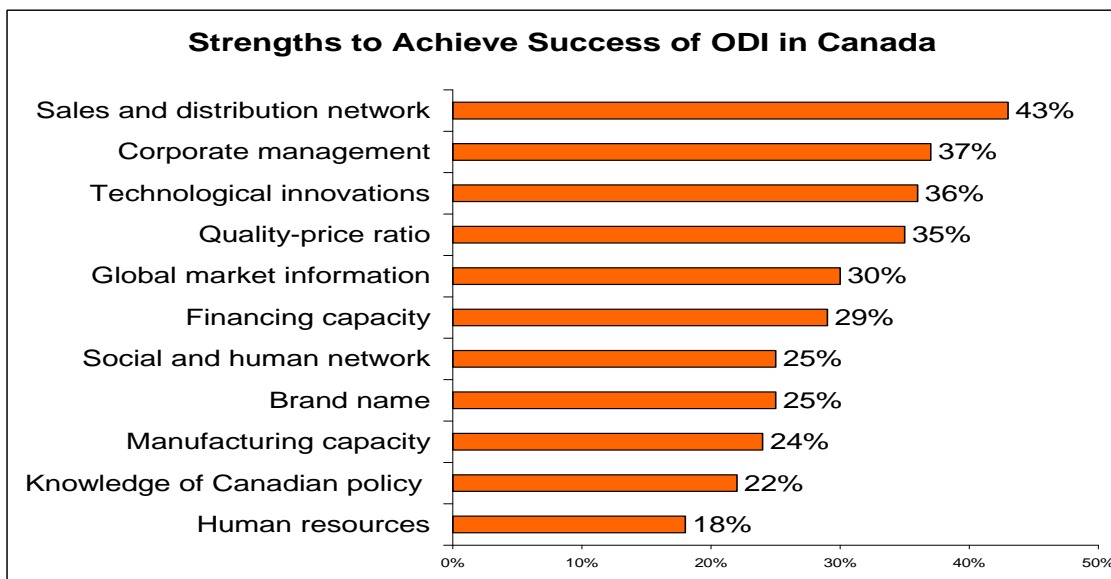
Intended ODI to Canada is to Tap into NAFTA Markets

Over one-quarter of respondent companies say that their priority market with intended ODI to Canada is servicing the Canadian market, while another 21% indicate access to the NAFTA market. Combined the two make nearly half of the respondents.



Chinese Companies are Confident on their Strengths

Over 40% of respondent companies consider their established sales and distribution network is the most important strength in achieving success in ODI in Canada. In addition, strong corporate management and capacity of technological innovation and the right quality-price ratio of products are among the main strengths perceived by respondents as needed for success in Canada. Knowledge of Canadian policy and human resources are seen as the least important needed strengths in Chinese companies.

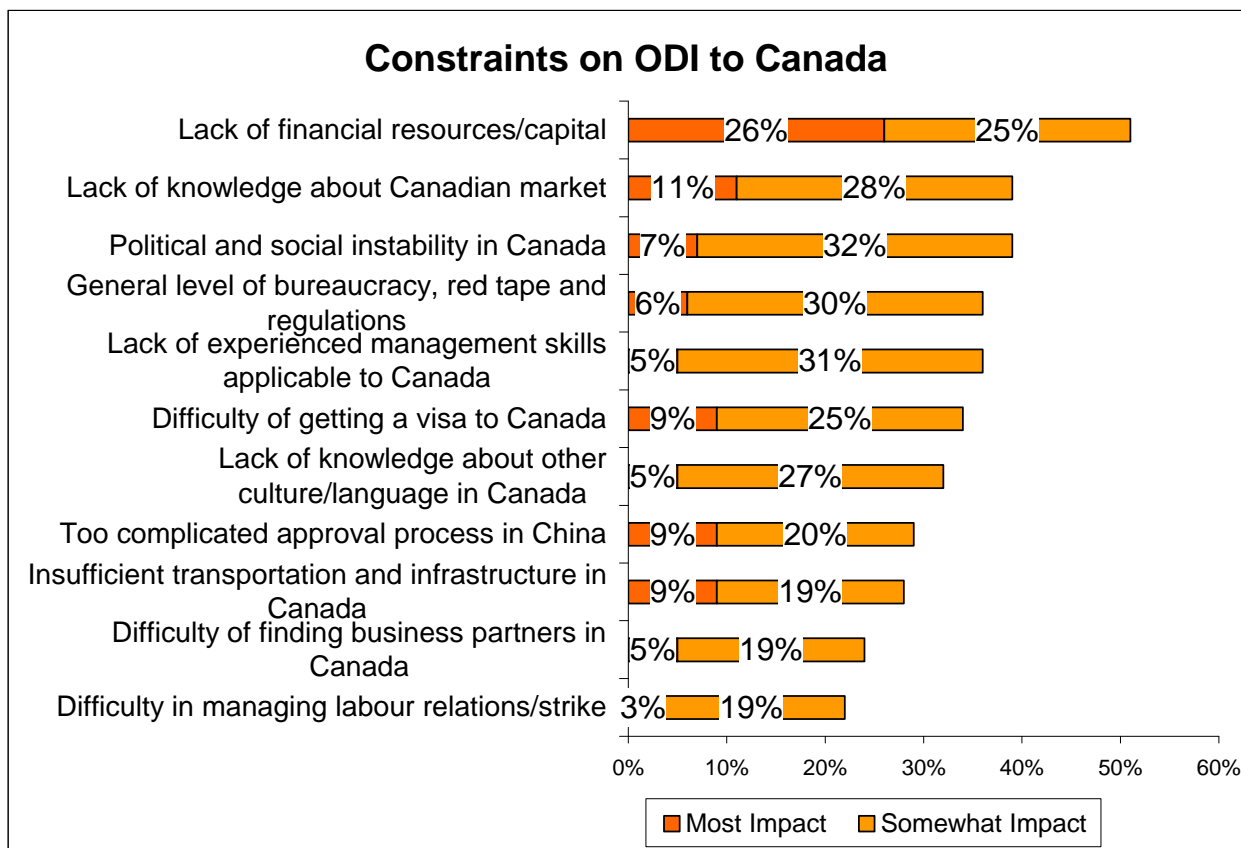


Constraints on ODI in Canada are Mixed

There are a wide range of constraints that respondent companies consider important in influencing their ODI in Canada. These constraints are clearly involve both Chinese and Canadian-sourced elements.

From the Chinese perspective, the most important constraint is lack of financial resources/capital, as over half of the respondents say that this has negative impact on their ODI to Canada. Other factors vary from “lack of knowledge about Canadian market,” “lack of experienced management skills applicable to Canada,” and “lack of knowledge about other culture/language in Canada,” to “too complicated approval process in China.”

Looking at the Canadian side of the ODI exercise, the constraints perceived by respondents include “political and social instability in Canada” and “difficulty of getting a visa to Canada.” Other factors, such as “insufficient transportation and infrastructure in Canada,” “difficulty of finding business partners in Canada” and “difficulty in managing labour relations/strike” are also considered as constraints, although less severe.

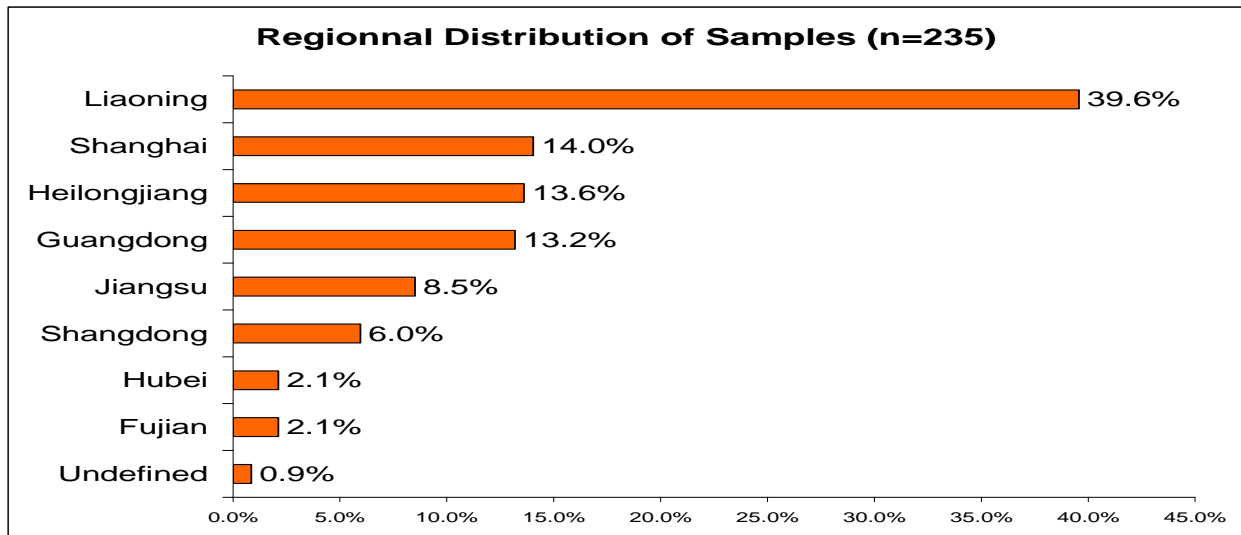


2.4. Description of Sample

The sample is drawn from the CCPIT membership³ representing various sectors of China's companies and most provinces of the country. Some 235 companies provided valid responses to the survey, and the results are accurate within 6.4 percentage points 19 times out of 20.

Geographic Representation

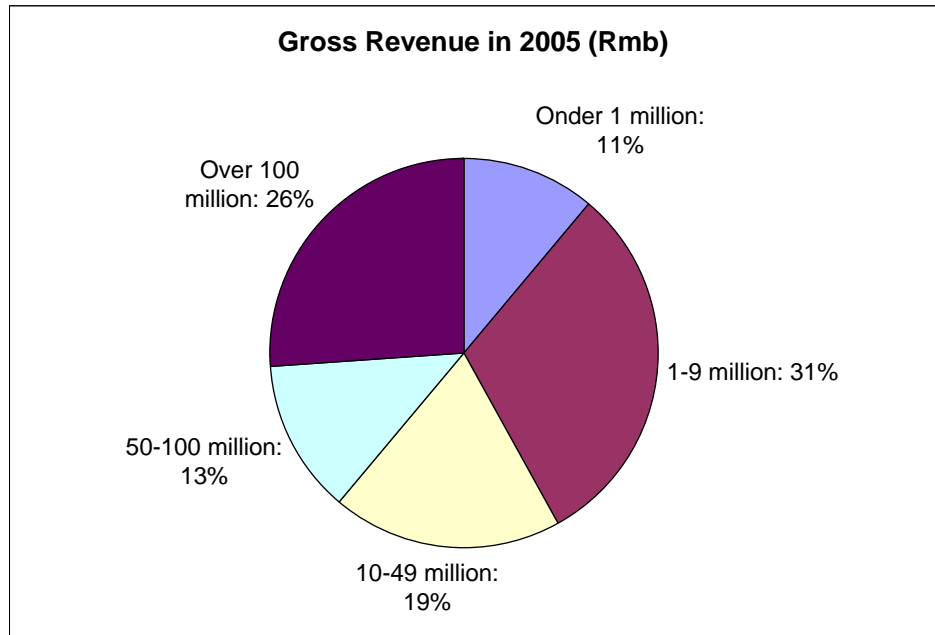
Companies participating in the survey represent mainly China's eastern coastal regions, which are the hubs of China's economic boom, along with one province in central China.



³ Established in May 1952, CCPIT comprises VIPS, enterprises and organizations representing all economic and trade sectors in China. It is the most important and the largest institution for the promotion of foreign trade in China. CCPIT has under it 49 local branch offices, 18 industrial branch offices, more than 600 sub-level branch offices and county-level chambers of commerce, and more than 60,000 member enterprises, covering all parts of China and all trades and industries in the country. CCPIT operates 15 representative offices in Hong Kong, the US, Canada, Britain, Germany, Australia, Italy, South Korea, Japan, Belgium, France, Mexico, Russia, the Dominican Republic and the United Arab Emirates.

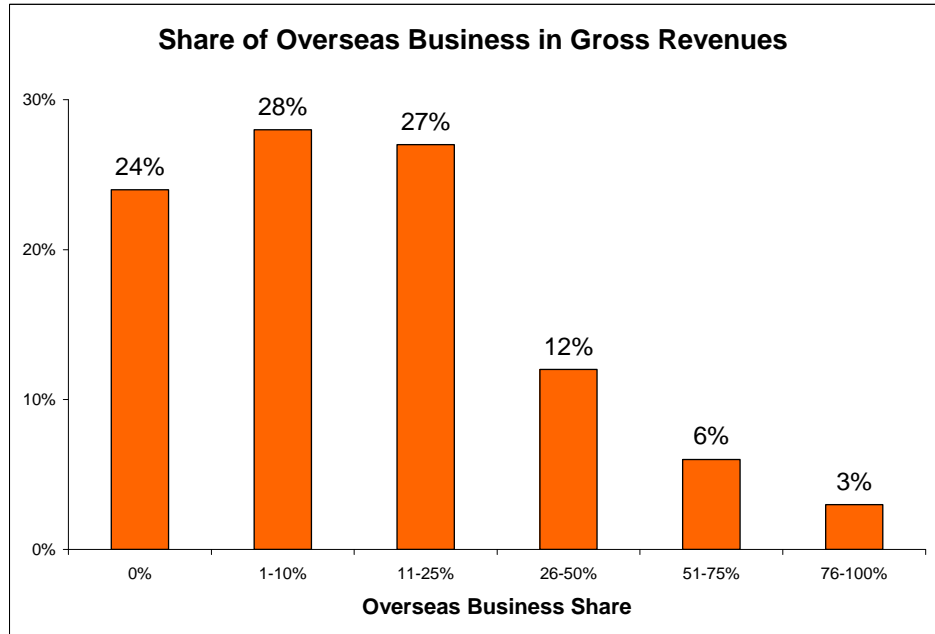
Breakdown by Company Size

Some 42% of the companies have annual revenue of less than Rmb10 million, 26% are over Rmb100 million and another 32% are somewhere in between. This composition reflects the greater size of sample companies than in last year's survey.



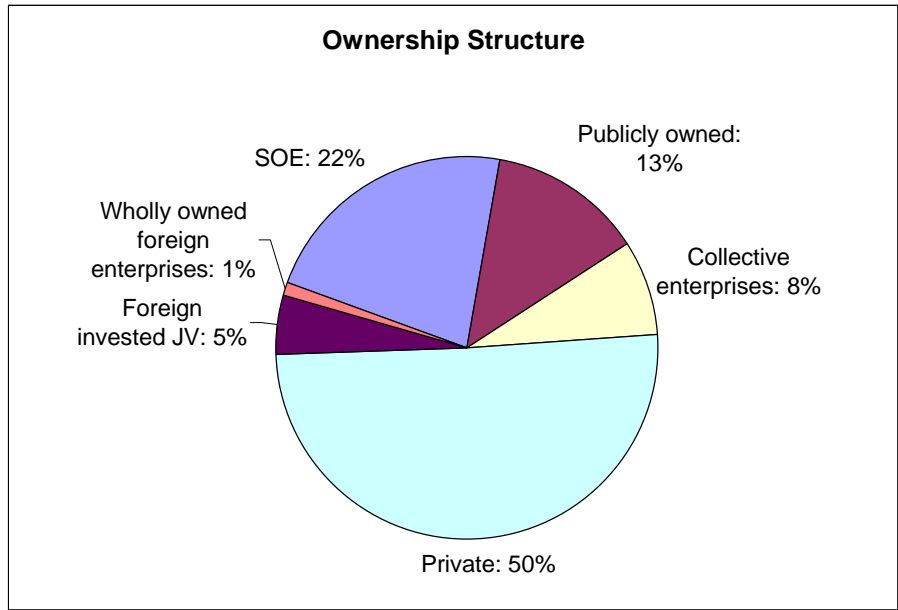
Involvement in Overseas Business

Three-quarters of respondent companies have some involvement in international markets, up from two-thirds last year. The percentage of companies stating that more than a quarter of their sales revenue came from their overseas business activities was 21% compared with 23% a year ago.



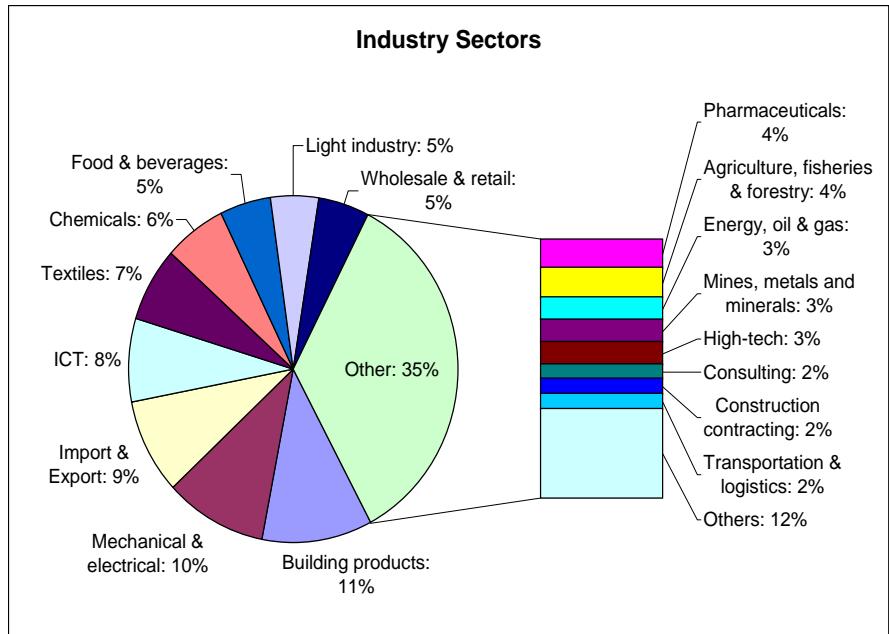
Breakdown by Ownership Structure

Half the respondent companies are privately-owned, while state-owned enterprises represent 22%. Another one-quarter of the sample are represented by publicly owned companies, collective enterprises, foreign invested joint venture and wholly owned foreign enterprises.



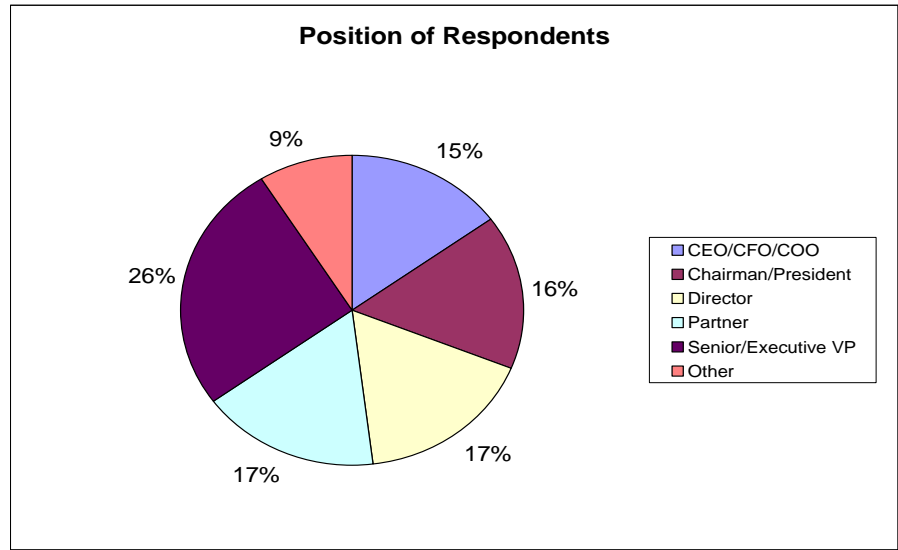
Breakdown by Industry Sector

The respondent companies represent a wide range of industrial sectors, as shown in the chart. The extensive representation helps achieve a balanced sample of ODI intentions from different industries.



Breakdown by Respondents' Position

Almost 90% of the respondents are senior executives at their companies, varying from CEO, chairman and president, to board director, partner and executive vice president.



Annex A: Questionnaire on Investment Intentions of CCPIT Member Companies

NOTE: Thank you for taking the time to fill out this questionnaire. There are four sections in this survey, and please answer relevant questions by following the instruction at the beginning of each section. Your response will be strictly confidential and the results of this survey will not make any reference to specific enterprises.

1. Current Status of Overseas Investment

Instruction: In this section, we will ask you about your company's current status of involvement in overseas investment.

1.1 Has your company ever invested outside of China? If yes, when did your company first invest overseas?

____ (Please write actual year, "0" = No Investment)

If "0", then go to Section 2.

1.2 Which of the following scales best reflects the total overseas investment by your company?

- Under US\$ 1 million
- US\$ 1 – 4 million
- US\$ 5 – 9 million
- US\$ 10 – 100 million
- Over US\$ 100 million
- Don't know

1.3 In which regions does your company have overseas investment? (Please select ALL that are applicable)

- Africa
- Asia
- Europe
- Latin America
- North America
- Oceania
- Don't know

1.4 Which of the following methods best described your company's investment overseas? (Please select ALL that are applicable)

- Establish own sales office
- Open own retail stores and distribution network
- Form non-equity alliance with local firms
- Set up equity joint ventures with local firms
- Set up wholly-owned new manufacturing facility
- Expand / upgrade existing manufacturing facility
- Merge / acquire foreign assets or firms
- Don't know

1.5 Which of the following methods best described your company's purpose of investment? (Please select ALL that are applicable)

- To manufacture in invested foreign market for sales in that market
- To manufacture in invested foreign market for re-export
- To distribute and sell in invested foreign market
- To produce resources for sale in China
- To acquire technology and know-how for headquarters
- Other _____

1.6 Which ONE of the following categories best describes the main area of your current overseas business? (Please select ONE)

- Resource extraction, handing or processing
- Agriculture, agri-business or food processing
- IT products and services
- Other manufacturing
- Trading
- Financial services
- Business services
- Technical services
- Other _____

1.7 Overall, how do you describe the success of your company's current overseas investment?

- very satisfied
- somewhat satisfied
- somewhat dissatisfied
- very dissatisfied
- too soon to determine

2. Overseas Investment Intentions

Instruction: In this section, we will ask you about your company's intention regarding overseas investment in the future.

2.1 Over the next 2 years, do you expect your company's overseas investment to:

- increase substantially
- increase moderately
- stay about the same
- decrease
- make no investment
- Don't know

2.2 Over the next 3-5 years, do you expect your company's overseas investment to:

- increase substantially
- increase moderately
- stay about the same
- decrease
- make no investment
- Don't know

2.3 Over the next 2 years, how much do you expect your company to invest overseas?

- Under US\$ 1 million
- US\$ 1 – 4 million
- US\$ 5 – 9 million
- US\$ 10 – 100 million
- Over US\$ 100 million
- Not applicable
- Don't know

2.4 Over the next 3-5 years, how much do you expect your company to invest overseas?

- Under US\$ 1 million
- US\$ 1 – 4 million
- US\$ 5 – 9 million
- US\$ 10 – 100 million
- Over US\$ 100 million
- Not applicable
- Don't know

2.5 Which of the following methods best describe how your company will find the capital for overseas investment?

- Company's own capital from sales and profits
- Raise money by borrowing from a state-owned bank in China
- Raise money by borrowing from a private bank in China
- Raise money by issuing new stocks
- Raise money by issuing new bonds
- Raise money through loans or credits from Chinese government
- Other _____
- Not applicable

2.6 On a scale of 1 (lowest) to 7 (highest), how would you rate the importance of reasons for your company's overseas investment decisions?

Major Reasons of Overseas Investment	1	2	3	4	5	6	7
a. To take advantage of Chinese govt. "go global" policy & related incentives							
b. To reduce production cost							
c. To seek new markets							
d. To avoid saturated demand condition in the home market							
e. To avoid trade barriers in foreign markets							
f. To secure access to energy, raw materials and natural resources							
g. To acquire advanced technology and modern manufacturing know-how							
h. To obtain internationally recognized brands							
i. To learn advanced management methods							
j. To take advantage of foreign preferential investment policies							
k. To follow suppliers and partners who have moved abroad							
l. To implement long-term development strategy							
m. Other, please specify:							

2.7 Which of the following methods will your company use in its future overseas investment: *(Please select ALL that are applicable)*

- Establish own sales office
- Open own retail stores and distribution network
- Form non-equity alliance with foreign firms
- Set up equity joint ventures with foreign firms
- Set up wholly-owned new manufacturing facility
- Expand / upgrade existing manufacturing facility
- Merge / acquire foreign assets or firms
- Not applicable
- Don't know

2.8 Which of the following countries/regions do you perceive will be most likely a destination for your company's overseas investment over the next 2 years? *(Please select ALL that are applicable)*

- Australia
- Canada
- Cayman Islands, Virgin Islands (UK), and other tax haven ports
- Hong Kong/Macao
- Germany
- South Korea
- Singapore
- Thailand
- United States
- Vietnam
- Other _____
- Don't know

2.9 Which ONE of the following categories best describes the main area of your planned overseas investment? *(Please select one)*

- Resource extraction, handing or processing
- Agriculture, agri-business or food processing
- IT products and services
- Other manufacturing
- Trading
- Financial services
- Business services
- Technical services
- Not applicable
- Other _____

2.10 Which priority market will your planned overseas investment be aimed at: *(Please select one)*

- Servicing the local market (investment destination)
- Servicing the Chinese market
- Servicing the global market
- Not applicable
- Don't know

2.11 Overall, how would you perceive the openness toward Chinese direct investment in following regions/countries? Please use a scale of 1 indicating not open to 7 indicating very open (DK=Don't Know):

Regions/Countries	1	2	3	4	5	6	7	DK
a. Australia								
b. Canada								
c. US								
d. EU								
e. Southeast Asia								
f. Central Asia								
g. South America								
h. Africa								

3. Investment in Canada

Instruction: In this section, we will ask you about your company's perception of investment in Canada.

3.1 Does your company currently have investment in Canada?

Yes No

3.2 Is your company considering an investment in Canada over the next 2 years?

Yes No

3.3 Which priority market will your planned overseas investment in Canada be aimed at: (*Please select one*):

- Servicing the Canadian market
- Servicing the Chinese market
- Accessing the NAFTA market
- Servicing the global market
- Not applicable
- Don't know

3.4 What are the strengths of your company that will help achieve its investment success in Canada? (*Please select ALL that are applicable*):

- Technological innovations
- Manufacturing capacity
- Brand name
- Quality-price ratio
- Human resources
- Social and human network
- Sales and distribution network
- Financing capability
- Corporate management
- Knowledge of Canadian policy
- Global market information
- Not applicable
- Other _____

3.5 On a scale of 1 (strongly disagree) to 7 (strongly agree), how do you perceive Canada as an investment destination? (DK=Don't Know):

Perception of investment in Canada	1	2	3	4	5	6	7	DK
a. Canada has the dynamic and diversified labour pool that your investment requires								
b. Business costs in Canada are lower than other developed countries, such as US								
c. Doing business in Canada has greater expansion opportunities than other developed countries								
d. Canada has abundant and reliable energy resources to supply your business								
e. Canada offers the right technology for your investment								
f. Canada can access US and other key markets								
g. The Canadian government welcomes investment from China in all sectors								
h. The quality of life in Canada is among the highest in the world								
i. Other, please specify:								

3.6 To what extent are the following constraints on your ability to expand/grow your company's investment in Canada? Please use a scale from 1 (lowest) to 7 (highest):

Major Constraints for Investment in Canada	1	2	3	4	5	6	7	DK
a. Difficulty in managing labour relations/strike								
b. Difficulty of finding business partners in Canada								
c. Difficulty of getting a visa to Canada								
d. General level of bureaucracy, red tape and regulations								
e. Insufficient transportation and infrastructure in Canada								
f. Lack of experienced management skills applicable to Canada								
g. Lack of financial resources/capital								
h. Lack of knowledge about Canadian market								
i. Lack of knowledge about other culture/language in Canada								
j. Political and social instability in Canada								
k. Too complicated approval process in China								
l. Other, please specify:								

3.7 Which do you perceive as the most promising sectors for investing in Canada (*Please select ALL that are applicable*):

- Agri-food
- Auto and auto parts
- Biotech
- Energy
- Forestry
- ICT
- Mining/Minerals
- Real estate
- Tourism
- Other _____

4 General Information About Your Company

Instruction: In this section, we will ask you for some general background about your company.

4.1 What year did your company start? (_____)

4.2 What was the annual gross revenue of your company last year? (*in Chinese RMB*)

- Under RMB 1 million
- RMB 1-9 million
- RMB 10-49 million
- RMB 50-100 million
- Over RMB 100 million

4.3 What percentage of your company's gross revenues comes from overseas business activities, such as exports, offshore manufacturing and sales, etc.?

- 0%
- 1-10%
- 11-25%
- 26-50%
- 51-75%
- 76-100%

4.4 What is the nature of your company?

- SOE
- Publicly owned
- Collective enterprises
- Private
- Foreign invested JV
- Wholly owned foreign enterprise

4.5 Which of the following categories best describes the sector that your company works in? (*Please select one*):

- Aerospace and aviation
- Automotive

- Building products
- Chemicals
- Food & beverages
- Light industry
- Mechanical & Electrical
- Pharmaceuticals
- Textiles
- Agriculture, fisheries & forestry
- Energy, oil and gas
- Mines, metals and minerals
- Consulting
- Construction contracting
- Finance & insurance
- Health services
- Import & export
- Legal & accounting services
- Real estate development
- Tourism
- Wholesale & retail trade
- Transportation & logistics
- ICT
- High-tech
- Miscellaneous/Others

4.6 Which title best describes your position in the company?

- CEO/CFO/COO
- Chairman/President
- Director
- Partner
- Senior/Executive Vice President
- Other _____

4.7 Please indicate the primary province of your business operations?

- Liaoning
- Heilongjiang
- Shanghai
- Jiangsu
- Fujian
- Shandong
- Hubei
- Guangdong
- Other